



## PRIME MINISTER

### TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH JUDY TIERNEY, ABC RADIO, HOBART 5 AUGUST 1992

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JT: The Prime Minister is with me now, and welcome to Tasmania Paul Keating.

PM: Thank you very much, Judy, it's nice to be here.

JT: You lose marks for being late around here, you know.

PM: Well, as I just said to you, if you are an announcer and you're late you don't come back, but if you're the Prime Minister and you're late, you can get away with it.

JT: Well I don't know about that. First question today to you, and I think I'll go right into it because there are a number of things I want to put to you, and I hope you can stay with us for the half hour, can you?

PM: I can, yes.

JT: Terrific. Increase in the Medicare levy, is that the first move to taking over all health insurance in Australia?

PM: Well that's speculation. This time at each year before the Budget there is always speculation about Budget measures. But there is a bit of focus on Medicare now, and it's because the Opposition propose to force people into private insurance. Whereas this scheme has worked very well now for just on a decade, all Australians can get medical protection regardless of income, and we have been at pains over the years to keep the scheme relevant and good, but an increase in the levy is at this stage just simply speculation.

JT: Just speculation, no more substance to it than that?

- PM: Well, as I said to you, every time this year we always get asked about Budget measures.
- JT: Well is it going to happen?
- PM: The only reply I can give you is that there is no point in me speculating about rumoured Budget measures.
- JT: Yes, but you know about it already. Is there, just to extrapolate that there even further, is there a plan to take over all health insurance in Australia?
- PM: No, there's never been a plan to take over all health insurance in Australia. We let Australians privately insure if they choose, but the great majority don't because Medicare covers them for medical and hospital protection. And one of the things which people do is insure themselves privately, for private hospitals or private treatment in hospitals, quite often when they don't have to. And I think the one point to get across about that is that many people are privately insured and they don't have to be.
- JT: Still on health, on June 2 the AMA wrote to you asking if you'll establish a national task force to look at and act on the health effects of the unemployed. Now you haven't responded to that, why?
- PM: Well, I mean all sorts of bodies write to us about all sorts of things.
- JT: It's a pretty important issue right now.
- PM: Oh yes, but governments can't spring to attention the moment some lobby group writes to you about something. I've got no doubt that unemployment produces stress amongst some people.
- JT: Can I give you some of the figures then, that were collected by the Institute of Health and Welfare: 17 per cent higher death rates for unemployed males; 50 per cent higher number of visits to the doctor if you're unemployed; 37 per cent higher number of admissions to hospital if you're unemployed; 3.6 times more likely to have a serious stress-related illness if you're unemployed, but you haven't even addressed that letter from the AMA.
- PM: The way to address the problem is to get people back to work. And we've addressed it in a substantial way because there's about 120,000 young people, 15-19, who are unemployed. When I announced the Youth Package a week ago I announced 170,000 places, that is an additional number of places to bring the total to 170,000. So there are 170,000 places in those programs for 120,000 people. So the likelihood is that most young people who wish to have training or some job experience can and will now be taken up under those schemes. So, if we're going

to the AMA's concern at source, it is to actually give young people job opportunities.

JT: Most of these figures, though, would relate to people perhaps who have taken redundancies, thirties, forties, fifties, can't get back into the workforce.

PM: I think you're talking about the young unemployed, generally.

JT: No, this is overall, these are the overall figures. I mean you're not going to get a high death rate with people who are very young. I mean, stress-related illnesses that come with being out of work in your forties and fifties, it's pretty tough then.

PM: Absolutely, absolutely. But in the first instance, young people are a real problem and we've tried to deal with those by simply creating enough places in the labour market programs to take them up, and to train them, and to push home the skilled work transition. For mature aged people, we've also got now a substantial program of labour market support. We turn through about 400,000 Australians through those programs a year. And, as I said, we're looking at those in the Budget as well to see how we can improve them so that we may be able to more. As well as that, the primary improvement would be a discernible pick up in employment in the economy, that starts to create opportunities for people. But there's no doubt, I think, that people do lose self esteem and they worry.

JT: Do you blame them?

