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PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J KEATING MP,
INTERVIEW WITH JOHN LAWS, RADIO 2UE, 30 SEPTEMBER 1992

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JL: How are you alright?

PM: Fine thanks.

JL: I suppose you've come dashing in here to tell me when
the election is.

PM: No, I haven't.

JL: They rang me up last night and said, he - and that's how
they said it with some reverence - wants to come in, I
said it's obviously to tell me when the election is
going to be.

PM: ...

JL: Really, couldn't you tell me when the election is going
to be, couldn't you give me a hint?

PM: I don't think it's going to be before Christmas, put it
that way.

JL: Would you like it to be before Christmas? I rather
fancied the second Saturday in December.

PM: No, I think the public are entitled to value out of
these polls and this one goes until about the middle of
next year, so that's probably the most likely time.

JL: You want to give us value?

PM: Always.

JL: Mr Hogg certainly gave us value yesterday in this "Poles
Apart" stuff that he released, trying to get to the
elderly people, is that sporting?

PM: I think it's entirely legitimate for a political party
to respond to a program like this with if you like, a
manual on the various changes and what they mean -
changes proposed by the Opposition.

JL: I think it's a bit tragic that in a way and I think
you'll probably agree, that the Opposition haven't,

because of lack of ability or lack of opportunity sold the GST package properly, so we really don't quite understand it and consequently we can't totally trust what's in "Poles Apart" can we?

PM: Well it will make obvious points and that is, look "Fightback" so-called is basically a crude tax switch, it's a switch from the taxing of income to a taxing of expenditure with policies grafted onto the edge. One is to basically get rid of Medicare the other is to change the industrial relations system. Now we think all that is going to be inflationary.

JL: Well Medicare is a bit of a monster and ...

PM: No, it's not, no.

JL: Well it's only not a monster because the good old tax payers of Australia who were promised there wouldn't be an increase in the tax levy by the afore mentioned "Sobbing Bob", have increased the payment that they make to Medicare and consequently Medicare has survived. But had the afore mentioned Prime Minister been truthful when he said that he wasn't going to increase the levy Medicare would be on its bottom.

PM: Not really, no. What Medicare succeeded in doing is giving people universal access to health insurance, to health cover, health protection at a national cost about two thirds of that of the United States, about eight per cent of GDP, eight per of the size of the total economy. We've kept that eight per cent constant all through the '80s despite the fact that people know there's been a great proliferation of services. What you compare now to say ten years ago, the number of diagnostic imaging and pathology and the various tests and services people receive today are much greater than then, yet the cost is still the same. So Medicare has been quite successful.

JL: But the cost isn't the same, the levy has been increased.

PM: The national cost is the same. The Commonwealth always paid money into health insurance, even before Medicare.

JL: The Commonwealth didn't, we did.

PM: The Budget did.

JL: Where did you get your money?

PM: Are we going to have one of these semantic arguments?

JL: No, you see you can't just brush it aside as that. People have allowed charming politicians like yourself to simply brush these things aside and make us feel

good; the Government did that for us, oh what a wonderful - our money.

PM: That's why I made the overall point, it's not a matter of the transfers, the tax payers to the Commonwealth budget to health because there are a whole lot of people paying different things there. There are people who use the health system more, some people pay less. The whole question is what is the cost to the nation? And it's about eight per cent of GDP, it's about two thirds of the American cost and yet you still get doctor of choice, universal access to health insurance. We won't have a position in this country like they've got in America where millions of people are walking around uninsured, millions of people in America are sick and can't afford to protect themselves.

JL: OK, let's not get too deeply into Medicare, but let's also be realistic about it, you don't pay anything, the tax payers pay everything, your Government said that the levy wouldn't increase, your Government lied, the levy did increase and consequently Medicare has survived, but only for those reasons.

PM: The levy has increased, but what has it increased for - basically to give public patients better access to public hospital care. In other words it is a modest increase, very modest, couple of decimal points and it is to make it better for people to get access to public hospital. Under John Hewson's proposal he says well that's all gone, you go and insure yourself, I'll let the doctors set the fees, the common fee will be set by the AMA not by Medicare schedules and then basically the system will charge what the traffic will bear and if you don't like the price go and insure yourself, it will cost \$30 a week and we say don't you think that's a bit unfair John, particularly for low to middle income families to shell out another \$30 a week for health insurance? He says well if they want health cover that's what they'll have to pay. Basically John's into lifting doctors salaries.

