



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
INTERVIEW WITH CLAIRE ARTHURS, RADIO 4QB, BUNDABERG, QLD,
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CA: It is a big pleasure to welcome this morning to our Bill Macarthy studios in Bundaberg Prime Minister, Paul Keating. Good morning.

PM: Good morning, it's very nice to be here.

CA: We are going to take some calls in talkback this morning and I will just give our listeners our number again it's 071 532800. Prime Minister before we go to calls can I go to the question which a lot of people are wondering this morning and of course the election, if you were to bump into Governor General, Bill Hayden, in Brisbane at the airport this afternoon you still could call a December election.

PM: Yes I could but that wouldn't be quite the place to do it and I have not made any arrangements to see him.

CA: Then no decision or are you ruling out a December election all together now?

PM: Well as I said yesterday, it's a funny thing in this business, everyone wants you to rule things out. One of the prerogatives the Prime Minister has in this system of ours is the option of deciding the election date so I never rule anything out.

CA: What are you reading into the polls released this week which put you and the ALP ahead of the Coalition?

PM: Well, I think that we are seeing a trend deterioration in the Opposition's position and I think because their policy stance isn't the appropriate policy stance for Australia at the moment. It may be that they say that we have got to do more on

employment and economic recovery and we certainly want to see that strengthened. But putting a goods and services tax, 15 per cent on everything, cutting the Commonwealth budget back by \$6-7 billion which would have a very regressive effect on the economy, all those of those things are basically the wrong policies for the current condition of the economy. I think what has basically been realised that people don't want a 15 per cent tax on everything they buy, food, clothing, services, and they don't want people thrown off unemployment benefits after nine months, they don't want the budget deficit cut back so that the spending ... from the public sector is withdrawn, and as well as that I think they don't like the fact that Dr Hewson has attacked almost every group in the country.

CA: Prime Minister let's go to the phones, if you would like to pop your headset on we will have a chat to Bob who is our first caller this morning. Good morning Bob.

Caller: Morning, morning Paul.

PM: How are you Bob?

Caller: I am all right. My question concerns unemployment, Paul, and I am wondering why we perhaps can't embrace some scheme whereby unemployment benefits continue to be paid for anyone that goes back into the workforce with the employer making up the difference between their benefits and what the applicable wage might be for that particular industry or job they go into. For instance suppose an unemployment beneficiary is on say \$300 a week that's a benefit, and the job that is offered is say paying \$500 the employer pays the difference between the two, say \$200, this continues for say 12 months and after that time the thing is reviewed and if the economy is coming out of recession then perhaps this can be continued but on a smaller benefit from the Government and the employer making up a greater percentage of the wage?

PM: Yes I understand what you are saying. Well look we have things called labour market programs and Job-Start, which may be a name that rings a bell with you, is basically just what you described. It is a wage subsidy which the Commonwealth pays to any employer taking somebody on. Now, the labour market programs of the Commonwealth this year will handle roughly 400,000 people and that's a very large proportion of those unemployed. So, we have got quite a comprehensive range of policies out there now and we added to those in the One Nation program and in the Budget. So there is nearly 1.5 million of expenditure there now on labour market programs which either provide a combination of training and the job subsidy or the a straight job subsidy. So, they are out there and we are now operating those programs to try and get the maximum take-up, which is I say about 400,000.

CA: Alright thanks very much for that call Bob and we will move on to Roy. Good morning Roy.

Caller: Good morning. We have had a small business for a long time but hard times had come and we owed a \$20,000 debt in 1983. Every month now we seem to increase our debt by about \$1000 more or less. When it is less than \$1000 the bank is happy, we are now in debt to the tune of 160,000 and the Manager of our business wants his employment contract resigned. My question to you should I sign to re-engage him even though he is managing our business into a worse position month by month?

PM: You have a business which you have turned over to somebody else, is that the idea?