PM: No, not at all. And that's why the quicker we get back to growth the better. But the only way to long term jobs is simply growth. Now the economy is growing now. We've had 1.5 per cent growth for the three quarters of the last financial year. We're just waiting now on the June Quarter accounts, so that will give us a picture for the full year to June, that's last financial year. And I think it will probably be growing somewhere around 1.7 - 2 per cent. That being the case, we're growing as fast or faster than West European economies. And in the coming year, this is the financial year we're now in, we expect to be growing of the order of about 4 per cent. Now that being the case, we'll actually be growing faster than the United States, Western Europe, Japan, and most other places. But the problem with a lot of this is that you get more output for fewer people. In other words, in the first phase of a recovery there is more productivity, the system is more productive.

JT: And fewer jobs.

PM: And fewer jobs. So, there's a lag before employment catches up again with the growth. That's the position we're in now, we're living through that lag.

JT: OK, just still on health, though, and just a quick aside really, but why have you doubled the price of the pill for pensioners?

PM: Which pill?

JT: The contraceptive pill.

PM: I've got no idea about it. These things are done by the National Health and Medical Research Council.

JT: \$2.60 to \$5.08, it's doubled in price.

PM: Well, in the end drugs have some reflection of their cost. We have a free list of drugs for pensioners, that is a diminished price way below the commercial price. Of course, everyone argues that every drug that ever came into existence should be on that list. What goes on that list is recommended to the government by I think the National Health and Medical Research Council.

JT: OK. Getting onto wider issues, Joan Kimcr, is she going to win the next election?

PM: Well I don't know, but we'll soon see though, won't we?

JT: Do you think she's got a chance?

PM: She's got a battle, I think she knows that. But she's doing her best.

JT: What support are you giving her, though? I mean she's not too happy about fiscal equalisation remaining, is she?

PM: Yes, she kicked a goal at the Premiers' Conference. She said that the money that was being paid to Tasmania, South Australia, and Western Australia was unfair on Victoria. That the reason fiscal equalisation in part was there was because New South Wales and Victoria enjoy the protection of the tariff. As the tariff has come down, the argument therefore for fiscal equalisation had emeliated, and therefore it was unfair that Victoria should subsidise everybody else to the tune that they were now doing. We said, well there is no doubt that the formula, as is now constructed, is working to increase the payments out of Victoria and New South Wales, and we'll examine it. So we've now got a review on the methodology, not the principle because I actually believe in the principle of fiscal equalisation.

JT: As you said yesterday, Tasi is not missing out. It's a good thing to say while you're in Tasis, isn't it?

PM: Well, I've spent 8 years paying the cheques over, so I did put my money where my mouth was as far as Tasmania was concerned. But, I think the principle is right, that people in the outlying States, outlying from the main population centres, should have the opportunity of services comparable with those that you obtain in New South Wales and Victoria. Joan Kimcr's complaint is that the formula, the

current methodology is exacerbating the trend when in fact Victoria's capacity to pay is weakening. That's fair enough, so we're examining that.

- JT: Still when you look at what Joan Kirner, she may miss out this time, she may go down in a screaming heap after this election. What will that do to you, will that have any bearing whatsoever on when you go to an election?
- PM: No, we'll make our mind up. I think the public want value from these Parliaments, they don't want us all going early, so to speak. And we've got plenty to do, and we've been trying to do it as quickly as we can and as effectively as we can, and we'll just keep doing that. There are a number of State elections that are going to be on, and that's just the coincidence of Parliamentary terms expiring.
- JT: Any likelihood of going in March?
- PM: There's no point in me speculating about election dates either, it's just pointless.
- JT: The climate would be right though, wouldn't it? It's summer, everybody feels pretty good, school leavers figures haven't come out yet.
- PM: It's still summery in most of Australia way past March.
- JT: Not down here it's not. Any chance of it being March, though, early in the year?
- PM: No, I don't think so. My thinking would be we would take the Parliament to its logical conclusion, and we've done that a number of times. I mean it's a very chequered history, Australian Parliaments, they don't run their full three years often but it just depends on the conditions.
- JT: Well, conditions are pretty grim, it's going to be tough for you to go any time, isn't it?
- PM: But the economy is picking up, growth is coming through.
- JT: You're going to Bernie later today, there's been a suggestion that if you ease back on tariffs for APPM, because tariff cuts alone between 1989-1997 will cost APPM more than \$300 million, that's \$60 million a year. Now, is there any way of giving Bernie a break, because it's on its knees at the moment?
- PM: I think everybody, the whole country has paid through the nose with tariffs. I mean, people forget that. And we've reduced tariffs since 1998, gradually. To give an example, a standard Falcon car today is \$23,000, it would have been \$33,000 had the tariff cuts not come through. Tariffs are basically a tax on ordinary Australians. In the public debate it's not as brutally understood as that. It's essentially a tax everyone pays for the protection of these industries. Now, to

