



5A

PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP INTERVIEW WITH JOHN LAWS, RADIO 2UE, 18 AUGUST, 1993

E&OE PROOF COPY

JL: On the line the Prime Minister. Good morning and welcome.

PM: Good morning, John.

JL: How do you answer Helen?

PM: Well that was only half a quote. The quotation you just referred to said, what I said was on that occasion, the Government will keep - I haven't got the words with me - the tax share, revenue to GDP at around roughly the same level. We will not put up tax. In other words we will not put up the burden of tax, and that's what we have not done.

JL: Well you have.

PM: No. That reference was keeping tax to GDP between about, from memory, 23.7 and 24.2 per cent. The point I made at the time I made the quotation, but of course I don't expect the Liberal Party Yesterday in fact, Mr Downer, tried the last five words of the quotation on me, the one you just quoted, and I read the full quotation. What the Government has said, John, is this, that we will not be lifting the burden of tax, that is, the revenue in the economy as a share of the total economy, revenue to GDP, and we won't be. And the evidence of that is when the OECD publishes its annual report, which comes out next week, it will show Australians the lowest taxed country in the western world.

JL: Yes. But the OECD doesn't mean much to Australia now, if we are going to make our base Asia. We should be comparing ourselves to Asia.

PM: Yes, in some things, but not in tax to GDP. Because this is a developed economy. This is an economy with a full public education system, this is an economy with a full public health system, this is an economy which is a sophisticated developed economy. You can't run this sort of economy on Thailand tax rates.

- JL: Well 80 per cent of the improvement that Canberra is going to receive is going to be received by extracting yet more money from the workers of Australia. So, how can you say that the overall burden of tax has not been increased? That's what John Dawkins said, we will not increase the overall burden of tax, now, that's a lie.
- PM: No it is not. It is dead true. It is detailed in the Budget papers. That is, that the revenue share in GDP will not be rising above the levels we were talking about when both he and I made those statements a year ago, that was around 23.5 to 24.2 per cent of GDP.
- JL: Why is the Government providing tax cuts by raising taxes? I mean that's quite an extraordinary thing to do. We will give you tax cuts, but we have got to raise taxes to give you tax cuts.
- PM: But we are paying more tax cuts than we are raising revenue. Now, the reason is this, that the 38 per cent rate, marginal rate, comes in now at \$20,500, it comes in at two thirds of average weekly earnings. So, every dollar someone earns above \$20,500, which is just over \$400.00 a week is taxed at 38 per cent. The marginal rate of taxation is too high. Now, these tax cuts paid from November will reduce that tax rate from 34 per cent. And those tax cuts will provide about \$8.00 to \$10.00 a week for someone around about, up to and around average weekly earnings.
- JL: Yes. But how much of that tax cut are they going to be paying for in increased wholesale taxes that have got up on a mass of things and fuel taxes have gone up?
- PM: Well this year the tax cuts are paid for by higher dividends from the Reserve Bank.
- JL: Yes, well I mean that was a windfall for you, wasn't it?
- PM: Well we are selling, still Government assets. When the Reserve Bank sells American dollars and buys Australian dollars, as it was doing to stabilise the currency, we are selling the Australian Government American dollar assets.
- JL: You see I can't accept the fact - I mean you might be able to tell me in economic jargon, but you try and tell the average Joe, and I happen to be one of them - that you haven't increased the overall burden of taxes.
- PM: Well we haven't, John, we haven't.
- JL: Well you might not of in some areas, but you have. I mean you have done some work on fringe benefits tax, you have done some work on wholesale tax, you have increased the burden of taxes and you have put up taxes.

PM: We are increasing the rates of some indirect taxes, but at the same time handing back more in tax cuts. Therefore, the burden of taxation will remain roughly in those areas of 1990-91, which we said going to the election.

JL: Yes, but all the benefits that are going to Canberra, 80 per cent of them are paid by the workers of Australia. But you have not cut much back.

PM: Then 100 per cent of them are paid back out to the workers of Australia via tax cuts.

JL: Yes, but you have not cut much back. I mean, you have asked the people to pay more tax, and you have asked the people to pay more tax there is no arguing the point, in order that you can look like good fellas. You are just spending tax payers money. You haven't cut anything back.

PM: What do you mean we haven't cut anything back?

JL: Well what have you cut back? In terms of your expenditure, how many people are going from your staff?

PM: Well there will be substantial changes to Commonwealth authorities employment levels over the next year as the productivity efficiency changes in the public sector emulate the changes in the private sector. But that's hardly the point, John.

JL: But, Prime Minister, it is the point, when you are telling the average Joe that he is going to have to pay more for a smoke, and more for a drink, and more for petrol to put in his old bomb. You blokes are cutting nothing, you have still got as many cars, as many planes, as many light fittings, as many secretaries, as many everything. The Budget, in fact, for you fellas has gone up by 16 per cent. You are going to have more.

PM: When you say us, are you talking about the Cabinet or the politicians?

JL: I am talking about Administrative Services.