JL: Has he said that?

PM: He told the AMA. You see John hates unions, he'll tell you on your program how unions are this and the unions are that ...

JL: I think hate might be a bit hostile?

PM: No, I don't think so, but lets say he has no regard for unions except the AMA union, the doctors union. He addressed them on Sunday about four months ago and told them that they could fix the fees for medical services in Australia.

JL: He probably has about as much time for unions as Brian Howe has for doctors.

PM: Brian I think has a greater sneaking regard for doctors than John has for unions.

JL: He'd just rather die than let us know?

PM: Maybe.

JL: This document, 200 pages of it, there are not too many people who are going to read 200 pages.

PM: No, it's basically a manual for anyone interested in it - the media, members of our own Party. "Fightback" was a proposal which was dropped on the table about a year ago, it had a dream ride in the media, the media didn't take it to pieces; it's getting some scrutiny now and this is an attempt, a manual of all the various proposals and a commentary on those proposals and a reference to the facts.

JL: Yes, you're not including me in the media are you?

PM: No, I'm just saying the broadsheet media in the main.

JL: Because I took it to pieces, particularly in the area of tariffs, I trust I was right though.

PM: You have, but from last November on this thing was at the time, hailed as something new. I think people now understand that what it is basically a crude switch in taxations with a few other quite nasty policies grafted on.

JL: Yes, but you thought it was a good idea at one time, so did I think it was a good idea at the time you did in 1985 when you discussed it with me. You thought it was a good idea.

PM: That was the only chance Australia had basically to go to a consumption tax, that was basically with a Labor Government, that was doing it with a fully compensated change, over compensation for people down the bottom ...

JL: Are you sorry you didn't do it?

PM: ... and discounts in the wage system for inflation. That way you could have possibly accommodated such a change, but again it wasn't 15 per cent and now I've just been to Japan; they've introduced a three per cent consumption tax and it seized their whole commerce up, they had fights in the Diet, shop keepers brawling with customers, 15 per cent will just absolutely seize this country up.

JL: It seems very complex and as I say I don't know whether it's lack of opportunity or lack of ability, but they haven't explained it very well and to many people it does seem very complex and to the elderly people that

you have aimed this document of yours at seem very confused by it, but best I don't ask you to explain it, best I ask them to explain it and I think it would be important that they do because I do believe that what you've done in this "Poles Apart" document is be a bit alarmist. Did you read it before it was released?

PM: I haven't read all of it, only bits and pieces of it, it's a relatively big document.

JL: Two hundred pages and I do think it is a bit alarmist. But listen just before we get away from the doctors, it's seems to me that Labor isn't terribly good at resolving white collar disputes and you would agree that this is a white collar dispute, didn't have much luck with those pilots. You're going to have your very own pilot dispute on your hands with this one unless you do something.

PM: This is the doctors you mean?

JL: Yes.

PM: The proposal for this additional training came from the AMA and the College of General Practitioners, it was a proposal that came to us from them. The objection to it is from a lot of younger doctors.

JL: Yes, most of them a that additional training because they want to.

PM: They don't have to and if they do it they secure a benefit from what's called the Family Medicine Program.

JL: Why are they having a fight with you?

PM: A lot of young doctors think that the system is basically there, the ones who are disputing this, thinking the system is there to give them the income to which they believe they have become entitled and yet the AMA itself I think, and the general Practitioners society have said that a program which does have the emphasis on delivering health care in ways which are more affordable for the community at large does confer upon everybody a benefit and if doctors undertake the courses, the extra two years; they'll secure an additional income benefit from the so-called Family Medicine Program. If they don't wish to, the don't have to, so I can't quite see what the argument is about.

JL: I think it would be worth keeping an eye on, frankly because I think it could be a hell of a mess.

PM: Probably.

JL: One you don't want.

PM: Worth keeping an eye on I'm sure.

JL: The Asian trip; you've now been accused of tugging the forelock of Japan which conjures up a fascinating picture in ones mind. What's your response to that, or need I ask?

