



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON. P. J. KEATING, M.P.
EDGELL-BIRDS EYE PLANT, ULVERSTONE, TASMANIA
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J: Mr Keating, an issue that's been dominating the local headlines today is that Savage River and their criticism over the fuel excise. They've got major concerns.....inaudible.... will lead to the premature closing down of the mine.

PM: Yes, well they all say things like that. I mean, the fact is, last week interest rates at the Reserve Bank and Bill rates in this country went below 5% - 4.75%. Any of these companies, if they've got any debt, or in the event that their general business environment with customers in this low inflation, low interest environment is vastly improved. The Budget has just cut the company tax rate to 33% from 39%. We've just given them further accelerated depreciation on any equipment they may be using. So, it's a case of looking at all of it. Not one bit of it.

J: How far are you prepared to tough out the Budget, Mr Keating?

PM: There are a couple of important things, I think, to say about the Budget. The first thing is the Budget hands more back in tax cuts than it takes in the increase in indirect taxation. When these measures are up and running the Budget hands back \$3.8 billion a year in tax cuts and it raises \$3 billion in indirect taxes. Even this year with the increases in petrol etcetera, the revenue of the Commonwealth in the total economy, revenue to GDP is actually falling. It's going to go down from 23.6% last year to 23.5% this year. And that's why the OECD will tell you in two weeks time that Australia is the lowest taxed country in the western world.

And the other key point is - about the Budget - it gets the deficit down to 1% - around 1% of GDP - in 1996-97. Now, what you're seeing at the moment is the stock market booming, you're seeing a pick up in prices and earnings and that reflected in the stock market, we're starting to see it coming through in investment. And we want to - now we've got a recovery really moving - we want to make sure that by 1996-97 we're not out there with a big public borrowing requirement, that the public sector's out of the road so private investment can go on in a low inflation sustainable recovery. That's the big picture, that's the thing that really matters.

So, that's why the Budget is targeted at that 1% of GDP deficit, in the middle nineties. That is why the Budget revenue to GDP is still going down because we're handing back more in those personal cuts than we're getting in indirect revenue, and that's why we think the Budget's got the right construction for Australia.

J: But most people don't think that why. I mean how are you going to get it through the Senate and particularly those - you mentioned the petrol and optometry...inaudible.

PM: Well, they are part of a package which gives substantial tax cuts from November. So, people just can't say, 'oh well look at that, look at the petrol'. If that was a stand alone measure and there were no tax cuts you could say well ok, there's some very understandable criticism there.

J: Are you going to do a deal with the Democrats to get...?

PM: Look, the Budget's strength is that Australia is one of the first countries into an obvious recovery, it's a low inflationary recovery unlike all the others, and we want to make sure this one goes right through the nineties. So when we start to see private investment pick up we want the Budget deficit down. Now, to do other than things like that is basically to, you know, sell the public interest down the tube. To do other than things like that is to not do the serious things of Government.

J: Are you going to have to cut a deal though?

PM: Well I've just said to you the structure of the Budget is a good one. We've sent the Senate a package and we are saying in that package there are tax cuts and there are indirect tax increases - but it's a package.

J: What about the legality of getting it through the Senate?

PM: Well, I notice that these debates come up about the legality or otherwise. There is no problem about the legality of the Bill. Don't have any doubt about that. But the legality is one point. If the Senate were to amend this Bill, or seek to amend it, whether it can amend it or not - let's say it can because I think it can - we won't accept the amendments unless they suit us. Because the Government has put it up as a package. It has got tax cuts, and it has got indirect tax increases and it has got other features. So, it's not a matter of the whys or wherefores, will they, won't they, maybe, can they amend the Bill. The key question is will the Government, in the House of Representatives, accept the Bill when it comes back?

J: Some of your backbench though might be willing to accept some amendments.

PM: Well, I've brought in nine budgets and eight May statements. And two economic statements since I became Prime Minister. That brings me to around eighteen or nineteen. On every one of those there was always some backbencher wanting to amend something.

J: But this time we've got the Morgan-Gallup poll showing you've slipped well and truly behind the Opposition. Is that a concern?

PM: Well, you know these things go up and down all the time. I mean, it's early days in a long Parliament, you know.

J: You've got Mr Beazley saying you're willing to put that at risk - to go to that extent, to go to an election.

PM: Well, no, he didn't say that. He didn't say that at all. But the fact is don't - polls are very special things. They're like codes before they've been deciphered and they can mostly only be deciphered by politicians. So don't try and read them too hard.

J: Are you going to talk to the Greens or the Democrats?

PM: You've asked me that three times...

J: Just to localise, there has been scathing attacks on your budget from our state government.

PM: Surprise, surprise.

J: How do you see that affecting the recovery here?

PM: Well, see this plant here. It is here because of a commonwealth Labor government. It has got nothing to do with Ray Groom. The remaking of Australian industry is happening because of low inflation, a competitive exchange rate, low corporate tax rates and basically a cooperative environment in the workplace. Labor, Labor, Labor, Labor. Nothing to do with the Coalition down here. This plant is here because of the Labor Government and a decent international Australian business, Pacific Dunlop.

Now, the best thing the state government can do is go on and manage their own affairs. Manage the things that they have responsibility for and let us run the national economy.

J: Mr Willis yesterday said that he wouldn't rule out further spending cuts. That's a bit of a contradiction

PM: No, no. We're into this sort of... We've now got a press gallery with a corporate memory going back about two May statements and one Budget. When they could go back seven or eight Budgets they'd know what that meant. What I'm saying - what I said last week was that we will not cut outlays below where they'll be in about 1994-95. Which is about 24% of GDP. When you wash the unemployment benefits out of it, when you look at the structure of the outlays, to cut one or two percent of GDP - in other words to cut the spending of the Commonwealth back as a structural prop for Budgets is not acceptable.

That is not to say we won't do what we do in every other Budget, is do a housekeeping job on the Budget - housekeeping job on outlays. Cutting \$200, \$300 or \$400 million. But that's not \$7 billion or \$8 billion. But that's what we're being enjoined to do by some of the sort of fiscal junkies who write columns in the newspapers. Hop into the outlays. See, they said to us, 'what you need to do is to cut the Budget deficit back to 1% of GDP. We said, 'OK, we'll go and do that'. When we did it they said, 'Aha, we don't like the way you did it. We'd prefer it to be all spending cuts and not revenue.' To which we say, 'to cut the outlays back any more than that is irresponsible.' It would be unfair and it is unreasonable.

J: You said the state government should look after its own affairs but the government is concerned there's a \$20 million gap in the estimates presented at the Premier's Conference and the actual special grants delivered in the Budget.

PM: Well, that's about being in government. It is a hard caper. And if you want to be a Premier, you have to face up to the hard tack of being a Premier. And not asking this fellow to write a cheque for you.

ENDS.