PM: Well one thing we are doing is cutting back the Commonwealth car pool for a start. And substantially.

JL: Ok, well how is it then the Budget for Administrative Services is rising 16 per cent?

PM: Well most of that is rents paid to the private sector. Because Administrative Services carries the rental bill of the Commonwealth. When we rent a building in the capital cities for a tax office or somewhere else it is paid for by Administrative Services. You can't

assume that those things are just money spent on politicians. The great burden, the great bulk of funds outlaid in the Department of Administrative Services Budget are for basically Commonwealth rentals.

JL: And more money is going to be paid out in social security. Now, that is money that comes from the workers of Australia and goes to the unfortunate non-workers of Australia, but that is going to be increased too.

PM: But look, John, let me just make a couple of points to you about those things. There are very important changes here, for instance, go to all people. There is the home child care allowance, which is \$60.00 a fortnight paid to all, basically women, at home with dependents, \$60.00 a fortnight.

JL: Married women?

PM: Yes. What are they, non-Australians, shouldn't get it?

JL: No, no, they must certainly should get it. But what are we talking about, are we talking about married women, or are we talking about single?

PM: In the main, married women whose husbands work. Then you have got a generalised child care rebate. Then we have got a seniors health card, then we have got improved spending on the labour market programs to take the long-termed unemployed back into work. That's where the social security spending is. Is that illegitimate?

JL: No, it is not illegitimate. But it is not working, is it?

PM: Of course it is working.

JL: It is not working. Is it all there, is all this in place in order that we can abolish poverty as such in Australia, or reduce it at least?

PM: Those things are there because we believe, let me give you two examples, in providing a generalised child care rebate we are saying, we are regarding this as basically an expense of work, of finding employment and having your child cared for while you are at work. So, it is a generalised rebate which will be paid through Medicare Offices. Now, the symmetry of this is, for those women who stay at home, who are not at work, formerly they say well there is nothing there for us. There is now \$60.00 a fortnight for them. It is a matter of getting the social balances right.

JL: Well it sure is. If this is to fight the war on poverty, it is a failure.

- PM: I mean, you fight the war on poverty over a long period of time with a broad range of Commonwealth programs, and I don't think they are failures.
- JL: Well, explain this. In 1973, 3,916, 000 families, or income units as they are called by the bureau of statistics, lived beneath the poverty line, 3, 916,000 families. Welfare's spending in the time has increased from \$1.56 billion to \$28 billion, and yet now we have got 6 million families or more living beneath the poverty line. So, we have spent more on poor people, and we have got more poor people.
- PM: Yes, but the poverty lines, it depends whose poverty line it is. There is no such thing as a poverty line, in terms of any definition which is endorsed. The fact is, John, look , we have got a decent income support system for the aged, via the age pension, which has increased in real terms under this Government. We have increased the free area with which pensioners can earn income and keep it. We have removed that income totally from the tax system, that is for the aged. For those with families we introduced the Family Allowance Supplement, which makes a very heavy payment to low income families with children, and now we are extending that further by the home child care allowance, and the generalised child rebate. And we have cut the bottom rates of tax on low paid people, from 30 per cent to 20 per cent, that's up to about \$20,000.
- JL: Yes, but the benefits that are given to all these people, deserving though the majority of them are, there is absolutely no question, the majority of them are. Deserving though they may be all those payments can only come about because somebody else is going to work, because somebody else is earning the money. You're taking the money from us to give to the people that you believe to be the deserving people. Why should the workers of Australia be paying monies out to young ladies who decide that it is economically viable to go and have children rather than go to work?
- PM: Well why should the workers of Australia pay money out to support the aged? Answer, because the aged did their work and made their contribution.
- JL: Well that's right. And could you tell me what work an 18 year old who wants to have a couple of children, can you tell me what work she has done, what contributions she has made?
- PM: You can't go and damn what is one of the best and tightest social security systems in the world when you are focussing on supporting parents benefit.
- JL: Ok, well I will focus on any benefit you like. But let's look at supporting parents benefits. I mean it is inexcusable these days, apart from the tragedy of rape or assault, for young ladies to become pregnant unless they choose to. I mean, we have condoms morning, noon and night in

different colours, flavours and tricks, we have got all sorts of pills available, we have sex education in schools. Once, sure, a dreadful accident can occur in a moment of passion, fine we must look after that. But four or five, or six, or seven or eight times the people of Australia have to keep supporting these young women.

PM: It is not for me to go and make a judgement about each particular persons life. What about the young woman who was married with three children whose husband walked out on her, and she is living in a flat with three children?

JL: Now, she is the one that we have got to help.

PM: Ok, we will send you around and ask you which one do you like, and which one don't you like.

JL: But you have got a massive organisation there in the Department of Social Security.

PM: And, John, we have got a very tight system.

JL: How can it be a very tight system when day after day I get calls from people who admit to me on radio, and they are not going to tell lies about what they are doing, they have got five children that they receive bundles of money on welfare, and have no intention of ever going to work.. And some of them don't even know the father of the child?