PM: I'm pretty happy with the results of that visit. I'd like to put Australia in a position where we can respond to the big changes now unfolding in the region. About sixty per cent of our exports now go to North Asia John, about sixty per cent, so we are largely integrated with the region. What I was seeking to do both in Japan and Singapore was to establish Australia's position, to say that we want to trade with the region. To say we want to trade with the region, to bring the United States into the region through APEC in a more institutionally, commercially closer way that is, to have them there not just in strategic terms, but to have them there more in investment and institutional terms and in so doing give Australia a more secure place in the part of the world that's growing fastest and the part of the world where most of our trade is going.

JL: Yes, I know you'll be delighted to know that in your absence it seemed that the biggest worry that Mr Fischer and his hat had was the fact that not one single solitary grain of Riverina rice is sold in Japan. Mr Fischer seemed to fail to understand that it wasn't sold in Japan because the Japanese wouldn't let it sell in Japan because they were protecting their own markets and yet he couldn't understand about tariff rates here in Australia. Did you get anywhere with rice for example, have you broken down any trade barriers at all?

PM: I just made the point that if the GATT, this is the General Agreement on Trade and Tariffs, the thing which has been under discussion for a couple of years, this is a world trading background which is the international arrangement where we're now discussing agriculture ... insisting upon is so-called tariffication of agriculture. That is the protective device not be quotas, but only be price devices such as tariffs.

JL: What's the device that they have in Japan?

PM: At the moment they have quotas.

JL: Not tariffs?

PM: No tariffs.

JL: But it is protecting the industry?

PM: It is, but it's not a price protection, a quota is an infinity level of tariffs, in other words it doesn't come in at any price, whereas a tariff has a price. So the Europeans and the Americans want so-called tariffication of agriculture which in Japan's case

includes rice. I argued that case to the Japanese, but again when you look at important as Mr Fischer may think rice exports are to Japan, they are nothing in comparison to iron ore, coking coal, motor vehicle engines, all the other things that give us a \$20 billion trade with Japan and a \$6 billion trade surplus. So I'd be pretty crazy to go up there and say look, you can put all that asunder for rice, we are not ...

JL: Yes, but the thing I don't understand and you can explain it to me is that we have Mr Fischer on one hand or anybody else for that matter, it's not fair to cite him necessarily saying that we can't sell rice in Japan, we can't sell rice in Japan because Japan protects its industry and yet the same Mr Fischer and other people of his ilk want to free up industry in Australia so that they can sell as many of their motor cars to us as they like. Isn't he being a bit contradictory? I mean he wants them to free up; what they're doing is obviously protecting their industry, he's not prepared to protect our industry.

PM: It's a big agricultural question. A lot of the ruling party the LDP - the Liberal Democratic Party of Japan - a lot of its support comes from the countryside and comes from rice growers and it's a political thing. In a sense they're like the National Party of Australia in some respects in terms of their rural component and their protecting rice. In my view they're fighting a losing battle because rice will be as we said earlier tariffed, that is it will have price mechanisms applied ...

JL: So they will have, just so we all understand, they will have on rice what we at the moment have on motor cars?

PM: Exactly, but they'll have it at a level where people can bring rice to Japan and jump the barrier because the barrier will only be a price barrier, it won't be a quota barrier as it is now. At the moment they say no, no, no at any price. Whereas we're saying give us a price to see if we can better it.

JL: Ok, if they're prepared to protect their industry understandably, and you are to a degree, prepared to protect our industry, but only to a degree, why would it be that the Coalition doesn't want to protect our industry and yet they're complaining that we can't sell our product, a particular product to Japan? Japan is just doing what we should be doing.

PM: Tariffs have been a long running, as long as I've been in public life John which is now twenty three years, tariffs have been an issue. What the Menzies and McEwen governments did was build a tariff wall around Australia which basically rendered Australian industry uncompetitive, gave us the dearest cars in the world, gave us very high prices and didn't give us the export

potential we should have had. What we did as a Government, this Government in 1988 we started to phase tariffs down to 1992 and then a year ago in 1991 we adopted a new phase down which will take us to the year 2000.

JL: Ok, but if the lowering of those tariffs from 57 per cent or whatever they were in 1988-89 down to 25 per cent or whatever they are now, that should have caused a decrease in the cost of motor cars.

