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## PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
PRE-RECORDED INTERVIEW WITH ALAN JONES, RADIO 2UE  
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AJ: Prime Minister welcome.

PM: Thank you very much Alan.

AJ: Prime Minister, first thing I must just say is congratulations on the presentation. This certainly is the best presented set of Budget papers that we have had. Something has changed has it?

PM: Well we try and improve them over the years, but I think we have made a quantum leap in the documentation this time, what are otherwise quite complex concepts and numbers are presented simply in graphic ways which I hope will just make, again, the continuing improvement in the literacy of Australians and economic policy.

AJ: Yes well people are frightened by the Budget papers, but I can just say to our listeners if you are interested in reading it, it is intelligible. Can I just take the first point then, it did seem to me that when you and Mr Dawkins opened up and said the Budget was about jobs, jobs, jobs, that it was a focus on 11 per cent of Australians, rather than the 89 per cent out there who are working.

PM: Well it's basically about getting employment and GDP going again and as you know we have just had the growth numbers from the national account for the year, they have showed us 1.6 per cent, now that's good, we are growing but we need to grow faster. This Budget is about lifting the speed of our growth, and that affects all Australians not just that 11 per cent.

- AJ: No, but I mean business out there really feels constrained doesn't it? It doesn't feel any room yet to manoeuvre, to employ, your wanting jobs. It really is the most productive sector if we can get it going. How has this Budget relieved some of the burden from business?
- PM: Well I think they are being relieved in a number of ways, Alan. One is the low interest rates. Two, the profit share as you will see in the Budget papers is quite high, as high really as the 1960s. We have got the big tax changes which came through in One Nation, a very fast depreciation rates for new investment, and we have got in the Budget itself an outcome on wages which is really very, very supportive of more activity.
- AJ: But not a word here, you mention in the One Nation \$8.6 billion in tax cuts, where are they?
- PM: The tax cuts are here, they are repeated.
- AJ: But are you going ahead with that?
- PM: Yes.
- AJ: Is it affordable?
- PM: Yes it is affordable, and it should be because basically, I mean we say here we shall introduce our announced personal tax cuts, income tax cuts. But they start in a couple of years from now.
- AJ: So you will go to an election without them?
- PM: Well they were never to be delivered this year.
- AJ: So you can't be tested on that?
- PM: No, no. But we have delivered lot's of tax cuts since 1983 and all of our promises have all been kept.
- AJ: But is it an election statement when you say we aim to have zero unemployment which is totally unrealistic internationally as well as here, when a growth rate of 3 per cent is really just going to mop up the school leavers, isn't it at best?
- PM: No, we are saying unemployment in this year will be around 10 per cent. We are not trying to pretend to be otherwise, but we think it is the right thing to do in a country like this to keep a focus on employment. In the '80s we achieved so much with employment, and we have largely kept those jobs. We started with a workforce of 6 million in '83 and we have still got today a workforce of 7.5 million, that's a quarter bigger. So, but keeping that focus

on employment as an objective I think is important, and we should keep it.

AJ: Righto. What a lot of the people listening to you now don't understand is the \$742 million has been allocated here for training for the unemployed, yet in the same Budget papers just the Commonwealth alone has provided \$2.7 billion for schools, \$4.2 billion for higher education, \$900 million for vocational training, total \$8.4 billion. Now we are providing this money for education, is the education system failing when we find that a whole heap of people are untrained for the workforce?

PM: No it is not failing, Alan.

AJ: It's double expenditure isn't it?

PM: No, a lot of that is paying for the growth and participation which we have been able to secure. In 1983 only three kids in ten completed secondary school, that's now over seven in ten and is now rising to nine in ten. And then of course, there is no point in them completing secondary school if a large proportion are not then streamed into university, so we have paid for all those extra places. So, a lot of that expenditure of growth money taking Australian participation education to the levels it should have always been but fell back. We are now well up and above that OECD level, and that's where a lot of that growth money is going.

AJ: See, people worry about the expenditure don't they? \$109 billion, \$109 thousand million out there, almost 1/3 of it on welfare. Now, are we becoming a dependent rather than independent society? For example, you say you are pitching towards out of work teenagers, but a child now seventeen, or a young person of seventeen, can leave home because they don't like the discipline of the family and get \$255.30 a fortnight because they call themselves homeless. Four of them can go into one home and be on \$1,100 untaxed a fortnight. That's more dough than you can get working. How can we create incentives to get them into the workforce when it is so attractive to be unemployed?