make Australia more competitive we have reduced it. But I shouldn't believe that APPM's problems are tariff problems, or tariff problems exclusively.

JT: \$600 million, though, that could go into buying quite a lot of plant and equipment.

PM: Well, who's number is that? That's their number. The fact of the matter is, some of these companies have been not as well managed as they should have been, not as productive as they should have been, and they're now making productivity changes as the market requires them to make, and a simple explanation that this is all because of tariff changes is, I don't think, correct.

JT: Where then has APPM gone wrong in Bernie?

PM: I don't know, but Australian Newsprint Mills is reforming itself just in the same way as APPM is required to reform itself, but without the brouhaha and the heartache which has accompanied changes at APPM. So, I mean they're both doing the same thing, one's doing it obviously more successfully than the other.

JT: You've given tariff breaks, though, for the sugar industry and other industries like that. Isn't there a chance that just to help out the people in Bernie, that this time APPM needs a break?

PM: We're not dispensing tariff breaks, but what we're not doing is taking tariffs to zero. What my friend Dr Hewson is about is taking the whole structure to zero. Now we've still got in there 35 per cent, even at the end points, and that's 1997, 35 per cent for clothing, textile and footwear, 15 for motor cars, 5 for general manufacturing. He is arguing for zero for everything. So I don't think that for instance, a car industry would survive at zero, it will survive at 15, sections of clothing, textile and footwear, which is well represented in this State, won't survive at zero but may survive at 20, 15 and 35, and the end point on paper products is also not zero, I'm not sure what it is but it's not zero. Can I just say that the largest change in tariffs in the last year in the phase downs came in clothing, textile and footwear. It changed by 3 per cent. But the exchange rate has depreciated this year by 8 per cent. So the protection afforded by the exchange rate, that is when the exchange rate depreciates then it adds extra protection, the protection afforded by the exchange rate changed at 8 per cent is more than 2 1/2 times the reduction in the tariff. So complaints by paper manufacturers that at the moment the tariff is actually hurting them is nonsense because the exchange rate is more than compensating for a tariff change.

JT: OK, so you're going to Bernie today empty handed?

PM: Well I'm not going out there to dispense goodies, no.

JT: So there will be no relief at all for Bernie, no special dispensation, nothing that you can do for Bernie?

- PM: It's not a matter of relief, I'm just visiting the town. As far as I know the company has said that to get to a level of competitiveness they believe is important, they think a number of people, a couple of hundred people have got to be either over time not replaced ...
- JT: 400, actually, 400 in a year.
- PM: Well they said 400, which would either be through non replacement or redundancies, or maybe that number doesn't need to go if in some way they can run the plant more productively. So obviously I think there is a point of discussion there for the employers and the unions about how that plant can run more productively to obviate the need for people to leave.
- JT: OK, so Bernic can expect an empty handed PM to visit today?
- PM: I don't think Prime Ministers should be running around writing cheques out. I mean, wandering around saying what is your problem, please sit down and I'll write you a cheque. That's not the way government in this country runs.
- JT: So you won't give \$4 million to a footy club?
- PM: Well, leave that to one side, and the fact is one has to, I think as a government, articulate rational, sensible, long term policies and we're doing that. And all the issues in competitiveness which affect this company, like wages, and we've got an inflation rate now of 1.5 per cent, we've got a competitive exchange rate mechanism, we've had a depreciation of the exchange rate recently.
- JT: If people haven't got a job then they're not interested in those figures.
- PM: But it's for the company, you're making a claim on behalf of the company that it needs support. All I'm saying to you is that it's had more support than it could have likely expected from the Government in the hardest thing to deliver - low inflation, a competitive exchange rate. For a company like that they're the things that it needs, and they're the things that we've given it.
- JT: Another issue here is Benders Quarry. What are you going to do about that, close it down?
- PM: I'm not sure. I think that our view is that there should be no more damage to the cave structure of this area by explosions and the rest, and we've been assured by the Premier, by the Government of Tasmania, that they won't permit any further detonations or damage, and that what we're looking at in the short term is some relocation assistance for the company.
- JT: So the last blast will not take place?