PM: What about the children, what do we say? Well sorry to those children, you were born into this situation and you are on your own.

JL: No, we don't say that to them. We don't allow the situation to develop in the first instance by improving family values and by making these this young ladies aware of the fact that they are not going to be handed a bundle of money if they go and continually get themselves pregnant.

PM: Let's get back on to the Budget. What about we get back on the mainstream?

JL: Well I can understand why you want to get back on the main stream?

PM: There is no change in the Budget last night about supporting parents benefit. No change.

JL: No, but there was a change to payments in Austudy. You said that you would no longer pay Austudy to 16 year olds. Which wasn't a bad idea.

PM: Yes, we are going to pay it to 17 year olds, and we are going to pay it to the parents and not the kids.

JL: Ok, well why then doesn't somebody say, and nor are we going to accept in one instance, pay supporting parents benefits to any woman under 18 years of age unless she can nominate the father of the child?

PM: Because I just don't think you can run a social security system based on a whole lot of moral judgements about things like that. And again, that is not where the great burden of the outlays and social security spending are. They are basically on the aged and they are on families.

JL: It is a fair burden, it is a fair burden, it is \$3 billion a year.

PM: Let me get a plug in for the Budget, and just give you a couple of points about that. Now, look, I want to say this to you about it, we are paying out \$3.8 billion in tax cuts in each year for the next roughly four years.

JL: And so you should because you promised you would.

PM: Yes, right and we are meeting that promise. And we are meeting another 100 election promises which we detailed in a booklet attached to the Budget papers. In any of those years the revenue change will raise \$3 billion, when the revenue changes are at their peak, these are these various things we mentioned - petrol and the wholesale sales tax - when they are at their peak they are \$3 billion.

JL: That will raise \$3 billion?

PM: At its peak and it builds up over two or three years.

JL: Yes, well \$3 billion is just sufficient to cover the sole parents pensions for a year.

PM: OK, \$3 billion against the tax cuts of 3.8. Now, I have heard Dr Hewson on various radios and no doubt he will be on to you and others to say - if we had been there things would have been better - well, you can compare \$3 billion a year in revenue increases under Labor to \$24 billion a year under him. The GST was going to raise \$24,000 million a year and, of course, the tax cuts he wanted to pay were not funded by the GST, he had to cut government spending to pieces to pay for it. So, we are paying \$3.8 billion out in tax cuts, we are raising \$3 billion every year compared to \$24 billion every year under the Liberals.

JL: Yes well as I say that is very good and that is very positive as far as the Budget is concerned but it also very correct because it is what you told the people of Australia.

PM: Exactly, and John, the key point about this is this, that the tax cut added \$2 billion stimulus to the economy, now the One Nation spending of February 1992 it always takes about a year to get it up

and moving. And the One Nation spending that was on the railway systems and roads are kicking growth along and when the growth figures came out a week ago for the last quarter, we had 1.2 per cent for the quarter and 3.3 per cent growth for the year making us about the fastest growing of the western economies. To that we are now adding a \$2 billion stimulus via the tax cuts. In other words we are giving it a further push to kick it along so that we really keep the economy growing and therefore improve the whole ambience of the economy in the labour market. So the tax cuts do two things, they cut back that marginal rate about \$20500 from 38 per cent to 34 per cent and they provide a \$2 billion stimulus to the economy.

JL: Yep. Well they are all the things that you promised you would do. Prior to the election you also said that there was going to be an avalanche, your word not mine of investment. In fact you predicted that investment would increase by \$120 billion as a result of that One Nation investment incentive plan that you just mentioned. And the latest national accounts data shows that investment actually has declined. What happened there?

PM: Well we have got investment growing through the year here at about, I'll just find the forecast it is here somewhere, plant and equipment investment 9 1/2 per cent growth over the course of the year. See what we are seeing now John is quite high profits. The reason the stock market has been hitting high levels again is because the investors are factoring in those higher profits back into the stock market. Now, in the One Nation and in this Budget we have cut the company tax rate from 39 per cent to 33 per cent. We've introduced two investment allowances, we put in a massive acceleration of depreciation for plant and equipment, the business community has now got a tax rate, an overnight cash rate of under 5 per cent, 4 3/4 per cent at the Reserve Bank they have got a competitive exchange rate. I mean, on the range of those issues business has never had those things together all at once ever and they have got full dividend imputation. That is, relief of the double tax on dividend.

JL: Yes, okay, but that is a long way from the \$130 billion increase in the avalanche.

PM: No, the 130 billion is the listed stock of nominated investments which may qualify for the investment allowance.

JL: Well, did we get the 130 billion?

PM: Well they are coming through.

JL: But we didn't get them.

PM: Well, they have to be listed to qualify for the investment allowance by a certain date and there is 130 billion listed and as they get approved and get started they get moving. But that will be over a few years.