PM: It has.

JL: It hasn't.

PM: Yes it has.

JL: No it hasn't, and the importation of motor cars has increased by 50 per cent in that period of time.

PM: Can I say this, the Ford company say that the basic Ford Falcon vehicle today which is I think \$23,000 before the tariff cuts would have been \$33,000, but the general point is I don't accept Dr Hewson's argument that you can keep a motor industry at zero tariffs because ... I went to Toyota last week in Japan, they're producing on the one run 300,000 vehicles. On the one run here, the best we can produce is about 38,000, in other words about one tenth.

JL: The best we could do in a whole year is 300,000.

PM: The best we can do in a year is 300,000 that is from six manufacturers from six models. There's not any chance in my view of the Australian motor vehicle industry staying alive at a zero tariff. Why would Toyota for instance, want to build a car in Australia with a market this small when it can basically just get better economies out of its existing lines of production? I don't accept the zero tariff and while the Government has brought tariffs down from 253 per cent for motor cars down to an effective rate of 35 per cent by the year 1996, it's that 35 per cent which will guarantee the viability of the Toyota investment in Melbourne, the Mitsubishi investment in Adelaide and I don't believe that those car companies can survive at zero. I think anybody and this includes in particular Dr Hewson who takes the view that it's zero and if they survive good on them, and if they don't bad luck. That simply means we won't have a motor industry and if we don't have a motor industry we won't have a firm manufacturing base in this country.

JL: So we should have a motor industry?

PM: Absolutely.

JL: Well if we should have a motor industry and the tariffs have been reduced at the rate they have been from 57 per cent in 1988, the cost really hasn't come down of motor cars and the importation of motor cars has increased by 30 per cent, then surely you can't take away any more tariffs on that.

PM: We had these discussions with the motor companies in 1990-91, I saw the Executive Vice President of Ford, USA who was then in charge of the non-continental USA Ford investments and their export markets, I spoke to the Toyota company, I spoke to all the people. With a bit of whinging and moaning the long and short of it is they indicated they would live with the Government's phase down and after we announced that in 1991, Toyota company made it's announcements. But again that is for an end point of 35 per cent protection.

JL: But you're talking about coming down to 15 per cent.

PM: That's 15 nominal, an effective rate of 35 per cent by the time you throw in the export facilitation and everything else ...

JL: Ok, if next year and what I'm saying is right because you would have known that I did the numbers, we have increased the importation of motor cars since 1988 by 50 per cent, the small four door, four seat passenger cars, increased by 50 per cent. If we continue to increase the importation of motor cars then surely that's going to self destruct, will you then sit down with the motor industry and say look we don't seem to be selling more local cars, if we're importing more surely we should reassess this, are you prepared to reassess it?

PM: We're exporting now \$1 billion worth of cars since then. Since 1988 it's true that tariffs have come down and it is true that imported cars have come up, but we are now exporting a billion dollars worth of motor vehicles and motor vehicle engines and components.

JL: I understand all that's true.

PM: It's all part of the run John. To say to a motor firm, you make a new engine but you can export so many hundred thousand units of this to Japan or somewhere else makes it viable for them. So it's the total package which they're living with and the indications we have is that they are living. We've got no indication from any of the companies; Toyota, Ford, General Motors, any of them that even though this is putting structural pressures on them that in the end they can live with it. What I'm saying is they can't live with zero, they can live with an effective rate of 35, a nominal rate of 15, but they can't live with zero and that's what Dr Hewson is saying, he's saying give them zero and they should take it like a man and know what's good for them.

JL: Ok, if next year all indications are that it's not working the way it should work, are you flexible? Are you prepared to sit down with the motor industry and reassess it, that's the question?

PM: But we were flexible. The time to have asked me that was two years ago in 1990 when basically we sat down and said look where should this end point be? Should it be an effective rate of 35, an effective rate of 50, an effective rate of 20. That's when the flexibility was displayed by the Government and we put into place know what we think, well it's a change from the year 1988 to 1996-97, it's a very long change, it's nearly a decade of change. In other words it gives companies a decade to adjust.

JL: Yes, you're telling me that you've been flexible, but you're not answering the question, are you going to continue to be flexible?

PM: We don't have to be because the things announced.

