



## PRIME MINISTER

TRANSCRIPT OF INTERVIEW WITH PETER KENNEDY ON ABC RADIO - 1  
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**KENNEDY:** Prime Minister, you needed yesterday's current account deficit of \$1.4 billion for July like a hole in the head. How much pressure is there for an interest rates hike?

**PM:** Commentators can't have it both ways Peter. They can't say that the economy isn't growing and yet then point to the growth in imports. If imports are growing as fast as this it means the economy, demand in the economy is stronger than anybody thinks. If the economy is responding and sucking in imports there is a lot more going on out there than the partial data has indicated, or alternatively this is just an aberrant month.

**KENNEDY:** But alternatively it means that perhaps we don't have the productive capacity at home to meet this increased demand, either way there is a pressure on interest rates.

**PM:** One of the features of the exchange rate of late has been the fall in the terms of trade. That is the value of our produce, the prices we are getting for minerals and agricultural products are now very low. But export earnings are still rocketing along which means our volumes are doing enormously well. That is notwithstanding the fact that export prices have come down our earnings are still up because of volume, the amount of stuff we are selling is enormous. So I think that explains some of the markets apprehension but the current account has improved enormously in the last, it's been halved in the last few years to around 3 odd percent of GDP and we can't let one month's number set the scene.

**KENNEDY:** So you are confident that interest rates certainly can be held for the time being?

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PM: There was a rumour around last week the government tightened monetary policy, it hadn't, it hadn't.

KENNEDY: So no move in interest rates in the foreseeable future?

PM: That's a matter for the Treasurer, the Reserve Bank but from me, no.

KENNEDY: You said the figures indicate that probably there is a lot more going on in the economy than has been showing up in the figures.

PM: We have these sort of people, commentators so called in Australia. They are either crying in their beer or they are laughing, there is no sort of, you are not getting that sort of middle comment. We had some of the Sydney commentators like Max Walsh today saying the ring of confidence is going, we put too big a stimulus into the economy, that is the fiscal budget changes are too great. Now they are about just under three quarters of a percent of GDP.

Last week Japan has just announced a new fiscal policy of a stimulus of 1.5 percent of GDP and the whole world is hoping that the Japanese stimulus pays off for North America and for Europe. That is that the Japanese economy will tug everyone else along. Now the fact is the government has done the right thing, it has got interest rates where it can induce a recovery, it's got spending in the One Nation and the Budget which will bring a recovery on, and that is as it should be.

They have been carefully judged; the stimulus is about the right amount and, if we didn't have commentators who think they have got to be extravagant to be noticed, but basically making comment in the national interest rather than against the national interest, then I think they would think that the settings the government have in place at the moment are just right for the economy.

KENNEDY: Nevertheless in the past you have described Australians as import junkies haven't you. Are we still import junkies?

PM: In the late 80s we were importing more than we were exporting but at the moment we have been exporting our heads off. The shift to exports has been just a phenomena, phenomenal, a phenomenal thing.

KENNEDY: If we can move onto another matter Prime Minister. You yesterday, speaking at an international industrial relations conference served notice that the government would introduce an industrial relations charter to I guess draw attention to the differences between the government policy on industrial relations and the Opposition's policy. What sort of things would you expect to see in the charter?

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PM: Like for instance protecting the conditions of employment under awards. What Dr Hewson wants to do is go back to the 19th Century so that I think an individual person gets called into the office by the employer and he says to the person this is what we are going to pay you now, no holiday leave, you won't be getting this and you won't be getting that, your rates are going to change and the person says well hang on I am not going to cop that I will deal with the union, no no we don't deal with the unions, there is no more unions, you are not part of the award system, you are on your own.

Now that is the sort of world he wants, that is 90 years of industrial achievement to go out the door and what, for? An economy where the wage here, the total cost of wages is now at sort of 1960s levels, and where the profits here and the economy is quite high are now going to skyrocket as any volume comes through with business the companies are very stripped down. The flip side of the unemployment is that companies are very stripped down and many are now quite profitable and, once there is a bit of volume comes on, that will go straight to profits because their overheads are covered.

KENNEDY: But that is a pretty extreme view isn't it, and if the Opposition is going to adopt a policy similar to New Zealand the sounds coming out of New Zealand seem to be quite favourable now.

PM: We have now twice as many people covered by enterprise agreements under this government's wages policy as there are in New Zealand covered under these enterprise contracts, twice as many people in Australia. We are now presiding over a revolution in industrial relations where we are seeing General Motors, Toyota, Ford, enormous increases in productivity as a result of agreements with working people and their unions which is giving them now higher paid but lower cost for the company. I mean it's working as sweetly as it has ever worked. The whole of the 80s evolutionary change is coming good. What Dr Hewson would propose would wreck the lot.

You pit employer against employee, you take them out of the award system, they have no protection at law for holiday pay, sick leave, rates of pay, it's basically law of the jungle: get what you can, it won't do Australia any good and it won't protect that low inflation rate which has given us those low interest rates.

KENNEDY: One of the big criticisms of the Australian industrial relations scene has been that it's been far too rigid and while you are freeing up the financial market for instance in the mid 80s -

PM: That was in the mid 80s though Peter, Now, as a result of this deal we did with three weeks ago or in the course of doing, three quarters of all wage adjustments this year won't come from the centralised wage fixing system, it

4.

PM: (cont'd) will come from enterprise bargaining. It's a revolution but it is not one which is disruptive, it's been an evolutionary change. That's the value, I mean one where everyone has agreed, not an acrimonious vicious change.