PM: Well we created the incentive of keeping them in school and study, and that's why we extended Austudy which is the same set of rates as the Job Search allowance and paid that to university students and we have now extended into years 11 and 12 for people at school. And that has had the effect of lifting participation in school.

AJ: But for the people who don't want to work, and there are people out there, is the welfare too attractive?

PM: No, no.

AJ: \$255.30 a fortnight.

PM: Yes, but you have got to be over 18 to get that. I don't think anyone over 18 is going to say that at those rates, which are just sustenance rates, that anyone would want to stay there.

AJ: Well can I just come back to business, because I mean that is the concern, you have seen, and the Prime Minister is right beside me so I can show him rather than talk about it, but that is the tax, that's the Hewson adjustment that he says he is going to make, to taxes on business, you are going to abolish the wholesale sales tax, abolish the pay roll tax. How politically do you compete with that, with business when he is saying he will relieve a burden of \$20 billion? Independently what burden is he going to add by the GST, let's just take that issue there, how do you compete politically with that?

PM: Look, the income tax in this country is only \$50 odd billion, John Hewson wants to put a \$30 billion goods and services tax on the whole Australian community. I mean it is a monstrous level of taxation.

AJ: But he is going to take a lot off?

PM: And that is all going to be spent on taking away pay-roll tax and cutting the excise on petrol. So, if you say to Australians well this is the deal, you will have 15 per cent on all of your clothing and your food, and the deal for you is that by and large the business community would benefit from a reduction in pay-roll tax and you get lower and cheaper petrol in a country which already has cheap petrol. And I think most Australians say that is a rotten deal.

AJ: But see you move around the business community so you know this. You have now got the superannuation guarantee levy, the training levy, pay-roll tax, you have got a whole range of taxes there, they are the sector that you have got to get going haven't you? You have got to get investment in business moving.

PM: Well, Alan, the profit share in these accounts which in these Budget papers, which you said were graphic illustration, I am just trying to find the profit share measure. It's as high as the 1960s. As soon as there is any volume in production it is going to spring back to higher levels in the 1960s. With interest rates, bill rates at 5.75.

- AJ: Are business getting that though? We have been through that before.
- PM: Yes, some are.
- AJ: You see business are not getting it. What have you said to the bank about seeing ..?
- PM: Bills plus ... The fact is, if we say to the business community you have got a competitive dollar, you have got a competitive exchange rate mechanism in place, you have got a bill rate of 5 3/4 per cent, you have got lower prime rates, you have got higher profit share.
- AJ: Is the exchange rate competitive yet?
- PM: Let me just say all these things. If the business community says in the face of all that, well I don't know whether that is enough, you have got to say well what is enough? I mean what is enough, if a high profit share, low interest rates, low inflation, good wage outcomes, good exchange rate ... what is enough?
- AJ: Well they will tell you though that they are under pressure. For example, you keep saying here, which is true, that I think manufactured exports have doubled, which is an excellent result. But we will never ever be able to replace the contribution that the rural sector makes.
- PM: No, but we don't want to, we just want to add to it.
- AJ: They are in an awful mess aren't they at the moment? I mean NSW 75 per cent, 75 per cent of them are drought stricken. There are 70 farmers in one count of mine, \$30 million they will never be able to repay it. Now in a Budget of \$109 billion, isn't there room for a greater assistance to the rural sector?
- PM: We have got funding for drought in there, drought relief.
- AJ: Marginal.
- PM: We have got the rural adjustment scheme funding, RAS. Which we also topped up in One Nation as well as now. I mean the point is Governments can't take account of the seasons. Look, agriculture has made a great contribution to Australia. The trouble is we relied upon it too much. The good thing now is we now have manufactured exports growing like topsy.
- AJ: But you will never be able to replace the contribution that rural sector makes to our wealth will you? It has got to be sustained.

PM: It has got to be complemented, Alan. See, what happened in the '60s and '70s is that the great post war trade in goods and services past Australia by. We were still growing wheat and wool and digging up minerals. Good as that is, it wasn't enough.

AJ: No.

PM: And you can't employ people in capital cities or in provincial cities, say get a job in the back of Queensland or Western Australia, you have got to have the jobs in town.

AJ: But when rural Australia is strong, Australia is strong isn't it? That is still true.

PM: Yes that is true.

AJ: It is not strong at the moment.