Caller: Yes we have turned our Australian business over to you and the Labor Party and you are managing it month by month into a worse position, should we re-engage you at the next election?

PM: Well, I will just say this to you, if it were not for the Labor Party, Australia would be still punting on simply agriculture and minerals. We were a farm and a quarry in the early 1980s and that's all we would be. We were exporting then 14 per cent of all we produce, today we are exporting nearly 25 per cent of all we produce. We have actually made the big change to an externally oriented country which is now exporting heavily and we will be able to pay our way in the world, which was not the case a decade ago. Now we have been in a recession but we are coming out of it with a low inflation rate, we have also kept most of the 1980s jobs. In 1983 the workforce was 6 million people in size, today it is nearly 8 million, it is nearly a quarter bigger and even though we are not creating enough new jobs as new entrants join the workforce, that is, as unemployment is rising we have kept the stock of jobs that we produced in the '80s. Now what we have to do is to go back to growth but we are living through what we call a surge of productivity, and what that means is we are getting more output more production from fewer people, so at this stage of the cycle as we grow we would normally be taking people up more rapidly into employment, we are not at the moment because of productivity. That is we are getting the same output or production from a small workforce so because the whole country is now more productive it means it is not laden with employment like it was in the past. So, we can only grow more strongly, more rapidly and as that happens the employment will be taken up, productivity or not, do you understand?

CA: Can we follow that because last night you were talking to ALP members at an informal function you talked about the fact that Australia had crossed the Rubicon some ten years early in relation to our attitude to our place in the world. We tend to talk more these days in terms of the things we have to address about the growth in employment and the growth in unemployment. What about the possibility of getting some recognition of the fact that there will always be an unemployed pool and teaching our young people to cope with life which includes not having a full time paid job.

PM: The key point here is what is today full employment? The Reserve Bank Governor said last week he thought it was somewhere between 5.5 and 6 per cent, we've got unemployment at around just over 11 per cent so half of that he thinks is what we call structural unemployment, that is unemployment which is there because we are going out of some industries and into new ones. The other half of the unemployment is from the cycle of the recession – the boom and the bust. As we grow we'll take that employment up, that unemployment will come down, but whether we can get below 5.5 to 6 per cent is a moot point and it will take some years. So we are going to certainly be living with a higher level of structural so-called unemployment than we were in the past. The main thing is that people are trained for the sorts of jobs the Australian economy will offer in the future, but the key point is Australia has crossed a Rubicon, we were a country really without hope in the early 1980s, we'd relied for nearly all the post-War years on mining and agriculture and as good as they have been and remain good, they were not good enough to pay for our imports and they were not good enough to employ people, that has now all changed.

CA: We might be a country with hope, but there are an awful lot of individuals coming out of school this Christmas who don't have hope and they might even agree with you that things might all change in five or ten years, but meanwhile they have got mouths to feed.

PM: I can only take about the 1980s experience here and that is most young people found a job quite rapidly and particularly those who were trained. There is a link between growth in the economy and employment, we've just got to have the economy growing to take them up. Again a lot of young people are finding jobs out there, it is only a minority who are not and the fact now that we've got a much higher proportion of kids completing secondary school and then going on to university and to TAFE means their prospects in finding a job are greatly enhanced.

CA: Let's take some more calls, Lorraine is waiting to talk to you.

Caller: Good morning Paul and welcome to Bundy and first I think you are doing a great job despite the media bias and the promotion of Hewson especially by Lyncham and Bornhorst on my beloved '7:30 Report'.

PM: That's nice of you to say, thank you.

Caller: If the GST is so great in New Zealand, why are there 250,000 Kiwis living here and approximately 50,000 of them on our dole? But to help Australia we need to buy Australian goods and less population and only exchange migration, it's over breeding that causes unemployment because you can see that by the population explosion in Australia.

