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PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP,
INTERVIEW WITH JOHN SHOVELAN, THE WORLD TODAY, ABC RADIO
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- JS: Prime Minister, thanks for coming on The World Today. Despite the Budget, the Government is continuing to get a lot of bad press. Indeed as we just heard, the Financial Review today is talking about the tide turning in favour of the conservatives. What's gone wrong? Do you think people out there aren't believing you any more?
- PM: Well, I think that's just a bit of press gallery navel gazing. These introspective pieces come and go frankly, they don't matter that much. I mean, if you look at the objective evidence, in the last week the Government has in fact narrowed in that poll, I think the Newspoll, the Government has actually narrowed the lead with the Opposition.
- JS: But overall in terms of polls, you're still about the same distance behind the conservatives to what you were 12 or 18 months ago.
- PM: We're still within shooting distance of a victory. In difficult circumstances, but within shooting distance of a victory.
- JS: There has been a bit of a mood swing around the place though. I mean, only last week in the Parliament you had the Opposition members telling you to sit down. That's the sort of thing that would never have happened 12 months ago, 2 years ago, 3 years ago.
- PM: No, no, that always happens whenever people are on points of order. It's happened, I used to do it with Malcolm Fraser, other people are doing it today.
- JS: Yes, but they usen't to dare to do it to you.

PM: Yes they have. I've had people doing it all last year and early this year. When one doesn't sit quickly on a point of order they'll try to claim their rights. I don't think that's got anything to do ... if you're trying to read into that some sort of thing ... Look, I was at the Best Practice Program where we were handing out Best Practice Awards on Monday in Melbourne for the major companies, BHP, the likes of Du Ponts, Toyota, and they were sitting up there at their tables with their employees from the unions, and the Chief Executives were coming up to us and saying, look Australia is now really on the verge of cracking it in terms of productivity, of making all the sort of '80s changes come good, of seeing it all come to fruition. And, you know, the people who are not onto that sort of play are the people who don't attend those sort of functions.

JS: Is that the sort of reaction you think people are giving to the Budget?

PM: I think the Budget reaction was pretty good. It was about jobs, it was about making Medicare stronger, fringe benefits for pensioners, 150 per cent for R&D. I mean, that got the big splash for newspapers, the TV that night, the next day. I mean, having a sort of sub debate in the Canberra columns about taxation doesn't have the impact, I don't think, in the public debate as the big presentations have.

JS: Isn't there a big view out there in business, and generally in the community, that the momentum that you hoped that was going to be there in the Budget hasn't eventuated at all, and that those things have obviously impeded that.

PM: I don't think the community and business are looking for big momentums for Budgets. The average person who picks up the Daily Telegraph in Sydney on the train going to work, or the Sydney Morning Herald who wants to wrestle with a broadsheet, reads the Budget front page news, the big broad stuff, see it that night on television, then it basically has a very short shelf life and flips into history. I mean, I've done more of these than anyone in Australian politics, so I know more about Budget reactions and what one can expect from them politically. And we got as much as we could get.

JS: What about the money markets, the money markets have been particularly skittish. They seem to have, they certainly don't like the idea of the size of the deficit and possibly the effect that that's having on our overall debt levels.

PM: That's what you say, John. I don't think anyone in the markets would say the reason there's been, as you say skittishness, in markets is about the Budget deficit. It's about terms of trade, it's about the US\$ taking a battering, it's about the Bundesbank playing the mindless game of breaking European prosperity in the sort of quest for sort of German low inflation. That's what it's about.

JS: Aren't they, though, undermining your attempts to try to get the economy going in the Budget to create jobs by tightening monetary policy?

PM: We've got the things in place. Monetary policy is not tightening. It's not tightening.

JS: But interest rates are rising.

PM: No they're not, it's not tightening. Look, we've got in place now the One Nation spending coming through. We just ordered 3 million tonnes of rail steel, a million concrete sleepers, \$2 billion road program - \$400 million more than last year. That's coming through, you've got the Budget spending coming through, you've got the labour market programs. We are setting the economy up on a growth path and we will grow as fast as our trading partners in the coming year - that's around 3 per cent, and as you know also in the public debate a lot of people think that's conservative. So that's what we're about, we're about growth and jobs and we're getting it.

JS: But haven't we seen over the past 3 or 4 days interest rates slowly rising out there in the market place?

PM: In the long term bond rates, on the long yields not the short yields.

JS: Well is there any chance or any danger that they might just flow over into the housing market?

PM: They go up and down. They were nearly 10 per cent 3 months ago, they dropped down into low 8s and they're now sort of high 8s. I mean, they shift around, but the short stuff hasn't shifted around.

JS: So there's no danger in terms of your economic policy that what the markets are doing out there is undermining your economic policy at all?

PM: No, no. Look, a budget deficit of 3.3 per cent of GDP with Government debt to GDP one of the lowest in the OECD, the market would regard that as very acceptable.

JS: Have interest rates hit the bottom of their cycle as far as ...?

PM: That's a matter for judgment. But, basically I've come on the program to talk about the Liberal's car policy.

JS: But I couldn't let you come on and talk about that straight away, could I?

PM: Well you could of if you got onto the topic of the day rather than navel gazing down the corridor here. The fact of the matter is, what we saw today was a revelation for Australians.