- JL: Okay, well let's get back to the part of the Budget that concerns the people who listen to this radio program. It has got to be inflationary, the increase in petrol excise has got to be inflationary. Would you have increased the cost of leaded petrol if it hadn't have been for the alleged environmental problems?
- PM: We'd hoped that the transition to unleaded fuel would have been faster. I don't know whether you remember, you will need a bit of a memory on this, but you've got a good one, in NSW when Paul Landa was the Minister for Environment back in the early 80s he introduced a law saying that new cars would only have unleaded fuel by certain dates. Now the Australian motor industry geared up for that and I think- sorry, he introduced that in the 70s - by about the late 70s to early 80s we actually had unleaded fuel and unleaded cars. But we haven't had the turnover and stock of vehicles and that has produced a big problem in places like Western Sydney where you have got children with lead problems, the inhalation of lead, and high lead levels in their blood.
- JL: Yes, is there any absolute proof of this?
- PM: I don't think there is any doubt about lead levels around the world.
- JL: There isn't any doubt about lead levels but is there any absolute proof of the damage done? I mean are there more children suffering problems that are allegedly caused by lead inhalation in the city than in the country? Because in the country there would be very little and yet it is the country people that are going to be hit the hardest with the increase in petrol prices?
- PM: Well, farmers of course, their implements are mostly diesel and they get protected by the off-road diesel rebate.
- JL: Yes but you have made an alteration to that too.
- PM: The rates have gone up but they will still get the rebate which will mean that they will be
- JL: It is still going to cost them more.
- PM: Not for their off-road use.
- JL: Well according to what I read in the paper this morning its still going to cost the farmer more. But be that as it may....
- PM: Can I make a very important point to you?
- JL: Yes.

PM: Petrol excise has declined as a proportion of the total Commonwealth revenue from 14.6 per cent in 1981-82, that is ten years ago, to 10 per cent today. What is happening is, the petrol excise is falling off, John, and its also falling off at Bass Strait. All that oil that used to gurgle up out of those big fields Halibut and Kingfish off the Gippsland coast are now no longer doing that, we are now draining those big fields so all that revenue base we had is falling away. Because we cut tariffs, customs duty is falling so the indirect base of the Commonwealth is falling. That means, we'll end up, if we don't do something about it, with a tax system which has got all the dependence on income tax. So that means income taxpayers, that is ordinary working men and women, will pay the lions share of the tax burden.

JL: Well they are doing it now.

PM: It should be paid also by users, people who use these things.

JL: But the income taxpayers are paying the lion's share now.

PM: That is true in every country. But we don't want them paying the lion's lion share, you know what I mean, we don't want it going to an absurd level of dependency on income tax. Look, in all these things, it is a matter of getting the balance.

JL: You see, that is right, it is a matter of getting the balance.

PM: Where as what my friend Dr Hewson was saying is - well listen let's stick on a massive \$24 billion a year GST on indirect tax problems - we don't need to do that.

JL: Let's not worry about him he is not running the place.

PM: All we need to do is to basically tone up the indirect tax system so it is not declining rapidly.

JL: Okay, but you say it is a matter of balance and I think it is an excellent choice of words. It is a matter of balance and all these complex issues of levies on petrol and lack of oil in Bass Strait and all the other things that you mentioned to us are totally incomprehensible to the average Joe. But there is the balance

PM: But there is the Joker's like me that understand, John.

JL: Can I just finish, the balance should come in. But balance should be weighted up according to the effect it is going to have on people that voted you into office. Now you are hurting the people, the very people that voted you into office. You are hurting the farmers with this diesel thing, I have the document in front of me now. The indexation of the rebate will also be slowed meaning many farmers could lose up to a cent a litre which could equate to thousands of dollars for larger operators. So you are knocking the farmers around, you are knocking

the average Joe around. Just imagine, I mean you used to be the Party of the worker, have a look at the average worker listening to this program now. Let's say he takes home \$350 a week, has a wife and three or four kids, drives an old car that runs on leaded petrol, does 80 or 100 kilometres a day to and from work doing work, smokes, has a beer, has the odd glass of wine with his Mrs. In other words, an average Australian good bloke. Could you explain to him why he should think you are a good bloke?

PM: Well he gets (a) a tax cut.

JL: That is why he voted for you.

PM: Well yes, but a tax cut is more than covering off these things. His wife is picking up the home child care allowance which is \$60 a fortnight. His wife may be at work, in which case they would pick up the generalised child care rebate. And of course, they would be enjoying the family allowance supplement which we introduced from 1987 onwards, which is substantial payments to taxpayers with children.

JL: How do you explain to him with his \$350 a week and his old car and his 80/100 kilometres a day and his smokes and his booze. How do you explain to him when his wife who stays at home and minds the kids which is a wonderfully old-fashioned thing to do, takes them to get some medical treatment that she has got to pay for them, and yet the young lady down the road who has got a couple or maybe three out of wedlock not even knowing the name of the father, gets the treatment for nothing, how do you explain that?

PM: You are getting back onto those single mums again.

JL: No not single mums. People who have made the commitment, been married and then lose a husband, could be getting supported better if we didn't allow this other nonsense to continue. But you people are allowing it to continue. And yet you had a look at Austudy and you say we'll take Austudy away for 16 year olds but you will still provide supporting parents benefits for 16 year olds to go out and get pregnant when they can't even tell you the name of the father of the child. I mean, it is wrong, you explain that.

