



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
DOORSTOP, WEST TORRENS COUNCIL HALL, ADELAIDE
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PM: I might just say a few things first and just get things started. I noticed the Coalition's Fightback, or 'crawlback', policy is starting to unravel and most particularly with the Opposition spokesman on communications, Mr Warwick Smith, saying that timed calls are an option. He is not used to precise political speak, Mr Smith, so he has for the Liberal Party uncharacteristic candour indicated that with a private owner of Telecom, that John Hewson would very quickly be able to establish what is, in all practical terms, a telephone tax just as he ceased to tax all other things, goods and services as well. And I notice the Liberals are now saying – oh well, no, this is not what we have in mind – but once Telecom is in the hands of a private owner, it is a matter of what they have in mind. And there is no way private owners are going to be paying \$20 billion for Telecom to have it commercially constrained in a way where it can't secure what they would think are appropriate tariffs for its services. And most privately operated telephone companies in the world charge for timed calls. They charge by the second. And this would happen with a privatised Telecom as well. But in the unravelling, there are quite a lot of people who come out now saying that a leading stockbroking firm has told the Opposition it can't possibly raise \$20 billion it needs to fund its package. Telecom, there is no one in their financial markets bar a few people with a Liberal Party ticket burning in their pocket who believes that a float of \$20 billion is possible. Which means that the basic key funding point, the key underlying funding of Dr Hewson's package is starting to evaporate.

As well as that, there has been a number of attacks upon Fightback Mark II. Mr Ian Baldock, the Executive Director of the Queensland Retail Traders and Shopkeepers Association, asked this morning, he said, how are small businesses, supermarkets, corner stores going to differentiate between food which is GST exempt and that which carries the GST? Remember this, with the consumption tax, there are 750,000 taxing points only one-tenth of that with a wholesale sales tax, less than about 40,000. 40,000 with a wholesale sales tax, 750,000 taxing points with the GST, and that will mean every small business in the country. And every small retail business will then have to distinguish between basic food and all other items. So that it is not even a

simple system to operate, and the retail traders today are saying it will be an administrative nightmare for every corner store, supermarket which becomes a tax point for Dr Hewson. And then we have got the Building Owners and Managers Association (BOMA) a very powerful business lobby in this country asking correctly why is the construction industry being dealt out of the game by Dr Hewson? Fightback Mark II, they say, will mean net increases in costs between 4 and 10 per cent plus the one-off inflationary impact to major building and construction. And he has told them basically to go jump. In State services, we had the Queensland Treasurer today saying Fightback equals cutbacks, and he is dead right. Let me say here, that States like South Australia will lose hundreds of millions of dollars and thousands of jobs under Fightback. Because he has cuts for the States, very large cuts in government spending for the States. Now in South Australia, a large part of the South Australian economy runs on government funding, government expenditure, government programs. And when you have got a government in Canberra, wants to be a government in Canberra, saying that they think we ought to have a smaller public sector, there ought to be cuts in payments to the States, this will react on South Australia. But of course, the part of their policy which is going to react on South Australia more is zero tariffs. As I said yesterday, zero tariffs in political terms to the Liberal Party means zero Adelaide. They would start carving into the basic fabric of Australian manufacturing industry in South Australia with a policy which is ideologically driven for which they did not vary one jot in Fightback Mark II.

So let me conclude on these points. Fightback Mark II is funded by the improbable sale of \$20 billion of assets, Telecom, to the Australian financial markets. They can't digest it, therefore the funding package is unreal. The capital raisings of this year were \$12 billion with the private sector. Dr Hewson says he wants to induce a private sector investment recovery, but he wants to crowd out private sector recovery by raising over two years, \$20 billion for Telecom, for one public instrumentality alone. In other words, at \$10 billion each for two years, he will take up pretty well all of the funding the Australian capital markets can provide. And because that is improbable and unlikely, his whole funding package falls down and this is where the scrutiny of the package needs to be focussed. On the fact that he reserves the right, unlike the Government, to introduce unfunded packages, packages which are improbable and unreal and irresponsible, and it is all to be regarded as sort of slick political trickery. The fact of the matter is the markets would kick any government to pieces trying to fund a package of this size. The alternative would be to drop all the promises, or alternatively to blow the budget deficit out. Now these are the options which we have in the sort of one and a half week revamp of Fightback which we have seen from Dr Hewson. His package is unravelling. The markets say it can't be funded. The Building and Owner Managers Association saying, what's wrong with the construction industry, it is a major generator of jobs, why do that? Warwick Smith, the Communications spokesman, is saying that timed telephone calls are an option. The Shopkeepers Association are saying the GST will be too complex to manage. All in all you can see the weight is now coming back on Dr Hewson's proposal, as it should because Australia needs a consumption tax like it needs a hole in the head. And trying to fund these proposals with an improbable sale of \$20 billion of public assets will only lead

to the destruction of fiscal policy which has taken this Government ten years to put into place.

J: Mr Keating, couldn't there be offsets for timed telephone calls?