PM: No, but that is because in a way, in prices the wheat markets were polluted by European and American subsidies. The wool industry shot its own toes off.

AJ: And they were crippled by interest rates.

PM: Yes, but that is gone now for quite a while.

AJ: But it hasn't gone they have still got the debt.

PM: Well some have.

AJ: A lot Paul, a lot.

PM: Alan a large proportion of Australian farms have no debt.

AJ: What have you said to the banks, I don't agree with that, but what have you said to the banks though about passing on any number of reductions in interest rates that have been generated from the Reserve Bank, which the business community are not getting?

PM: Well they have passed on a lot. But I am not going to be here defending banks. They have passed on a lot, but they have stuck to too much.

AJ: Yes.

PM: And that is they should have passed on ...

AJ: To recover some of their debt.

PM: Recover some of their losses from the '80s. I mean they have lent willy nilly, they have suffered losses.

AJ: And we are all still paying for it.

PM: And made others pay for it.

AJ: And it has effected our economic well being hasn't it?

PM: It has. We have now seen it come with housing. Housing rates are now 10 per cent or below, and they were 17 per cent, so there is a big pass on there. The prime rates have come down so there is a substantial pass on there. But the fact is, it is for the marginal person, who is on a farm, who is a small business person, is being charged 12 or 13, 14. It is too much. And they should come down further.

AJ: Right. Have you said that to them?

PM: I have said it and so has Bernie Fraser.

AJ: Just in terms of paying for this, any sleight of hand here?

PM: No, no.

AJ: Big dividend from the Reserve Bank, \$2.6 billion.

PM: Alan, You must of have been in the lock-up with the pointy heads.

AJ: No, I just know which pages to go to.

PM: Look, what happens, these things go up and down.

AJ: \$650 million up?

PM: Reserve Bank profits go up when they sell the currency down.

AJ: \$650 million.

PM: Yes, but it was \$2.5 billion a couple of years ago, then it dropped to \$900 million, then I think it dropped to \$400, now it is up again by a billion. That is just the on's and off's of the Budget.

AJ: And your asset sales, are you going to get that though from Qantas and the Commonwealth ... Labourites, Australian Airlines \$1.6 billion, are you going to get that?

PM: I think so. Well I mean we have this funny debate, people say you should sell the airlines so they operate efficiently, and when you put them into the Budget to sell them they say you shouldn't include the receipts in the Budget. Look, it is a tight

clean set of numbers, and we started with a starting point deficit of \$13.5 billion and we have produced a Budget of \$13.4. In other words, most of the new spending in here is largely paid for by savings methods.

AJ: Do you think you are hamstrung though by certain ideological limitations? For example, I know that John Dawkins has talked about us being a clever and smart country, everyone has talked about that. But I have mentioned to you before if your son does not get the marks that are needed to enter university, he can't pay to go there. How long can we shut 50,000 people out of universities, although I noticed tonight a welcome initiative in relation to open universities, and studying from television and so on?

PM: Can I just tell you what that's about Alan. Open universities means that people who never got into university, couldn't get the pass mark, but who want to study away from university and then have a couple of successful years at that can stream themselves back into the campus complement on the university.

AJ: It's the only way they can educate university students in India for example, or the United States of America.

PM: That is away from the university and, of course, the way we've got modems available to send back, you know essays from computers and television and generally, videos and the rest. It is possible now to run an education system like that, away from the actual campus.

AJ: But why should a Chinese student be able to pay to go to an Australian university and not your son? Why can't Paul Keating pay to send his son to university when in fact a Chinese parent can?

PM: Well, I take the view that most kids have a right to an university education regardless of the parents income. That's the view that John Hewson doesn't take.

AJ: Right.

PM: I say a kid from a working ...

AJ: We're not giving them that.

PM: Yes we are.

AJ: No, 50,000 get locked out every year.

PM: Yes ... but look there's half a million kids today in tertiary ...



AJ: More than ever. But shouldn't you be able to say if you wanted to sell the family car and forgo a holiday that you can do that and send you kid at cost to university. For example in your own electorate we've got that SRA training authority with that most magnificent assistance apprenticeship scheme which could be fully facilitated. Now there are many places there that can't be used, why shouldn't parents be able to say well look, it trains them in the best possible skills at Chullora I'll pay to have my kid go in there.