PM: John, you have got to make some decisions about whether or not you support the welfare of children.

JL: I support the welfare of children.

PM: Regardless of how they are born.

JL: I support the welfare of children, but I think it would be a better idea ...

PM: You don't, you are telling us we ought to knock them off.

JL: No I'm not saying any such thing. I'm saying that what we should do is improve the quality of the people in the country that don't use those poor wretched children. I don't want to go into details because if I do I will embarrass you. If you had a look at a few of the tragedies which have occurred in this country over the last four weeks, just have a look at how many of those children are on supporting parents benefits, how many of those were unmarried, how many of those were living on government largesse and you would be very surprised. It is not doing much for the moral quality of this country I'll tell you.

PM: Well let me tell you this. I don't think Commonwealth programs, if that is what the implication of your remarks are leading to some sort of morale decay, I don't accept that. I mean, if there are changing community standards around things like families and the structure of families, it is in part because of community attitude, it is not government attitude, it is the community's attitude.

JL: That is right. But the community attitude is...

PM: And we are governing a community here, we are not governing only those that have got a house with a white picket fence around it and daffodils in the front garden, with mum staying at home looking after the kids.

JL: It is not a bad aim.

PM: I know but that is not the only society. It is not the society we have, John, we have got those sorts of people and we have got other people who live in flats and might have been married and now are not married.

JL: And they have got to be cared for.

PM: Exactly.

JL: Nobody was arguing that. But you have got to understand it is also the Government and the government largesse that lubricates the society in which we live. The adoption figures are very interesting, in 1971 8500 adoptions in Australia, by 1985 1000. Why, because it is better economically to hang on to the child. Is that doing the child any good?

PM: It is not government programs doing that, it is the media, its films, its community attitudes.

JL: But you are still paying.

PM: No we are paying to look after the kids. That is our principle.

JL: That is right. You are paying to look after the kids and consequently you are creating a society where kids are being used as an income earner.

- PM: Well, so what do we do. Put the kids in the streets so that they can run and pinch money off people, pick pockets, or beg?
- JL: No, you are not going to get around me that way. The idea would be to make it clear to people that they have some responsibility for their own behaviour. I mean, we have got to introduce a program for behavioural responsibility. But we had better get back to the Budget.
- PM: You are going to be a big winner with the Festival of Light. They will have you as the patron and standard bearer.
- JL: Well I don't worry about (inaudible). The thing that concerns me is that what I believe the decline in proper standards in the country like Australia which is a great country. There are decent people out there working pretty hard and I think that they are pretty fed up with a bunch of people who choose not to work and there aren't too many of them but there are some of them, it wouldn't take much to cover the \$3 billion a year.
- PM: John, there will be always some that choose not to work and use the welfare system to cover the benefits of their kids but I am just making these points to you, the key points. This is the lowest tax country in the Western world. That means, the burden of taxation on all Australians is by Western world standards, the lowest.
- JL: Very good.
- PM: Point one. Point two, the spending of the Government reflects those low revenues and the fact that we will have the Budget deficit back to 1 per cent of GDP by 1996-97 means that the balance, the difference between that low rate of taxation, that world low and the spending is 1 per cent of GDP. So therefore our spending is commensurate with our revenue which is the lowest in the world. Therefore, what we are saying is the Commonwealth of Australia under Labor government is delivering a good social security system, is delivering Medicare, its delivering health, aged care, child care, all of these things with a very low spending base and a very low tax base. And I think they are the key points and nothing in the Budget is going to do anything but keep revenue as a proportion of GDP at the levels that I said when you quoted me right at the start of the program of 1989-90 and 1990-91.
- JL: Okay, well what is going to happen when inflation occurs, you can't deny it will occur with the increase in the cost of fuel, that is going to push up the price of everything because fuel effects everybody, deliveries, costs of products, everything.
- PM: Well we have still got in the Budget forecasts, even with all these things in, we have got inflation in year average terms in 1993-94 at 3 1/2 per cent. Now with productivity high, in other words, if there is a higher productivity in the economy, it even diminishes that 3 1/2 per cent inflation. So you are probably looking at underlying inflation, the

Treasury says underlying inflation is about 2, or 2 point something per cent. And that is why you can afford to have, as we now do, low interest rates. I mean we had interest rates this low 20 years ago. You see, again in the Budget, John, you have got inflation at a 30 year low and you have got interest rates at a 20 year low. I mean, the last time I saw interest rates with a 5 or a 6 in front of them was when I was a kid in jeans.

JL: Nobody can argue that. All of that is very good and all of that is very commendable. And I think that the people generally commend you for it. They don't understand however, why you appear to be, whether it is correct or not but you can't blame them for their cynicism, you appear to be hurting the ones that in fact you allegedly represent. I mean, one of your strongest arguments prior to the election was that the Opposition didn't compensate pensioners or low income earners with the dreaded GST. You have not compensated them either.

