



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP DOORSTOP, CANBERRA, 18 OCTOBER 1992

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PM: I just want to make a couple of comments about a few things Dr Hewson has said and done over the weekend. He told us in the Alfred Deakin lecture earlier in the week that policies of leaders should have a human touch and should be more warm-hearted. Well he was totally cold-hearted in his put down of the Australian tourism industry on the weekend. That industry, which I think is now the largest employer of Australians or certainly will become, particularly of young Australians in the 1990s, and is really doing more than its share of any sector to add to growth and to exports of services, that sector has asked that under a GST it be relieved. Not only did Dr Hewson say he wouldn't relieve them, but he has actually upbraided them, he has hopped into them for daring suggest that they should have relief. It is as if they have to apologise for even existing.

Now, Dr Hewson's proposals provide no relief to these people. Payroll tax relief will not go to any tourism operator who has a payroll of less than about half a million dollars. So they'll wear the GST, it will actually put a hole right through the industry, and there will be no relief for them, and to an industry which is really making a huge contribution to Australia and is going to make a bigger contribution in the future. Because you can't get a machine to make a bed, you can't get a machine to clean up someone's bathroom, you can't get a machine to serve a meal. This is a very labour-intensive industry, it's one of the service industries we are going to rely upon in the '90s, and he is going to kick a hole right in it with the goods and services tax. And Mr Jull, his tourism spokesman, recognises and understands that. But not only does he not recognise it but he has hopped into them for daring suggest that they need relief.

J: The tourism industry will be helped by the industrial relations changes the Opposition is putting forward when penalty rates are abolished.

PM: No. Under the Sheraton Hotels agreement already concluded, penalty rates have all been rolled into a weekly rate. There's no thing, nothing in flexibility, that can't

now be done under Section 37 agreements. What Dr Hewson and Mr Howard want to do is to actually cut the wages of Australians. They want flexibility downwards, they don't want flexibility up, they don't want flexibility sideways. Anything they want to do by way of hours, working time, working week, are all now in all these hundreds of varied agreements which are being made and have been made over the last 6 months, and quite historic ones in the case of Sheraton Hotels. So, don't believe any of Dr Hewson's rhetoric about tourism and industrial relations, the truth of the matter is they just want to cut people's pay. And as I demonstrated during the week, in an American survey of pay rates Australians are way down the scale. We're already hugely competitive, what does he want to hop into Australians' pay for?

J: The Opposition Leader says that Fightback will quadruple the number of tourists coming here by the end of the decade. Given that, why do you think he'd be insane enough to want to damage an industry as important as tourism to Australia? Surely what he says is based on fact.

PM: No, I think the potential of the tourism industry is huge. It was the one great new industry created by the freedoms of the 1980s introduced by this Government. And its going to grow very strongly in the '90s, and particularly in the region, and also not just inbound tourism but domestic tourism. But a heavy tax on every service provided by it - accommodation, meals, all sorts of services - will knock it down and slow its progress back. So the fact is, the industry is entitled to say we're actually doing well and we're not going to get virtually any substantial relief from payroll tax or anything else, leave us alone. And he has got into them for being selfish.

J: Does that indicate, Prime Minister, inbound tourists face some sort of value added tax in most competitive destinations anyway?

PM: But it's also a fact that we're running a current account deficit, and one of the things we have going for us is a trade in international services - tourism, financial services, education services, et cetera, and tourism has grown like Topsy in the 1980s and has the potential to keep on going. People have got to understand this: the GST is half as big as Australia's income tax. At \$27 billion the GST raises more than half the income tax. It's not just a mere bagatelle, it's a massive impost on the nation and on any industry, and this industry, which is competitive, and does has a lot to offer. One thing it has to offer is the potential to employ labour. When productivity is reducing the number of people employed in factories, tourism is giving us a real potential to employ people to take up labour and to set this industry back as this would do, I think enormously, is a terrible pity. But not only that, for them to ask for relief and then be shunned in the way that he shunned them on the weekend and then chastised them as being selfish, means it's just nothing but inflexibility and cold-hearted responses from him.