JL: So the answer is no?

PM: No.

JL: That the decision is made and that's immovable.

PM: Absolutely, because we've got it right and the proof of the pudding is the fact that Toyota is going to invest \$800 million in Victoria and it did it after we made the announcement. But by the same token, the Government should be user friendly to the industry and that is where they do run into problems, we try and sort them out for them and again we've done that in these export facilitation plans, that's one of the reasons why now the Japanese company are selling the motor vehicle engines. For instance, can I give you an example John, part of those imports of cars are Mercedes cars, but there is a credit for Australia; they are now one of the biggest markets for Australian aluminium wheels out of Adelaide. So we give them a benefit which allows them to import more competitively, but part of the benefit is a cost for them; that is they take loads of aluminium wheels for Mercedes. You see Mercedes Benz cars running around in Europe, but running around on aluminium wheels made in Adelaide.

JL: What about the rural sector, what help are you going to give the rural sector? What does the tariff policy do for the rural sector?

PM: Mr McLachlan who is the Liberal spokesman on industry was formerly the President of the National Farmers Federation and the farmers have said for years that the tariff is a monkey on their back, it's a cost that they as primary exporters have had to wear, that is largely true. But it is a case of never going to extremes,

taking the view that tariffs should go to zero, to have the farm lobby get square with manufacturers is not wise, it's not sensible and I don't think it's Australian. We've all got to get on in this country and we've got to make sure people get their share of the cake, but at the same time there's got to be a bit of give and take. Now if the farm community given expression by people like Mr McLachlan saying look we've taking the high tariff medicine for years with Mr McEwen, paradoxically was leader of the National Party and Mr Fraser and the rest of them, now's our chance to get square so we'll chop into the car companies with a zero tariff, when you've got the mining industry arguing the same ...

JL: But how will that benefit the rural industry?

PM: The cost of tariff protection is ... the rural industry are paid on an international basis for their products, they get the international price for wheat, international price for various products. Whatever input costs they bear, the higher input costs have come by the protection which local industry have had by the tariff. They've had to pay the tariff yet not be recompensed by the international market. So they argue they've carried the burden, too great a burden, and that has been largely true. But with a tariff coming down now they've really had a very good ... the farmers have kicked an enormous goal in the last six to eight years by a reduction in tariffs. To go and try and drive the nails into the manufacturing industry and into the car industry by zero tariffs is on the part of some ex-farm leaders like Mr McLachlan going right over the top to try and extract a bounty or a penalty based on old 1970s prejudices about how much the farm lobby paid in tariffs. It shows no wisdom and in my view no comprehension of the fact that the farm community have picked up an enormous benefit in competitiveness, now lower tariffs and they should live with the Government phase down.

JL: Getting back to the original question is what are you going to do about the rural sector. The short answer is nothing.

PM: No, that is a different thing. I thought you meant in relation to tariffs. The problem with the rural sector is not of their own making, some of their own making. There are three things: the ones not of their own making have been drought, the second has been wheat prices - not of their own making, and the one of their own making has been wool. They decided to double the price of wool, and the world said 'thank you we don't want it anymore'. So they let the stock pile build up and finally we are to abandon the wool price scheme and that hurt farmers on the way through and it's now starting to improve. But wool prices have started to stabilise again, wheat prices haven't been too bad. The

Government, we guaranteed \$3 billion to underwrite the wool stock pile, we spent about \$1 1/2 billion in national interest cover or insurance on wheat sales in the markets that might not have otherwise been commercial. The Government has basically put about \$5 billion on the line for the farm community. And also things like structural adjustment, rural adjustment schemes (RAS), that is helping farmers who are really never going to be viable to get off the land and pay them, help them leave, to pay their debts out and also carry on financially...

JL: What happens to that land?

PM: Well some of it should never have been farmed, only some of it was farmed at a time when wheat prices were very high, you could take sub-optimal farms and make them work. But once the sort of cost of interest rose and then the prices came down, it came, again, sub-optimal.

JL: So are you saying that the Government will buy these people out of the farms?

PM: Well we help them, that is the people, there are two parts of the rural adjustment scheme RAS so called. One is carry on finance, for those who are viable, but who have just had difficulties we give them concessional loans, but for those who know they have got no chance, we help them get out of it.