PM: We have got pensions as a proportion of average weekly earnings rising. We have had it rising as well now over 25 per cent of average weekly earnings. We've increase the free area which in people can earn and still keep the full pension and we have removed the whole of that income of the free area from the tax system completely.

JL: Okay, but in light of the wholesale taxes you have not made any alterations for them now. You have not compensated them now have you?

PM: No, but if that feeds into the inflation rate that will automatically adjust the pension, one quarter later.

JL: Aren't you disturbed when you hear blokes like Martin Ferguson say in his own way I wouldn't want to be a worker who drives a leaded vehicle and smokes and drinks. I mean, he is supposed to be the epitome of the sort of people he represents.

PM: Yes, but where are the tax cuts going? They are going between \$20,500 and \$50,000, they are going to the great body of the workforce. Because you have got most workers now in those sorts of income ranges - \$20,500-\$50,000. We are providing \$3.8 billion worth of tax cuts, \$8-10 a week once you are in that \$20-30,000 area. That is exactly to his constituency, what does Martin (Ferguson) want to see? People driving around in FJ Holdens with the mud guards falling off them and black smoke belting out the back and the kids all picking up the bit of lead inhalation - saying, well, that's good policy - well, thanks Martin, that is a great idea.

JL: There is no doubt about you, you certainly have not lost your wonderful turn of phrase, but I am not quite sure that that is what Martin Ferguson meant.

PM: No, but you know ... John, let me just make this clear about cars. This is a change which is going to take ... these increases in petrol take place over a period of years. That petrol increases 3 cents in August 1993, it is 2 cents in February 1994, it is a further 2 cents in August 1994 and 3 cents in February 1995.

JL: Yes, so by 1995 it is up 10 cents.

PM: It is up 10 cents. Unleaded is up 5 cents.

JL: Why didn't you pressure the oil companies? They have got more money than Martin Ferguson's mates and my mates that listen to this radio program. Why didn't you pressure the oil companies to reduce the amount of lead, they have been asked to do it, they say they can do it, why didn't you hurry them up instead of hurrying up the Australian workers?

PM: Look, markets equilibrate. What will happen is ...

JL: No, hang on, that wasn't a bad question I just asked.

PM: No and I am just going to answer you and say this - that markets work. If there are more unleaded cars around and more unleaded cars in the second hand car market, the price of unleaded second-hand cars will fall. Therefore the transition from a leaded car to an unleaded car will be nothing like that which is being argued by the Opposition and other people. The fact is, we have got one of the oldest vehicle fleets in the world, the average age of the non-commercial car fleet is 15 years.

JL: Why?

PM: You know why? Because they are too expensive.

JL: Yes.

PM: Now, you know why they are much cheaper? Because we brought tariffs down.

JL: Yes, but because they were too expensive, because people could not afford to buy them.

PM: Now they are much cheaper because we have brought tariffs down.

JL: OK, so when you have got the motor car that has got the motor in it that can only use leaded petrol and you go to sell it, haven't you noticed in your wide and varied life that used car salesmen tend to be opportunistic, don't you think the value of the car that they are going to trade in on the new one is going to drop considerably?

PM: Well, this is a change over three years and during that same time, in each of those three years we will pay out \$3.8 billion in each year -

that is about \$10,000 million in tax cuts which are going to cover off - not going to cover off - cover off, more than cover off those petrol price increases. Basically what it is, it is a relatively mild incentive over a fairly extended period of time for people to switch to unleaded fuel, which is what we should do anyway.

JL: Yes.

PM: It is good policy, good government, it is good economics, it is good sense and it is the right thing to do.

JL: Yes, but it would have been better if you had of leant on the oil companies. The oil companies have got much more money than the average 'Jo' and said to them listen, you fellas had better make some alternative arrangements, we have got to reduce the quantity of lead in these petrols so these cars can still run on them.

PM: Your friend and mine, Ros Kelly, is doing that as Minister for the Environment.

JL: I see. How is she managing to do that?

PM: They are talking about that very subject right now.

JL: OK, well she is not doing it fast enough.

PM: Yes, I know, but again you can't put lower lead levels in fuels for old vehicles - 15 year old vehicles - which will knock and ping away when they have been designed basically for high octane leaded fuels.

JL: OK, but there is a conversion that is available to many, are you going to subsidise the purchase of the conversion?

PM: I do not think people are going to be converting at these sorts of prices. If you go and say to somebody - look, an \$8-10 a week tax cut, a \$60 a fortnight home child care allowance being paid into the family on top of the basic family payment and the Family Allowance Supplement, for another 10 cents on leaded petrol over three years you are going to change your car - some might. Three years later that car could be 15 years old and they will change it anyway.

JL: Yes, but if it is possible to have a conversion available, why doesn't the Government offer some sort of subsidy? If the main concern of Ros "I'll tell you how to lead your life" Kelly is the environment, why doesn't she then suggest to you that the Government subsidises the purchase of a device that would reduce the lead in the petrol and save the individual selling the car?