- J: He's just being consistent, isn't he? He's not going to give them anything he is not giving any other industry.
- PM: The fact is, to be consistent, this industry is not consistently growing, it is exponentially growing. If we want industries which are going to actually make a bigger than average difference to the way in which we perform, you've got to give them some room.
- J: If he zero rated inbound tourists you'd have say a tourist couple in a hotel room paying a great deal less than an Australian couple in the next room. Isn't there some inequity in that?
- PM: I think there is, but the best thing he can do is relieve the whole industry. See, the truth is a tax of this dimension will seize the Australian economy. A tax which is equal to over half the income tax will seize the Australian economy. And his great rationale for it is that it will relieve payroll tax. In fact it is four or five times a larger tax on labour than payroll tax is. And in collecting equal-to-over-half the income tax, it's too great a burden - an inflationary and coemptive burden on the Australian economy at this time. It's a luxury Australia can't afford.
- J: Prime Minister, given there is an inequity on inbound tourists having a cheaper deal in Australia, then isn't that a justification for what Dr Hewson is saying?
- PM: Look, there's no justification for penalising an industry which is now competitive and growing like steam. None. It's a bad tax, the whole idea, and it's particularly bad on high labour content industries like tourism.
- J: Jeff Kennett this morning said that he'd like to talk to you and you hadn't spoken to you yet, and he said that the worst thing Labor had done federally was not to go far enough with industrial relations reform, have you any response to that?
- PM: We've changed the nature of Australia in the '80s. It's now an externally-oriented competitive country. We're now clocking up best practice awards with international bench-marking with companies. Because of the huge changes in industrial relations we've got an inflation rate of 1 1/2 per cent. So I don't think there's any validity in Mr Kennett's claims at all. And as far as I'm concerned I'm quite happy to see him. If he wants to discuss Victoria's troubles he'll be treated as fairly and as decently and as openly as every other Premier is.
- J: Well does Mr Kennett have any other option than that he conceded he was going to do today, that is to raise taxes substantially?
- PM: Well, that's a matter for him. But Victorians should take note that the Liberal Party of Australia is a high tax party. Whether it's the State Liberal Party sticking up taxes as Mr Kennett is, or Dr Hewson putting on a GST, they believe in higher taxation. Whereas what Labor has done is produce one of the smallest public

sectors in the world and one of the lowest rates of tax to GDP of any OECD country. In fact we're the second lowest in the whole of the 27 countries of the OECD.

J: What do you make of Mr Hewson's comments on Mr Carr in New South Wales?

PM: To be honest I was flabbergasted by that remark, that in some way he tried to score off the fact that Bob Carr had no children. And what we see here creeping into the debate ... he said you've got to be suspicious of a guy that doesn't like kids. Well I can tell you this, Bob Carr has climbed all over my children from the time they were babies, and I think he's bringing in the worst of American politics. It's one thing to have people criticising us in the way we fight the issues out in Parliament House, but at least they're issues. But this sort of stuff, and I should imagine that Dr Hewson, who has had his own family affairs paraded in the public debate, would have been grateful for the fact that not one person in the Labor Party, not one, on the Labor side of politics made a comment about them. Not one. He said that Mr Carr wasn't as full-blooded as John Fahey because he doesn't have children. Well I don't think Ben Chifley had any trouble being a full-blooded Australian, and he didn't have any children. I think Dr Hewson should withdraw this remark, apologise for it and never repeat it.

J: Mr Keating, speaking of issues, do you think that after the release of the Coalition's IR policy that IR will be the biggest political battleground up till the next election?

PM: It will be two. It will be the GST and industrial relations. But remember this, we've now got industrial disputes at their lowest since we've been keeping records; we've got an inflation rate of under 2 per cent, which you can only have with a labour and wages system which is working; we've got all sorts of inventive, ingenious and productive enterprise agreements, flexibly being written between unions and employers across the country; we've got now one of the better labour market systems in the world and it's growing and improving every year. But to give it the cold, hard treatment of saying that awards are finished, that people lose holiday pay, maternity leave, rates of pay and other things, and that they can sign up under a contract but only contest it in a court with their own legal representation will see Australians' wages cut dramatically from what are already, by world standards, competitive and low levelled. So industrial relations is obviously going to be an area of great difference between the Government and the Coalition, but I suppose most things are a great difference now between the Government and the Coalition.

J: The fact is workers in New Zealand haven't been chopped off at the knees, have they?

PM: But they are being chopped off now. The rates of pay for New Zealanders now are now declining sharply, people are losing conditions and living standards are

starting to decline. And we don't need to do it here. We've got an inflation rate of 1 1/2 per cent, we've got a profit share which is already reasonably good and will go quite high the moment there's any real volume going on the to the bottom line of Australian corporate accounts. That is, when their overheads are covered all their extra volume is just simply cop, it goes straight to the bottom line of profits. So we're about to see, as the economy really gets up a head of steam, the profit share go to very high level, and why anyone would want to go ripping Australian pay rates around and knocking ordinary people around in pay I've got no idea, and at the same time while they knock Medicare over and everything else.

J: Speaking of ...

PM: OK, I think I'll just leave it at that. Thanks. I know you're very enthusiastic, Amanda (Buckley), it's that break - it's done you the world of good!

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