JL: And what do you do with the land?

PM: Well basically it goes back to, it is either aggregated into bigger parcels, or it is not farmed anymore.

JL: What happens to it then, it just becomes Crown land?

PM: No, it probably ends up being privately owned, but it may be farmed less intensively. See our soils are often not strong, and in some places people who have been using land for agricultural purposes, which might work in the very high paid seasons, but doesn't work in the low paid seasons.

JL: By the look of it you'll be going to the Polls with unemployment at more than 10 per cent, it seems that the argument concerning unemployment has shifted, that rather we've got involved in tariffs and your overseas visit, which was very important to us admittedly, but we seem to be forgetting about unemployment. Hopefully you're not.

PM: No and that's why the Government has got all the instruments at its disposal flat out to try and do something about it. We've got fiscal policy. We've got \$2 billion being spent in this year from the One Nation statement, most of it being spent from 1 July. We've got the additional spending in the Budget. We've got

interest rates at low levels. The whole thing is geared up now to basically see the economy rise. And we are coming into recovery. In the year to June the economy grew by 1.6 per cent. By contrast in the same year the British economy contracted, declined by 1.5 per cent. So we are actually now doing better in terms of growth than most comparable countries. And this year we hope to see that strengthen to about 3 per cent.

JL: Some figures came out yesterday from the Bureau of Statistics, that I imagine would have been brought to your attention, showing unemployment amongst migrants at 12.5 per cent, with Australian born workers 9.9 per cent. Now isn't that a bit crazy, I mean more migrants are receiving dole payments than Australian born workers?

PM: It's partly the problems that migrants have and that's why we have considerably stepped up spending on English as a second language, that program, to deal with disadvantage, whether the disadvantage be with migrants or other workers, to give them a chance to get back into the workforce. But employment will grow as the economy grows. The link between growth in the general economy, growth in GDP and employment is such a tight link. Once we start seeing that growth in employment coming. But John the other thing is, is the country is more productive. Now yesterday I went to two places in Victoria. I join Joan Kirner and went to the Williamstown dockyard where AMECOM have just handed over the second frigate to the Navy, built under cost and under time, and the Navy told me it's the first time they have had a ship presented to them without faults on its ship trials. Of higher quality of the same ship built in the United States.

JL: OK, but we are rather shifting from the point.

PM: I just want to make this point here. The same in respect of clothing, textile and footwear. Now in both companies, the productivity of that plant had gone up 800 per cent. That means we are getting more product from fewer people, in other words we are now a very productive country, businesses are stripped down, but the flip side of that productivity; that is getting more output from fewer people is that there are fewer people in work. So the answer has to be that we've got to grow the economy even faster to take those people up.

JL: Yes, wouldn't another answer be to stop bringing people to this country if they can't get a job when they get here? If we've got 12.5 per cent migrants unemployed, 12.5 per cent as opposed to 9.9 per cent of people who were born in Australia, isn't that a nonsense? That we're simply bringing people from other parts of the world in order to pay them money?

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PM: The migration program is a long term program and we have changed it over time.

JL: Not enough though.

PM: We've cut it in half. It was 140,000 two years ago, it's now at 80,000.

JL: But it's still not enough is it if we've got 12.5 per cent of them unemployed? Why would you employ a maid who couldn't work? Why would you bring people to your house who weren't going to benefit it?

PM: A part of it of course is family reunion, you have people here then they can bring they're mothers and fathers, brothers and sisters.

JL: And we tax payers pay for them.

PM: The thing is the level of unemployment amongst migrants is admittedly higher than the general community, but not that much higher. A part of that reason is basically because they're disadvantaged one way or another and the answer is to do two things. Deal with the disadvantage, be it English or what have you or the teaching of English.

JL: Why do we let people come here who can't speak English?

PM: Some come, those who speak English ...

JL: If they've got a million dollars ...

PM: Those who speak English obviously do better in the tests in coming in, but what you find with family reunion programs a lot of them can't speak English fluently and if you go to a lot of technical colleges around Sydney or Melbourne you'll find classes full of people learning English.

JL: Isn't that wonderful except we're paying for it all. Why do we bring to Australia who can't speak English, can't get a job and are going to be disadvantaged? It doesn't seem to make much sense to me.