PM: The better thing would be to try and get the chemical composition of the petrol such that the lead levels could be reduced and the motors still not knock or ping. I think that is what they are trying to do.

JL: Well, they can do it.

PM: We don't want to get to a stage ... remember those ...

JL: Why don't you hurry them up?

PM: ... films of India of a year or two ago, I haven't been there for years, but everywhere you look there are Morris Oxfords everywhere, old Morris Oxfords with the backside falling out of them. We do not want a country like that do we? With all these old wrecks running along the roads, where the braking system is poor, with the suspension systems had it, with a rust that is not even holding the structure, if they have an accident they fall to pieces.

JL: No, we said ...

PM: What is in it as a nation for us to keep that sort of thing going?

JL: Nothing, but there are others. You have cited an example which was questionable when it was brand new, yet alone when it was thirty years old. Anyway, do you feel happy with the result of the Budget and the reaction to the Budget?

PM: Yes, because it recognises this point - that is, that we need to do two things with the Budget. In the short-term, this year provide a stimulus to keep growth growing and give tax payers - through the income tax system - some relief from those marginal taxes while getting to 1 per cent of GDP deficit by 1996-97. In other words, as the economy starts to grow and investment starts to pick up, when we need that pick call on savings by 1996, we will have the Commonwealth Budget not putting its hand out as it is now for so much income. That is the thing about the Budget - it is a four year approach covering off the stimulus in the short term and being prepared for higher investment and better saving in the medium term. If there was one message about the Budget I would say this John: it is an honest, decent attempt to deal with our economic circumstances to provide a bit of tax justice here now on the income side and get the spending balance in stimulatory terms right while looking after the medium term for business investment and employment in 1996.

JL: It doesn't do much for unemployment though does it?

PM: As the economy grows it will. There is in the end no substitute for growth when you come to unemployment other than by looking after those currently unemployed with better labour market programs, and there is a healthy addition to spending in this Budget to take those programs up to half a million ...

JL: Instead of looking after the people who are unemployed and unable to get a job, wouldn't it be better, wouldn't it make more sense to look after the people who are in a position to give them a job?

PM: We have done that by cutting the company rate to 33 per cent, by giving them two investment allowances, by giving them interest rates under 5 per cent.

JL: Yes, you cut the company rate, certainly you did that, but then you increase wholesale taxes, they will be picking up half of that again, you really haven't cut it the amount it says.

PM: We have taken it, in the first instance, up 1 per cent. We are taking the 10 rate to 11 and the 20 to 21 and the 30 to 31 and a year later it goes another 1. That is no problem.

JL: But ...

PM: John, let me give you this point about business - the reason the stock market is jumping around at the moment is because of the profit share in the economy; it is as high as their golden era of the 1960s for profits.

JL: Yes, I think the reason that it is jumping around at the moment is that all sorts of strange things that we never thought would be listed publicly have become listed publicly and people have got very excited and gone and bought them, that is what is making the stock market jump around.

PM: The stock market is reacting just as profitably ...

JL: Just back to these unemployed people. You say that we are doing a great deal to help the unemployed people, we are. By "we" we mean we, that the wage earners of Australia are doing a great deal to help the unemployed people. Many of them are concerned that a lot of the people who are unemployed obviously choose to be unemployed, but there are people there who genuinely want work. Why do we help the people who can get the work more than we help those people who don't have work?

PM: Who are they?

JL: They are employers.

PM: Employers!

JL: If you want more employees, you have got to have more employers.

PM: Exactly.

- JL: But, you have got all sorts of strange rules and regulations that you pay more company tax, more payroll tax if you employ 15, you pay even more if you employ 20 people. We do more to hurt the people who want to give their mate a job than we do help them.
- PM: John, we have done more to help them. The business community has never had a set of indices like I mentioned to you, they have never had ...
- JL: You ask the small business man that rings this radio program ... I can play you a tape of a bloke I talked to the other day who had 12 people employed, he wanted to employ 15, but his payroll tax was going to increase dramatically if he did so he decided to dump it. So, there is people doing without work because this bloke can not afford to employ them because of taxes that are levied on people who want to give other people work.
- PM: The best way to talk the employing sector of Australia is to look at the profit share in the economy, the proportion of national income going to profits. It is now as high as the golden years of the 1960s and going higher.
- JL: And unemployment ...
- PM: And what else can we do? Cut wages further?
- JL: I don't know, unemployment has never been higher.
- PM: Yes, but that is because of largely an international recession and a big structural change in the Australian economy. We are going from a closed, inwards economy that relied on tariffs to make uncompetitive things to an open, export orientated economy and there is a big change on the way through. People leaving some jobs and going to other jobs and being retrained for them.
- JL: OK, but it has also got a lot to do with the fact that people can not afford to employ other people and please don't argue the point because everyday I talk to people right across Australia who tell me that and they don't ring up ...
- PM: It is not because of Commonwealth taxation.
- JL: Well, it is because of payroll tax.
- PM: It is a factor, but again in the total mix of business costs ...
- JL: And it is because of superannuation and stupid training levies - what a ridiculous nonsense that training levy is.
- PM: But wages, salaries, supplements and on-costs including training levies and superannuation, that is what's called national accounts

average weekly earnings, costs, were last this low in the 1960s. What else can we do? Cut peoples' wages further ...