TEL:

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PM: Well, that's what we're told.

JT: Will the funds, though, to relocate it come out of world heritage funds?

PM: I'm not sure what the funding source will be, but I don't think we're talking about gigantic amounts here. Some of the relocation assistance we can handle one way or the other.

JT: Just move on now to listeners' questions and we asked listeners to phone in yesterday with some questions so that we could sort of go through them and sort out the wheat from the chaff. And so if I could go to those now. First one is, has your government considered decreasing the amount of unemployment by introducing national service?

PM: Sorry, decreasing?

JT: Decreasing the amount of unemployment by introducing national service.

PM: Well the question implies that there's some sort of a penalty, that people are unemployed because they don't want to do anything. That is if one threatens them with national service they might get themselves employed. And I think that's very unfair. I mean Australia is going through a cyclical, has been through a cyclical recession and is going through structural change. And we've got cyclical unemployment and we've got unemployment coming from the structure of change in the economy. This is not the fault of the people who are unemployed. And it's unfair I think to say to them that they can quickly employ themselves otherwise we'll shove them in the army. I mean I don't accept that. I think society has got a responsibility to support people who the economic system has made unemployed or redundant. And the way to help them is to teach them new skills so they can go back into the labour market. And that's exactly what the government is doing.

JT: No more nasho then?

PM: No. No more nasho.

JT: Another fellow phoned in and said I'm sixty one, I have been unemployed for twelve months. I've been hassled by the CES and the DSS during this period. I would like to know is there a future policy in respect to the age group fifty five to sixty five being able to take early retirement and get an aged pension.

PM: Well to get an age pension, no. But fifty five is the age where superannuation benefits are freed under the preservation rules. But it is harder obviously for older people to when they are unemployed to get back into the workforce. And obviously



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there needs to be some real buoyancy in the economy and the labour market before that can happen. But we are seeing just in the various technical and further education colleges, I was yesterday at the TAFE at Clarence, and we are seeing quite a number of mature age people going back to learn new skills so they can find their way back into the labour market. But it is harder.

JT: Why do all parties still speak of growth when everyone knows that our world is finite?

PM: Well this comes from somebody who's never had to handle a low growth economy. And it's very difficult I think to ... well almost at this stage impossible to run an economic system with employment without growth. Otherwise we've got to find new ways of distributing wealth and obviously the wealth will be diminishing as the growth is diminishing. Now I believe that you can have growth and you can at the same time protect the environment which I think is the point of the question. And you can have it by the sort of services which are now proliferating, which are environment friendly. Tourism for instance which is a large employer, a labour intensive industry, is an environmentally friendly industry, it's not a smoke stack industry. It's not a polluter. And all manner of other services. I mean I noticed yesterday at the same TAFE college I was talking about students coming in from abroad paying full fees. Selling education services is growth. But again it's a non-polluter. So we're having, and even in the industrial production we're seeing, you know, a much cleaner sorts of industrial structures today than we saw years ago. So one shouldn't assume therefore that we have to go to zero growth or to contract to sort of save the environment. I think what we've got to do is keep that happy balance between the environment and growth and the needs of people for a job.

JT: How serious are you about keeping our land, our companies and our assets in Australian hands when you have taken all the teeth out of the foreign investment review board and the Australian Securities Commission?