JS: Hang on, what you're talking about is the Opposition's policy to have 0-5 per cent tariffs by the end of the decade. Now they're telling us that means \$1000 less per car for Australians.

PM: It says this, "Libs Tell Car Firms Revamp or Perish", front page of the Australian. It says this, 'Mr McLachlan says ...' He got a question, 'do you honestly believe those companies can exist under those circumstances?' 'It's a matter for them to decide what changes they will need to make to exist'. In other words, we don't care. We're not saying, this is the Coalition, the Liberal Party, we're not saying we want a car industry and we'll keep it as Labor is saying. What he is saying is, basically they can either survive or perish, it's up to them, we're just going to bring the imports in, we're going to drop the barriers. I mean, that statement should send shivers through the city of Adelaide, it should send shivers through the city of Geelong, it should send shivers through the city of Melbourne. Here is the sort of, what you're seeing here is the sort of primitive capitalist ideal. That is, just rip all the barriers down and let them go to town. And on the very same page as his question and answer is a story, "Ford Formalises Exports to Japan", where Mr Nasser has just announced another 70,000 engine blocks going from Ford Australia to Japan, and where McLachlan himself is talking about the success of the Labor Government's policies in Holden sending engines to Germany, Ford selling Capris to the United States and the Verada Wagons which are about to follow. In other words, the policies which are working are ours but in the sort of naive primitive view of Hewson and McLachlan, they'll just take this industry and rip it to shreds.

JS: But he is offering things like abolition of pay roll tax etc which he says will add up to something like a cut in costs of around about \$1,000 per car. Isn't his big mistake is that he hasn't solved, some people would say hasn't solved the need for some kind of revolutionary change?

PM: John, use your brains. Look you take off pay roll tax and go to basically a zero tariff on cars with the world with a glut of car production around the world where they can sell them at marginal cost into Australia, it will just wipe the floor with the Australian motor vehicle industry. Dr Hewson has attacked big business all this week and last week, he says big business, he accuses them of having an insidious relationship with the government dependent on hand outs. You see his view is that he hates big business because he doesn't see them as self made, he sees himself as self made therefore they're to be opposed. Now he's saying to BHP, who were at the Best Practice Awards the other day, he's saying to Toyota who's about to build a \$400 million state of the art plant in Australia, he's saying to Ford which is now producing the top selling car, I know better than you, like I'm the sort of ... refugee from the financial market but I know better than you and the great success Labor has had in revamping and renovating and remodelling these industries basically ... look we'll throw it open to imports and frankly if you survive that's really up to you, we couldn't care less.

- JS: Are you sure that the Jack Nassers of this world are going to say at the next election that they think that you and your government should be re-elected?
- PM: Well look, what they've said, let me just quote some people Mr Johnson from Toyota said "if he had known fully what the Coalition policy was his company may not have committed itself to a \$420 million investment". I'm going to Japan in a few weeks time, I'm seeing the Chairman of the Toyota company Mr Toyota. What do I say to him? That the alternative government of Australia would basically wreck his investment. Do I repeat what John Hewson says when he goes abroad, that he's ashamed of Australia and Australians? That's what he says, I mean he is grossly disloyal wherever he goes. He says I'm ashamed of Australia, its lack of productivity, the attitude of Australians, I'm ashamed of them. I mean do I say that? Or do I say to him look, we've got a policy which has taken motor vehicle protection from 150 per cent to 15, we think that you can live with that level, but if it goes to zero you get wiped out and the alternative government is going to wipe you out. I mean what do we say? See what McLachlan says today on the front page of the Australian he says "you are all too motor industry orientated". The fact is the motor industry is the base industry of Australian manufacturing. He says we have no interest in it, if it can survive against a flood of imports dumped from the excess production of the northern hemisphere at marginal prices, well go for it fellas. If you can stay there great, but we're not going to make the claim that we want you there as Labor says. Labor says, I say, we want a car industry. Hewson and McLachlan say we don't care.
- JS: Just one quick one before you go Mr Keating, what's happened to your proposal to take to Cabinet about the flag? Is that finished, is that buried?
- PM: Well, I mean, everything in its turn and you know, at some point I will. But again, I'm not going to be operated by someone else's agenda. I mean we are at the stage now in this country where we've got low inflation, low interest rates, where we're now very competitive, where we've got a revolution going on in the labour market, where all those Best Practice companies are turning out with international benchmarks, where we're now exporting our heads off, where we shipping car engines around the world, fully built up vehicles like the Capri to the United States. This is unheard of, and yet these mindless zealots who for seven years in office, with Dr Hewson as an adviser, sat there and did nothing about it, there now saying look you don't know best, the country is on the verge of blossoming in the '90s as a low inflation productive environment as it never has before, but we know better, we'll rip the lot down, there'll be no support for industry what so ever and basically we'll let the northern hemisphere car makers and manufacturers rip the guts out of Australia. I mean if you live in Adelaide you ought to be scared stiff by this thing, I mean Mr McLachlan is a South Australian member he's going to basically decimate his own state and Dr Hewson from the sort of lofty vantage point of Bellevue Hill, Sydney is going to wipe out the city of Geelong and Broadmeadows and half of Melbourne in a sort of mindless quest for primitive

capitalism, a sort of naive view that he has despite the fact that the whole world has a different view.

JS: Prime Minister, he must leave it there. Thanks for speaking to 'The World Today'.

PM: Thank you John.

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