PM: In 1987-88 we brought them so the labour market wouldn't blow to bits. In 1987-88 when there was such an enormous shortage of labour ...

JL: Sure, but now we've got a million people unemployed.

PM: No, but you can't turn this tap on and off over night.

JL: Why.

PM: It just doesn't work.

JL: But why, if 12.5 per cent of the people who come here from other parts of the world are receiving unemployment benefits, there's a million of us unemployed, 9.9 per cent of Australian born people unemployed and those who are fortunate enough to have a job of paying for the 12.5 per cent of the migrants who come here and can't get one.

PM: You've got to say to yourself, from 1949 onwards would Australia be better off because of the migration program. Is it a stronger better country?

JL: Yes, of course it is.

PM: The answer is yes.

JL: But not now?

PM: Yes it is.

JL: Of course it's a better country because of it, but fancy saying we're thinking about making English a second language.

PM: No, English as a second language, in other words people who have as a primary language, the language of their country of birth, English becomes a second language. But in this country it isn't.

JL: Why isn't it their first language?

PM: Because they are from some other country.

JL: Why didn't they how to speak English in that other country then come here speaking it?

PM: Because you'll find most other are not about teaching English to those who migrate to Australia.

JL: That's up to the people who want to migrate to Australia.

PM: It works, by and large it works and we've got a better country and a more interesting country, a bigger country, a richer country and what do is take the peaks and troughs out of it by ... as needs be.

JL: Ok, but why don't you cut the intake now? Why don't you just stop it?

PM: We have, we've cut it from 140,000 to 80,000; we've cut it nearly in half.

JL: But it's not enough.

PM: I think it is.

JL: How can it be enough?

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PM: You'll find that when the economy starts to grow again and we have skills shortages and the rest you can't wind the damn thing up.

JL: Open the doors again. Everybody wants to come here.

PM: It's got years of lead times on it, once it drops away it falls away to nothing. It takes you years to build it back.

JL: Something is very wrong with it when 12.5 per cent of the people who come here can't get a job, it's apparent that many of them can't even speak English when they do arrive here and we've got a million people out of work and 9.9 per cent are Australians.

PM: You've got to think of all the ones who can speak English, who do come from here.

JL: Well bring them if they've got plenty of money.

PM: Who can make a contribution immediately, whose skills are in demand.

JL: Why aren't we more selective?

PM: We are very.

JL: How can you say we are selective when people come here and can't speak English?

PM: Because in the Family Reunion Component the insistence on English and all these other things, they get points under the system for having a relative in Australia, that is having a sister or a brother or a mother or father.

JL: Why do we let that happen?

PM: Because it's part of the general regime of migration around the world. Family reunion is a part of migration programs world wide.

JL: You come to Australia, the land of opportunity, the land of milk and honey, learn to speak English, get a job, work very hard, save your money and then you can bring your mum out. Seems to make a lot of sense to me.

PM: You take 1988 when the economy was booming and we would have had wages blowing at 15 and 16 per cent instead of 6, but for fact that we had trades persons and other professions coming in to complement our labour market so it was very good for us then, but you can't say well it's terrific for us then, but it's no good for us now.

JL: But you can fine tune it.

PM: What I say is we have.

JL: How have we when we've got people here who can't even speak the language.

PM: I know, but look they're not a majority and those who are ... many of them are women who were formerly at home and are now looking for work and they've gone to train themselves and good on them. But of the reason that unemployment is in Australia over 10 per cent is because of the very high number of people looking for work. If we had the same participation rate, that is the number of people looking for work as say the United States has got, we'd have an unemployment rate of about 5.5 per cent or 6 per cent. In fact we had the same participation rate today that John Howard had in 1982, we'd have an unemployment rate of 6.5 per cent. The reason it's 10.5 is because the '80s were so full of employment that people, not unreasonably, have raised their expectations about getting a job and are looking for work and good on them.

JL: That's fine, but then we had that thing that was called the recession we had to have which was announced by you.

PM: It was certainly the slow down we had to have, we couldn't go on importing.

JL: It was your word - recession.