PM: Can I say a couple of things, you often hear New Zealand compared with Australia. I just said a moment ago to a gentleman that called earlier that our work force in the last decade has grown by nearly a quarter; it started at six million, it is now nearly eight million. In New Zealand the work force is actually smaller today than it was in 1983, there are actually fewer people in work today than there was in 1983, where we have nearly 25 per cent more people in work today than in 1983. So the goods and services tax and all that sort of hard-hearted economics have not stood them in the stead that the policy mix we've had has stood Australia. I believe that we don't need another tax base in the tax system, putting 15 per cent on people's clothing and food and services, every service they have whether it be a bus ticket or a railway ticket or a hair cut, or whatever it might be, is all going to be taxed as to 15 per cent. It's inflationary, it's going to add about six to seven percentage points to inflation at a time when we've got inflation the lowest in the OECD, the lowest in the world, under one per centage point, and that extra increase in inflation will go straight into interest rates which will only slow down any recovery we have. So we think it is absolutely the wrong policy mix and as well as that it's being paid by one group of people but the benefits are going to another group of people. In other words the people who pay don't get the benefits by way of tax cuts and the rest, basically it's a switch in income from low and middle income earners to high income earners so we think it is the wrong policy.

As to population, this country can obviously carry a larger population than it has and we've been complementing our natural growth in our own population with a migration program. We've cut that roughly in half over the last few years largely because the labour market is not growing strongly enough to take migrants up as well as those who are coming out of our own labour market, but the migration program remains an important long term program for our economic strength and the growth to a critical mass in our population.

CA: Thanks for your call Lorraine. Prime Minister, speaking of policies, the reason you are in Bundaberg and in this region today is to talk sugar. Now with the report into the sugar industry due for release, in fact just about ready to be released, what's the point in holding talks?

PM: Claire, the point is, I've not meet the groups of cane growers myself and I always think it's had form for a government to be making decisions without those primarily involved, having the benefit of the sort of discussions which some of our colleagues have. Now Brian Courtice, your member here, is of course, the Chairman of this group and Brian knows the sugar industry back to front, and he and the group have spoken to cane growers and cane grower representatives and the sugar industry in general. What I want to do is pick up a feel on that, pick up some of the feel so when Brian presents the report it means something to me and the Cabinet, that we've got an actual feel of the issues. That I think is the virtue in seeing people, so that the report has some sort of context when it is presented. I haven't had that opportunity and I'm looking forward to it today.

CA: And on the ground Prime Minister?

PM: On the cane fields.

CA: And another call now, and it's good morning John.

Caller: Good morning Prime Minister.

PM: How are you John?

Caller: Very well thank you, my discussion is savings in relation to the pension. The Australian Government in common with most overseas governments which provide pensions for retirees realise that in the future the ability of government to pay for pensions will be greatly reduced therefore the Australian Government has said make a personal effort to prepare for your retirement. My two questions are connected with that personal effort part - 1) Personal savings: why does the Labor Government not provide an incentive in the form of income tax deductions on savings invested on which income tax has previously been paid.

PM: You mean that ...

Caller: As someone who is an employee shall we say, I'd be income taxed on my wages regularly then make a saving and I'd be income taxed again on the investment from that saving.

PM: Right, the principle is we tax income and interest income is income the same as any other sort of income.

Caller: What about the personal effort if I and others save from my original income as we are being requested to do, surely we should receive some incentive to do so.

PM: It's all a matter of whether or not a cost to the Budget will add to savings, that is, would people save a certain proportion of their income prudently and, if we gave a tax deduction for it, would that not just make the Budget so much harder to finance and would we have any more savings for it. The one place where we think we can add to the savings in a discretionary way is through superannuation, that is, by encouraging people through the tax system and through the labour market under the Accord programs for employer sponsored superannuation and there, as you know, by later this year every person in the work force will have five per cent contributed for and on their behalf by their employer, and that will rise to about nine per cent by the end of this decade. That sort of contribution system going into their account which is then preferentially taxed - superannuation income is very lightly taxed - will mean that as it accrues there is substantial benefit accruing there for every person in the work force. So when we reach the position where in about 2010 or 2015 when my generation is retiring, that is the post-War baby boom generation, there will be twice as many of us of retired aged than there is