PM: Look, there's a certain amount of places that are available for fee paying if you like clients, some of the universities can now lift their income independently of the government payments by getting full-fee paying students. Getting some of those services sold around South-east Asia is a good thing for us to be doing. But what we've done is lifted by 50 per cent the number of places in tertiary education. We've created the equivalent of twelve universities since 1986, that's 120,000 extra places in universities. And the other thing is in technical and further education Alan, in that great milestone change of a couple of weeks ago, we are now with an agreement between the Commonwealth and the States going to build for the first time a vocational education system of substance to sit beside the universities so all those kids that may not get the university pass mark, but who want a good diploma or vocational education can get it. And that's going to matter to those hundreds and thousands of kids, particularly from working class areas who mightn't get into university because many hundreds and thousands will, but those who don't will now be able to go into a system of substance and status that just now doesn't exist.

AJ: Alright, one other thing on money in the Budget papers which upsets people out there, and I don't think people are as racist as they are accused of when they make this kind of criticism, but the total allocation and I've only had a quick chance to tally it up for Aborigines again, 240,000 Aborigines, over \$1 billion. That's a lot of money, that's just the Commonwealth, now there's a whole range of state programs as well. Can you understand how people really get a little upset when there is not money for other things, but there's an awful amount of dough for 240,000 every year?

PM: Oh yes, but it's for largely dispossessed people who've basically had the butt end of what society can hand out to them and pull them up to give them an education and housing and support.

AJ: Do you think they're getting it?

PM: Well ...

AJ: Or is it going to a white bureaucracy who is administer it?

PM: No, well it's now being administered by the Aboriginal community, ATSIC is a program, a Commission where the Commonwealth's funding. You realise we don't have a Department of Aboriginal Affairs.

AJ: No, I found it in Prime Minister and everywhere else.

PM: It doesn't exist you see. The money is paid ...

AJ: You hide those figures somewhere where we can't find them.

PM: No, we pay it straight to ATSIC. We pay it straight to the Commission, there's the Aboriginal and Torres Strait Islander Commission and indigenous people run that.

AJ: But if it is successful, shouldn't each year there be progressively lesser need? If it was successful, progressively there should be less need, therefore less money. We just seem to each year be requiring more and more money.

PM: But I mean, I don't think when you say successful I mean, at what threshold level? I mean these are remote communities often, they've had tremendous health problems, housing problems. No, I think it is money well spent and I don't think we're spending ... we've tried to spend as much as we can and we've increased that by about \$500 million three months ago which will be spent over the next four or five years.

AJ: Just finally, a lot of money for consumption here as opposed to production in the Budget and there's an election coming up ...

PM: Well I'll tell you what there is money in for and that's for health. I think this is going to be a very important issue in the election. We've put in there \$1.5 billion, nearly \$250 million a year for six years for greater access of public patients to public hospitals, so elderly people ...

AJ: I wish we could debate that on another day.

PM: ... who might have an elective thing like a hip replacement, they'll be able to get in there and they won't now be jumped in the queue by a private patient and I think getting that public hospital

system working properly with full access to doctors gives a real choice between Medicare and the thing that Dr Hewson has which is go and pay for yourself regardless of means.

AJ: Come back to the election, when will there be an election?

PM: Well when the Parliament runs its course. I think from our point of view, the longer the Parliament goes the economies fortunes I think, are on the turn and for us I don't think there's any value in short changing the public ...

AJ: You'll go the distance?

PM: This is my intention at this stage, we'll go the distance yes.

AJ: One final thing which has nothing to do with the Budget, Mr Kenny, there's outrage out there that a bloke who could have served for Australia in the war can be finding himself in the courts defending his right to certain ...

PM: Well I think if you live here for 40 years and you've been part of this community notwithstanding the fact that technically he didn't have a passport and the rest that that should be fair enough.

AJ: But see you're a tough guy and that's your reputation. Why wouldn't you say listen this is nonsense, will we get this thing out of the courts, a country that I'm Prime Minister of, no bloke of 68 is going to be put through this.

PM: No, well that's fine. But you see what happened the Parliament decided about four or five years ago that there shall be no ministerial discretion in these matters. There's an Act of Parliament stands between me and me saying that, that's why. But this matter is before the AAT, the Administrative Appeals Tribunal and given the fact that this fellow looks as though he's got a pretty good case, he's probably got every chance of getting out.

AJ: So you're confident he's not going to be booted out?

PM: Well I should hope not. I mean I think anyone that's been ...

AJ: You wouldn't want that in a country you were running surely?

PM: I would not, not someone's who's been here for that long.