KENNEDY: You are saying then that you are succeeding in freeing up the industrial relations system without an upheaval?

PM: Obviously we are why do you think Mr Prescott from BHP and Nasser from Ford and all these other people are coming out extolling the virtues of enterprise bargaining and productivity change, they are really saying to Dr Hewson your thing is too rough we don't want to go back to the 19th Century we want to change it the way we have been changing it and you have got to fit in with the rest of Australian society. I mean at the moment Dr Hewson is the odd man out everybody is out of step but him. The big business community BHP, Toyota, Ford, they are all out of step with him the trade unions are out of step, the welfare industry is out of step everybody is out of step but him.

KENNEDY: Nevertheless in the industrial area there is still a lot of criticism especially from small business about some of those award conditions that have been piled on over the years. Things like holiday penalty rates -

PM: Yes I know but Peter the wage share in GDP, that is the cost of wages and the total economy is at 1960s level, say no more put your glasses down, that is with everything in, that is with everything bar the kitchen sink thrown in. That is the point but Peter you were going to ask me, I am running out of time, you were going to ask me about these, you mentioned in your introduction these secret taxes the Opposition have.

KENNEDY: Yes -

PM: - I'll say some things about that.

KENNEDY: It's reported that the Opposition GST it's been recommended that it should tax things like wheelchairs, artificial limbs and local government rates. Now Mr Reith was backing off on that on AM but I am just wondering where that leaves the Opposition?

PM: We had the Opposition and we had the media running around a week ago saying the government had secret taxes which of course was a total furphy. These were things we mentioned ourselves in the Budget that we might do but what we have here is that Mr Cole, Sir William Cole is the chairman of a board of management looking at the GST and Dr Hewson wrote to him on 9 March saying under your leadership the office will act independently to consult with the Australian community on all administrative and technical features and he

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PM: (cont'd) went on to identify in the same letter, identifying the health and education goods and services that will be zero rated. In other words those things in health and education and services that will attract no tax. Now this committee is going to recommend that they tax because they can't run the GST with all these exemptions that they tax wheelchairs, artificial limbs, 15% on school boarding fees, 15% on local government rates and now we have got very dishonestly Mr Reith this morning trying to run away from it and say that's not our policy and he said the Cole Committee was given a brief to look at the broader policy issues but that certainly was not one of them.

In fact it was explicitly one of them in Dr Hewson's remit to this committee. You see the fact is the GST is a monster the Cole Committee has had now three hundred submissions from business and private community groups about it. People hate the thing and they have got this welling up in this GST office they have set up and now when they want to make the recommendations to Dr Hewson and Mr Reith they say we don't want to know about it, we don't want to know about all these technical problems which are going to tax things like school boarding and local government rates and wheelchairs and artificial limbs and the rest.

This is going to be the most monstrous tax impost ever mounted on the Australian people and they are trying to do it in secret and worse than that when some of it leaks they try and deny it even though they have set this committee up to do it.

KENNEDY: What tax do those items attract at the moment?

PM: School boarding fees zero, local government rates zero, and the same with the others. The fact is this tax is, see, people have got to understand this Peter: The total income tax raises \$49 billion in this Budget it raises forty nine thousand million, the GST raises \$30 billion it's over half of the total income tax of Australia. It's not just 15% it's 15% on all goods and services but it equals, it's revenue equals over half of the income tax because the average rate of income tax is only about 23.5% if you put all the high salaries and the low salaries together they only come about about 23.5%. You stick in a 15% tax on everything, food, clothing, shelter, goods like we were just talking about school fees, local government rates, it hurts, it's a monstrous impost and of course it will add 6/7 percentage points to inflation it will tip us back to a 10% inflation, it will put interest rates up by 6/7% because there is no way the financial markets are going to lend at less than the inflation rate and we will go back into a recession and stay in there for what, an ideological obsession on the part of Dr Hewson to straighten all the low income people up and make them pay their way as he puts it.

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KENNEDY: But isn't all the Opposition doing really compiling a list so that we know before the next election which items will be subject to GST and which items will be exempt?

PM: Yes but this committee is saying what will be subject will be school boarding fees, local government rates so if people are paying \$300/400 a year on their rates they will pay a further 15%, they will pay another \$50 or on artificial limbs and yet when the harsh reality of the management of the GST is coming out. See as a matter of fact in a newsheet in Canberra called Inside Canberra which is a privately circulated thing the editor had this to say a week ago that Messrs Hewson and Reith have decided on stalling tactics, now the GST coordination office looms as a huge embarrassment. It has received some 300 submissions, some 300 companies or organisations were dissatisfied, worried, confused about Fightback, most about the GST and as well as that they say Dr Hewson does not intend to spell out what he intends to do about road user charges.

See at the moment he wants to abolish the tax on petrol and excise but that is the way we pay for road user charges and big trucks breaking up roads. If they travel more they pay more, if you take the tax off who is going to pay for the roads? He is going to try and slide past that issue too so what Inside Canberra was telling us was that Sir William Cole's GST committee set up as an independent unit under Dr Hewson's GST policy is basically sitting Mum on 300 submissions of people whingeing, complaining and reasonably about the GST.

KENNEDY: I gather Prime Minister we are going to hear a lot more about that before too much longer -

PM: - your ears will be burning with it Peter, your ears will literally be burning with it. These characters have got so many hidden taxes ready for you it's just not funny.

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