PM: Well teeth implies that you've got to bite people you see. And the question sort of has the penalty notion. You've got to exact a penalty on people. We've developed this place, this country of ours in the last two hundred years by relying on someone else's capital. Capital we never had. In the first instance it was British capital and British industry which invested here and gave us the chance to develop this country. And this is still true. This is a large continent. We don't have a savings base and an investment pool adequate at this stage to fund our needs, and so foreign investors come and buy assets and they bring technologies and often they bring businesses. This I think's a good thing. And you know you see this ebb and flow. I

mean there was a time, let me give you an example, not in Australia but there was a time when during the OPEC one and two oil price shocks when the income of the Arab states rose sharply, so they then amongst other things bought a stack of real estate in Britain, in London, and what have you. It's largely now all been sold. Similarly the Japanese in the eighties bought real estate all round the world. They're now largely selling it.

JT: Well they have to.

PM: Well that's right. So I mean I don't know why people worry. I mean we've got to fund the current account deficit some way. So it either comes with debt or it comes with equity. So if you say no to equity and no to foreign investment it just means that Australians somewhere have got to borrow more debt.

JT: Have you any idea though how much land is owned by foreign investors?

PM: No there's no land register. But in my eight years as Treasurer the amount of purchases by foreigners of Australian open space land was quite small. I don't think it's a problem at all.

JT: Next question. With the differing wage structures between Australia and South East Asia our main manufacturing competitor, the cost of production in Australia, the cost of production is I should say, nineteen times greater than those in south east Asia. How then does the PM expect Australian manufacturers to become competitive with this millstone around their necks. Are they to slash wages or move production off shore and import?

PM: Neither. They are to produce the right sorts of things. That is we should be investing in our creativity, in our brains and selling innovative products that would attract a premium and not trying to compete with the countries that make things, employ people at seven and ten dollars a week. Now that's what Dr Hewson wants to do. What he wants to do is cut the wage of Australians so that we can compete with these low-wage countries for low-value products. What we're trying to do is to educate Australians, take them through secondary school, tertiary institutions, TAFE, so that we can produce innovative products that sell in these markets at a premium. And that's now happening. You know we're seeing the likes of Telecom Australia moving strongly through Indonesia, Malaysia, all these countries to our near north. We're seeing lots of companies in the service area, civil engineering construction services going there because they don't have them. Education, educationalists and education services. These are things which you don't have to compete seven dollars or ten dollars a week for. So the clever thing to do is to make certain that the comparative advantage Australia now has in education is continued. And not to do the dumb thing which as

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I say the only way we can compete is to slash your wages which is what Dr Hewson is saying to young people, three dollars an hour, to mature people, we'll cut you back to three quarters of average weekly earnings and then you might be able to compete making shirts with the Indonesians or somebody else. The truth of the matter is we ought to be making things that attract a premium where we put our creativity and our brains into the product and where we invest in our greatest resource which is our own people.

JT: If we are concerned about four hundred job losses at APPM that is less than two days of immigration. I don't know if those figures are right actually. Should we not be taking in only immigrants with guaranteed job tenure?

PM: Well the migration program has been a source of great strength to the Australian economy. We've had workforce growth in this country with migration of about one point six to two percent a year. Which means if you're an Australian business if you do nothing but grow your business naturally it should be growing one point six or two percent a year as the population grows. Whereas if you're a European business and you've got static population growth you've got to actually take someone else's market share to grow. You've got to take the market share of another business. You've got to take it off them to grow. So migration has been a source of economic growth and strength to Australia. And the program is essentially a long-term one. Now we can vary it and we have quite substantially. We were taking a hundred and forty thousand people a year in two years ago. We're now taking about eighty thousand a year in. Just over eighty thousand a year in. And that I think comprehends the fact that the labour market is under stress and it's therefore more difficult to accommodate migrants as well as Australians. But the problem is if you wind the program down less than that it'd take years to wind it up. And if you look at the late 1980s when we had shortages of skills in demand, tradespersons, qualified people where the labour market threatened to blow inflation apart again, the migration program helped to complement our labour market. So one has to take a medium term view of it. And governments should basically keep the program and adjust it for the contemporary condition of the economy. Which is what we've done.