today, and that will put a very big strain on the Commonwealth Budget to pay aged pensions. We are taking the opportunity now, prudently, to provide for our retirement income to add to our retirement income, to add to pension in 2010, 2015 through superannuation. And in the meantime for those who are retired now we kept the pension up, we've got it up to above 25 per cent of average weekly earnings per person and we've got support for the aged in our general programs such as the hostel, nursing home, dementia and all these other programs as well as home and community care.

We think we've got both bases covered, but the growth in investment and funds coming into the superannuation system will do more to add to savings than any tax preference we could give to savings accounts in banks and if we give it to savings accounts in banks there is no guarantee we'll actually add another dollar of savings to that which would have been saved without the tax concession.

CA: Thank you for that, we'll take another call and next this morning is Jean. Good morning.

Caller: Good morning Mr Keating.

PM: Hello Jean.

Caller: You said last night on '60 Minutes' no one has done anything to change the amount of pornography and violence on TV and videos for the last twenty three years. Then why haven't you been listening to the womens organisations and churches and the families who have been pleading for you to change these rules?

PM: I didn't say no one has done anything for twenty three years. What I said was I think that the networks are finding that programs which have more real-life, shall we say violent, situations tended to believe that these things add to ratings and they buy a lot of the product which comes from Hollywood which today is more violent in content than it was say a decade ago. We have had, to this point, self restraint on the part of the networks in deciding what they put to air, lately they have been pushing those limits out. What I'm saying is I don't want to be deciding what adults can see, but I think it is very important that films are properly classified. We've now got a dual classification system, we've got one set of classifications for television and another for movies and videos. We need basically one set of classifications and one which gives you an accurate idea of what's in the product so if parents are then looking at the television program and deciding what their children can see they have a fair idea of what the film is likely to provide, whereas at the moment they don't have much idea at all. The other problem is confusion because we have this dual classification system and that they don't provide a good idea of what's in them. Many children are exposed to what are so-called real life violent scenes which I think basically dulls their senses about these things, that is they become unsensitised to it and I think that is a bad thing. Perhaps the answer to this is we put adult films on later so that children are

not likely to be watching them and better that we classify the films so that everybody has a chance to know what is in them. But can I say though, I know some organisations have gone on about this subject over a long period of time, it is a very difficult one to handle.

CA: Prime Minister, while you are on the subject of media and while you are in regional Queensland can I ask two questions about media and of course, the ABC. Does Canberra appreciate the importance of the role of the ABC in regional Australia and what are your concerns or views on the future of the ABC particularly with funding for the region?

PM: We pay the ABC nearly half a billion dollars a year, we pay the ABC more than we pay the State of Tasmania in Commonwealth grants, so it is a very large thing and we do it for the public interest broadcasting. I think one of the things that most of us in Canberra would think is that it is a regional network, that is one of the valuable things about the ABC - that is it is providing a service which in many places is the only service, in some places the only service.

CA: Does your Government agree with the Coalition that the ABC needs to become leaner and meaner?

PM: No, we reject absolutely Dr Hewson's view that you can cut a substantial proportion of funds from the ABC. Because if you take a substantial proportion as they want to to fund their program from the ABC, that will simply mean a cut back in services and that must mean across the whole spectrum not just television but in radio. I don't think this is appropriate and I don't think it's the time to be doing it.

CA: We'll take another call and coming up now we've got Bill on the phone. Hi there Bill, thanks for waiting.

PM: How are you Bill?

Caller: Well Paul. Paul, I'm a retired grain farmer, a small farm I might say, my only source of income is from interest on invested capital, income which is diminishing with falling interest rates. As my investments mature I'm hard pressed to pay my way after tax, would your Government consider allowing self funded retirees private health insurance costs as a taxation rebate? The present cost is \$870 per year.