JL: No, no that is the last thing I am saying. I'm saying make it easier for individuals to employ other individuals, make the market easier so if a woman wants to work Saturday and Sunday morning she can get a job without Martin Ferguson and his mob jumping up and down and saying how dare she work two days and only by paid x y z. If she wants to be that is her business.

PM: John, these labour market programs we have which now touch about half the unemployed people, there is half a million in these programs so every year we are contacting half a million - a large part of that are JobStart subsidies which are \$220-270 a week which we pay to an employer to take an unemployed person on.

JL: Sure.

PM: We are doing all that plus giving them low tax rates and a high profit share - you have got say what else can we give them?

JL: That's right, you'll give them the JobStart thing so they put on somebody ... I have explored it all. You put on somebody, I looked at it for people on the farm and I have seen it happen - they put people on and they say we get JobStart, the government is going to give us \$200 a week, when the \$200 a week runs out so does the person they employed. I couldn't tell you the number of calls I have had along those lines. They just say well, sorry I can't afford to keep you.

PM: But those people get a bit of work experience - 6 months to a year ...

JL: Six months.

PM: They get training on the way through, their esteem rises, they feel they are useful to society, their confidence levels pick up.

JL: Where does their esteem go?

PM: They do the jobs better, a lot of people keep those jobs and even if they don't they pick up other jobs.

JL: Where does their esteem go when they get fired? After six months of working and then suddenly where's the feel good go there?

PM: But that is not true for the vast majority who keep the job that they have picked up and even those who may lose it at the end of the period, if they have been unemployed for a year then employed for six months and they are back in the workforce and back with the notion that they can do something and they have had some particular training, they go out and they generally find work. The success of these programs is pretty obvious.

- JL: I understand that you have difficulty with employment and with hours and with wages and things because of the fact that you have to perhaps not by choice, but historically be in bed with the ACTU and you have got to keep them happy as well.
- PM: But John, the poor old ACTU - look, we have got wages at 1960 levels, we have got the profit share at 1960 levels, we have got inflation in an underlying sense with a '2' in front of it. How can you have a rampant ACTU with a 2 per cent inflation rate.
- JL: No, but nobody is talking about wages. When something comes along that doesn't suit you, you pick up the wrong point. I would like to see wages increase and if people had more people employed and produce more and sold more, wages could increase. But we can't have an improvement in unemployment unless we have employment and we can't have employment unless we have got employers.
- PM: Exactly, and you will only get employers by growth and you will only get growth going by getting the right mix in the economy starting with, amongst other things, fiscal and budgetary policy.
- JL: Yes.
- PM: And that is what this is all about.
- JL: OK, maybe we could have a quiet talk about that one day.
- PM: There are a couple of points, let me repeat.
- JL: OK, we have got about two minutes.
- PM: If this is the lowest taxed country in the world - and it is - therefore ...
- JL: In what world? In the whole world?
- PM: In the western world.
- JL: But we are not in the western world any more, you have told us we have got to be in the Asian world.
- PM: No, we are a developed country, you can not run a highway system, road system, health system, phone system, education system of a developed country as we have on tax shares lower than we have it. We have the most efficient delivery of government services probably around the world.
- JL: OK.
- PM: That means that is not standing in the way of growth. Now, the extent that the public sector was in deficit now and we want to get it back to a

lower deficit by the middle '90s as investment picks up - that is what the Budget is all about - while keeping faith on those tax cuts and giving a stimulus this year which is going to help kick the place along right when we need it.

JL: Well, sort of keeping faith on the tax cuts.

PM: We are paying the tax cuts, we have brought one lot forward and we are putting one lot back.

JL: Yes, well sort of keeping faith on them. Anyway thank you for keeping faith and being on this the most complained about and listened to radio program in the world.

PM: God! you are a tough competitor. I'll tell you what, those single mums and supporting ... I will have to get you into a little seminar on this.

JL: Yes, well I am very happy to do that. Any woman who has been married and had some boulder to walk out on her and leave her in the cold, we have got to look after her. I would like to be able to look after her better, but the little floozies who want to go around and create children, bring them into the world and not treat them properly and if I was to give you some of the evidence that I have ...

PM: I am not endorsing that.

JL: You are not endorsing it directly.

PM: I am not endorsing that, but I don't want to leave the children uncared for.

JL: No, it would be a very good idea if you said no single parent benefits for under 18 year olds unless you can nominate the father of the child. Pretty simple. Give it some thought.

PM: Well, I think we had better get you in the public sector.

JL: Thank you very much.

PM: You might have to take a wage cut to do it.

JL: Yes, I am happy to do that. Thanks for your time.

PM: OK, good on you.

JL: Prime Minister Paul Keating.

ends