JT: Do you think Bob Hawke will ever rue the day he said that all those Chinese students could stay here? And now you've had to clamp down on them bringing in families and going into the marriage arrangements.

PM: Oh I don't know what his view of it is now. It's just one of those things, a contingency which arose because of the Tianenmen Square thing.

JT: Do you think emotion though took priority there instead of

rational thought?

PM: Well it was considered. It was considered at Cabinet level. Oh, it's something we can handle. We can handle it. I mean you'll always get people trying to exploit the system I suppose. And wherever they try we try and check them.

JT: Quickly then on to another couple of questions because we've got a very short amount of time. Given the youth job summit will the PM be making money available to the community groups that work with and on behalf of the unemployed?

PM: Well we try and support certainly the voluntary agencies. We gave them the One Nation package a substantial increase to the St Vincent de Paul, the Salvation Army and those sorts of people. But I think this question is a question from the welfare industry employees, the people who work in it. Well and again we've treated them well over the period. But I think the primary concern now is with their clients, not with them. You know, with the unemployed themselves. I mean it should be remembered, people tend to think with unemployment now that sort of the gains of the eighties have been lost. That's not true. You see in 1983 when I became Treasurer we had a workforce of six million. Today we've got a workforce of seven point five million. It's a quarter bigger.

JT: Yes but there was two hundred thousand roughly unemployed when you came in and now it's a million.

PM: No no. No no. No that's not true. There were six hundred thousand. Six or seven hundred thousand. It's just not growing. But we've largely kept the employment. The place is twenty five percent larger in size. The economy itself when I became Treasurer in 1983 the total size of the economy, that's gross domestic product, the production of the country was two hundred billion. This year it's four hundred and twenty five billion. So, and inflation was ten and a half percent and now it's one and a half. I mean there are great gains there. We've had a great shift to manufacturing which we didn't have in the early eighties. But with the slow growth, the negative growth of the last year or so we've lost the growth in employment and we've got to get that back. But as we get it back we can just consolidate those eighties changes and gains and move them into the nineties. So people shouldn't be too forlorn about this. It's a matter of trying to get the economy growing again and once we do we will as I said there'll be a lag in the first instance and then that employment response should come through.

JT: And talking about being forlorn the last question, tongue in cheek I would imagine from a listener. Are you any relation to the Hobart undertaking firm of Pearce and Keating?

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PM: Never heard of them. Never heard of them. But they must, the Keating family are spread all round the place but I rarely find any of us related. We are obviously somewhere back there. They're all black Irish of course.

JT: I think it might be through some of the caricatures making you the undertaker. I don't think it was really a serious question. It was interesting to read Laurie Oakes today saying you're becoming the new warm and fuzzy PM now to try and get away from Hewson's what has been depicted as a fairly cold image. Are you becoming a new warm and fuzzy PM?

PM: In the 1980s one of the problems about the Treasury and the Treasurer's job is that the social policy we're all involved with becomes the product of someone else. But all the things which I was involved with such as Medicare, the family allowance supplement, the provision of occupational superannuation in the workforce, childcare, aged care, the home and community care program, the hostel program, the changed basis of geriatric assessment, increases in basic rate pensions, the child support agency through the Tax Office - these are all things I was well involved in. But that's not comprehended I don't think in the debate. And people tend to think now when I'm out there supporting those things that in some way I've changed my tune. Many of those are there because I was involved with them. And so I've always believed that society can only move along together that we can't have a thing which is a survival of the fittest policy. If you're not a millionaire you're a layabout, you know this is the sort of Hewson deal. If you're not a millionaire you're not working and the state owes you nothing. Well I think people have got a right of access to health care. They have got a right of access to education. They've got a right of access to support in their old age. And those policies I've supported and I'm not going to be cast in a position where people say well because you introduced an open market economy into Australia in the 1980s you're like Dr Hewson. I'm not like Dr Hewson. I mean he is a clinical technician and good on him. If that's what he wants to be fine. I'm not. I'm in there looking after the broad group of the community as I always have.

JT: Paul Keating thank you very much indeed for your time this morning.

PM: Thank you very much.

ENDS