PM: Look, if you sell Telecom to private owners, they are going to make the business run commercially. And nobody is going to buy the thing on the basis that suburban or city calls or country long distance calls are not appropriately priced and charged. Now the whole idea of the cross subsidies that's inherent in the current Telecom structure will go out the window. It will be just a business. And the Liberals know that, and that's why I think Mr Smith today dropped his guard and said yes, it is an option. Well of course it is an option.

J: How much do you think Telecom is worth?

PM: Well we are not selling it. We constructed a competitive model. We had Telecom which absorbed OTC and we have given OPTUS a competitor of a mode of companies of international competency the right to run a trunk network in opposition to Telecom and to run an international network as well. In other words, we have a competitive model in place. I mean, Telecom works for Australia, what is the point of selling it? So the Labor Party is not interested in selling Telecom.

J: But giving their estimate, what do you think in dollar terms?

PM: We have not done a close estimate of the value of Telecom. The simple point is, the Australian financial market was flat out digesting the Westpac float and even that couldn't be placed, that was sitting in the hands of the underwriters, CS First Boston, for months. It was only when Packer came along that some of that stock was actually moved out of the underwriters' hands. The underwriters couldn't place it. And that is why Woolworths pulled out because the market is getting choked with issues as we are rebalancing the debt to equity ratios in this country, as we are displacing debt for equity. Now to come along with a choker like \$10 billion a year and say, look hang on all get out the road here comes the government here is a \$10 billion a year float for Telecom. They will be told by every underwriter in Australia, this can't be done. So the whole basis of the funding falls to bits. I said these things last Friday, you know, some sections of the media regard that as just political comment. The fact is, go and ask underwriters of substance what they think about floats of \$10 billion a year.

J: Won't the question of timed local calls, won't people accept Warwick Smith's assurance that there won't be forced timed local calls?

PM: His assurance can't mean anything. It might mean something while Telecom is owned by the Government. But it can mean nothing when Telecom is owned by a private owner. I mean, is any private owner going to bid \$20 billion for Telecom and have its hands tied about its charging regime? Of course not, its rubbish.

J: Prime Minister, how difficult is it going to be to sell your environment package if you have only got luke warm response from the environment movement?

PM: The environment movement is basically not interested in 'brown' issues. They are not interested in dirty water. They are not interested in salinity. They are not interested in soil degradation. They are interested in trees. The Wilderness Society is interested in trees. The ACF is interested in trees. But the rest of the community is interested in the range of issues. The environment lobbies have no moral lien over the environment. This issue belongs to the nation, it belongs to the government, to the nation. We don't have to have the approbation of these groups because they are not listened to much anymore. Bob Brown and people like that say the same thing no matter what a government does. This is a major program to restore the health of one of the primary river systems in Australia, the Murray Darling, on which the city of Adelaide depends for its water amongst many other users to deal with the cold question of dry land salinity and salt moving through the whole catchment area, taking phosphorus out of the water. These are important national issues. But the greens say, well unless you are reserving another stand of trees it doesn't matter. So all of these issues, feral animals - the destruction which is done to the Australian fauna by cats and pigs, particularly to flora by feral pigs, is profound. It can't be handled on a State by State basis, it is a national problem, we are dealing with that. We are dealing with one of the great heritage areas of the world, Kakadu, which is now being threatened Mimosa pigra. We have a study going on for the last large great area of the East coast of Australia still in virgin state, Shoalwater Bay. Now that is why the Government's record on the environment, and its initiatives on the environment, frankly take weight in precedence over the claims of environmental groups.

J: Does that mean you won't be depending on their preferences at the next Federal election?

PM: How can they vote for the Liberal Party? The Liberal Party would mine the Botanic Gardens in Adelaide here. The problem in Australia is, a lot of the greens would like a rainforest in Pitt Street in Sydney and down Rundle Mall in Adelaide while the Liberal Party would go and mine the Botanic Gardens in Adelaide and Hyde Park in Sydney. Those extremes nobody wants. It is a sensible majority of people who want a good result on the environment I think that matters. So where are the greens going to go, are they going to go and vote for the Liberal Party? Are they really going to go and vote for this crowd who want to get back into uranium enrichment, who want to open up more uranium mines, who want to basically let the economic imperative be the sole imperative? I mean this is a good Statement and the public will recognise it is a good Statement and the great pity is that people in the ACF and others don't have the courage and the leadership to say what they say to us privately about it. I mean the trouble with the green groups now are they are all watching each other to say they say the same thing. No one will be radical, no one will jump out of the pack and say where they think the agenda ought to go or what they should believe. We don't have any leaders in the environment movement

5

anymore. We have just got people who are basically matching press release for press release, and this is a great problem.

J: Will the Federal Government provide the \$23 million called on by the State Government here in South Australia for rural relief?

PM: There are long standing arrangements. There are standing permanent arrangements for drought and flood relief between the Commonwealth and the States and they are there because we have lots of droughts and lots of floods and this is a real problem for the South Australian community and fortunately those arrangements are in place for the Commonwealth and the States to deal with it and then beyond a certain level of costs the Commonwealth takes 100 per cent responsibility for it.

J: So that request went there yesterday, did you see that coming through?

PM: Well they were not requests, it has to be a declaration about the flood. But once it is declared, it is just a mechanical set of arrangements in place.

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