PM: I think we are coming at this problem a different way. Brian Howe is trying to negotiate with the States better access by public patients and public hospitals so that those who are aged don't feel that they need to insure themselves to cover themselves for elective surgery, so if some one needs a hip replacement or something like that they can reasonably find entry into a public hospital and have it done, so that we relieve people in your position of the burden of paying for private insurance. Now that is the aim, that is to sit down with the States and

conclude in the Budget we provided \$1.5 billion over the next five years, about \$300 million a year for enhanced payments to State governments for better access for public patients in public hospitals and of course, the aged are an important part of that. A lot of aged people cover themselves for private insurance when quite often Medicare is going to stand them in good stead.

But on the underlying point you raise about interest, it is true that the real rates of interests have come down and part of it's been that we've succeeded with inflation so the inflationary floor sitting under interest rates has come down, so what's called the nominal interest rate, the posted interest rate has dropped and that's the effect you are feeling now. I can only say this to you, that with inflation running at around one per cent or less, your prices have dropped too, so it should mean that while you have suffered a loss year in nominal income, it should be compensated in part by the fact that prices are not rising at the pace they were a year or two years ago which should help you carry on; that is, your income is down, but the growth in the price level is down with it. I hope that if we can conclude a successful set of agreements on Medicare enhancement for public patients in public hospitals you'll find that you just don't need to cover yourself with private insurance.

CA: Thanks for you call Bill, Prime Minister we are going to have to let you go soon because you are off to sweet talk with the sugar growers, but before you do go just two weeks ago in that very chair John Hewson was talking about personality in politics and we spoke at some length about the selling of his image and he made a comment that he doesn't believe there is any winner in personality politics, would you disagree with that?

PM: I think the issues are what matter and that's why it is important to articulate those. One's motives will always be called into question, whether you are a Labor leader or a conservative leader, in proposing for instance, cut back to the ABC, cut back in funding for the aged, a thing like the GST, we will refer to their motives as they will to ours for the policies to which we are associated. I don't regard that though as personality politics, I regard that as part of the sensible cut and thrust of public life in Australia. I think the public are quite reasonably impatient about what they think is a senseless focus on personalities and they do want value and they do want the system to work. By and large, our political system does work and a lot of the static gets transmitted. All too often the media will always pick the juicy bit and not the forensic bit, if the newservice had the time to carry it all, it would look much more balanced and presentable. So, for our part, we can only do the best we can to keep the focus on the issues, but at the same time make the whole debate intelligent to people.

CA: We have people marching in the streets in Victoria against an elected government, we have business leaders in court, we have politicians before royal commissions, do we have a crisis in leadership in Australia?

PM: I don't think so. I think the Australian political system has served Australia pretty well in the last decade. We were a country that was flipping under the waves ten years ago, as I said earlier, we were relying on a group of industries we traditionally relied on to look after us and they were unable to and at the eleventh hour we had to switch the whole productive basis of the Australian economy and we've done it. We are now in a low inflationary context as well, we've changed the habits of nearly a century. So I think the political system is working, better in Australia than perhaps in any country; look at the United States, the problems which Governor Clinton is referring to there now education, access and equity in education, access and equity in health, these are all things that were a problem in America ten years ago, were never touched. They've all been dealt with in Australia, by and large, and the same with the productive base ... economies. So I think the political system in Australia is working. There will be problems in the States; we've got the problem in Queensland with the corruption enquires, you've got the problems in Western Australia et cetera. But if you look at the national Parliament, in the big cockpit of Australian politics where the big decisions are made, I think, by and large, the system has served the country pretty well.

CA: Prime Minister, thank you very much for joining us this morning and for taking those calls and spending some time.

PM: Good Claire, I'm sorry I was late starting, but we are late finished so we've made up the time.

CA: We'll leave you to a day in Bundaberg.

PM: Thank you very much, nice to be here.

ENDS