PM: I know, we couldn't go on spending twice our rate of production and that's what we were doing. We had spending running at 9 per cent and production at 4.5. John let's make this point and it's the point I made in Asia - Australia has made the great economic transition, in 1982 14 per cent of Australia's production went to exports, today it's 23 per cent. That is nearly a quarter of everything the country produces goes to exports, the difference in that is 9 percentage points of the total economy, 9 per cent of GDP. That today is worth \$36,000 million; \$36 billion. Could you imagine where Australia would be now had we left with the old Liberal policies of the '80s with \$36 billion out of our trade accounts? Yesterday we had the Balance of Payment figure out, \$900 million for the month, about \$14 billion for the year, imagine where we'd be if there was a \$36 billion gap in our exports that now exists which didn't exist a decade ago? I'll tell you where'd we'd be, we'd be prostrate. We'd be like South America, we would have been one of those banana republics you and I talked about in the middle '80s. We saved ourselves in the 80s; now sure we've had a recession on the way through and we're now growing, but now the place is much more fully employed, we had phenomenal rates of growth in employment in the '80s. When I became Treasurer the total production of Australia was worth \$200 billion, that was in 1983, today it is worth \$400 billion. And then we had six

million in employment, today even with unemployment we've got 7.6 million in employment. We've made the huge switch to export, we've actually made the great leap that we didn't think out of the tariff wall, we bounded over it right into Asia, right into those exports markets.

JL: All of that is fantastic and I'm quite sure the job you did when you were in Asia is going to make it even better.

PM: It just means you get more access.

JL: But it doesn't make life easier for those people who are listening to us all over Australia now who haven't got a dollar to go out and buy a loaf of bread.

PM: Look John, we've got a decent social security system. We're not going to say what Dr Hewson's says if you're unemployed after nine months, you're out, you're down to the voluntary agencies, down to St Vincent de Paul or the Salvos, we're saying you still have a decent social security system, we pick you up and carry you along if you happen to be unemployed.

JL: I know you're saying that, but there are still a lot of people who are hungry and all the talk about overseas trade might be tremendously important from a universal point of view, but from a national point of view for those people who are hungry, the place doesn't look too good. And look at the attitude of the place at the moment, look at the attitude of Australia, a third of the people like you, a third of the people like John Hewson and a third of the people don't know who they like so that means that both of have virtually got two thirds against you.

PM: That's pretty well always been the case.

JL: No, it's never been that clearly defined, one third of the people.

PM: Have a look at Britain, here they are, they can't get out of their technological troubles, they haven't made the great leap, they tried to tie their exchange rate to the German Deutschmark and French Franc, in the end they couldn't get the productivity in their country out so its busted out of the link, they've been in a chaotic financial position. Look at us - last week Britain dropped its interest rates by one per centage point and it was news all around the world. We've had 13 one per centage points changes since 1990 accomplished with total smoothness, we've had a 12 or 13 per cent decline in the depreciation of the Australian dollar, again a few headlines, but basically total smoothness. What's happened over there? They're growing minus 1.6 they are actually contracting, they haven't made the

technological leap, they can't jump into Europe; compare with them say to us, we've made the great change.

JL: That's right, but we're here that's the point. It's all very interesting ...

PM: I'll make the point that we're doing much better.

JL: You try and tell that lot out there that we're doing much better. We might be doing much better on a world scale.

PM: We are, on a world scale we are.

PM: But that doesn't help them buy a loaf of bread.

PM: There's still 90 per cent of people in employment, there's 90 per cent of people in employment, they've got lower interest rates by 8, 9 10 per centage points than two years ago, the economy is now growing somewhere in the order of 1.5, 2 per cent heading towards 3, employment growth means the country is much more productive, we're exporting a quarter of everything we produce, we're exporting our heads off, we're now making technologically innovative products which we weren't, we're producing ships for the navy better than the Americans can produce demonstrated yesterday.

JL: All of that is wonderful, but we're not seeing unemployment drop are we?

PM: You're seeing employment growth, you're seeing job growth, but the number of people joining the workforce is bigger than the job growth therefore unemployment stayed up.

JL: When is unemployment going to drop?

PM: As soon as we get back to stronger rates of economic growth.

JL: I've got to go and I know you've got to go, thank you for your time, it was good to see you and let's hope we have the opportunity to talk to you again.

PM: Thanks for the nag John.

ENDS