



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP INTERVIEW WITH MICHAEL BRISSENDEN, ABC 'PM', 4 OCTOBER 1993

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MB: Prime Minister, welcome to 'PM'.

PM: Michael.

MB: It doesn't matter really what you think of Dr Hewson's actions, calling him an 'undemocratic vandal' is not going to help the Budget through the Senate is it?

PM: No, it is not a matter of name calling, it is making clear what is on here. It takes 38 votes to block Budget measures. Dr Hewson has 36 of the 38 votes. He has been meeting with Independents in the Senate to add to his 36 and I am just making the point that does Dr Hewson now concede and accept that any future Liberal government has forfeited the right to make its Budget and enact economic policy?

That is, do his actions now lead him to conclude that being the duly elected government with a majority in the House of Representatives gives you no further right than simply to be able to negotiate a majority in the Senate?

MB: Well, is that a threat? If you were in that position, would you guarantee the government those economic policy rights?

PM: I made it clear last year before the election campaign and during the election campaign that Labor, in opposition, would pass the money bills of the duly elected government - if that were a conservative government, including the GST. Now, I did that for good and sound reasons of convention and principle.

MB: But what are you saying here?

PM: Dr Hewson it seems to me is now under a grave obligation to spell out just what his determination to do this to the Budget means for representative democracy in Australia. That is, are governments now

... I mean he seeks to be Prime Minister, he is peeved about the last election result, but he wants to come back in two and a half years time and re-compete, to get a majority in the House of Representatives. What does he think that majority is going to mean to him if in fact he seeks to rewrite the rule book by saying, all you get is the keys to the kingdom, but not the kingdom - you can't pass the money legislation unless you can garner the support of Independents because I, John Hewson, am saying from here on out there are new rules in Australian politics and those rules are that the major parties have a right to block the money legislation, the financial legislation of a government in the Senate.

MB: As you say in your statement, you ask if Dr Hewson does now concede and accept that any future Liberal government has forfeited the right to frame an exact Budget policy. Does that mean that gloves are off now, that you have changed your mind and that if you were in that position, you would do what John Hewson has done?

PM: No, I am just saying there is a very fine line between an Opposition's right to make political capital, to make a political point and irresponsible, intolerable behaviour.

MB: When does he cross that line?

PM: That is I think, a matter for the coming week or weeks. The Bills are now in the Senate and Dr Hewson has got to make it clear that political capital is one thing, but actually turning the system on its head is another. Here we are in a position where the economy is now picking up - we have seen motor vehicle registrations rise in August to be 16 per cent above where they were a year ago; housing finance numbers are up 30 per cent on a year ago; you have got job skilled vacancies up 26 per cent; you have got vacancies overall up 50 per cent. The economy is now in recovery phase and what is hanging over it? The passage of the Budget and the stalling of legitimate revenue measures by the properly elected government and stall for what reason? Because John Hewson didn't like the outcome of the last election.

MB: But isn't that precisely the point? With respect, there has been a fair amount of political posturing from all sides. The political realities at the moment would suggest that you have to make some compromises as well to get this Budget through.

PM: But look, the Government sat down and looked at a range of these measures - it sat down with the Democrats. Now you saw what Senator Kernot said last week, she said Senate obstructionism has gone far enough. Remember the point I made a moment ago Michael. It takes 38 votes to block a Budget measure in the Senate, to block a Budget. John Hewson has got 36 of the 38 - he is the principal blocker, he only needs the top up of a couple of Independents to make it a reality. All the focus has been on the Independents, it has been on

the Democrats, on the Greens and on Senator Harradine. But the blocker votes, the 36 of the 38 are standing resolutely against the Budget at the behest of John Hewson.

Now, Malcolm Fraser said last week the Senate is running the risk of making Australia ungovernable, to use his words. He said it is running the risk of turning the annual Budget process into a series of bargains and trade-offs similar to those which occurred in the United States. In other words, of all things, the cloud hanging over the economy's head in a recovery phase, when we are now finally getting on with it and the place is starting to grow, is the Budget. Can I say a Budget where the revenue to GDP is actually falling. That is, where the a tax share, the revenue share in GDP, it is actually going down.

MB: But, you have been playing politics with it too? The political realities are still there.

PM: Stop this playing politics business. The Government is not playing politics introducing a Budget.

MB: Well why not drop ...

PM: No, hang on. The Government is not playing politics introducing a Budget. A Budget which gives away the equivalent of \$3 billion a year in tax cuts beginning from the middle of November and a Budget which has increases on the indirect side on the revenue which are less than the tax cuts. In other words, we are raising less than we are giving away and revenue to GDP is falling. What possible basis of objection could there be to a Budget where revenue and tax to GDP are falling, where the Government is about to give away tax cuts to middle income Australians and yet the Opposition says no, for reasons of political spite will stall all this, but what we'll do is we'll hide behind a couple of Independents and put the blame on them. As if they could think they could lie doggo with 36 votes when it only takes 38 to do the trick - to stop a Budget, to stop the revenue changes of a Budget.

MB: Do you concede that the political realities of the Senate mean that you will have to drop the linkage between the tax cuts and the revenue measures?

PM: Look, the technical linkage means nothing.

MB: It means nothing?

PM: Nothing.

MB: So you will drop it?

PM: It means nothing. Let me just make this point clear as day to you. When the Budget bills come back into the House of Representatives,

- the Government cannot be providing tax cuts while the other revenue base of the Commonwealth is eroding. So in other words, it is John Hewson and John Hewson only who will spike \$8-10 a week tax cuts for Australians from November. So all if you like, the kick along to the economy coming from the spending of tax payers and their families, the boost to retail sales, the boost to manufacturing and consumption - that is, the next needed boost to growth from public demand, coming from tax cuts John Hewson is spiking for no reasons other than political spite and petulance saying I didn't win, so if I didn't win I'll turn the system on its head.
- MB:** If the linkage means nothing then why not drop it? In effect if you did, you would get the petrol tax rise through, you'd get the first round of the whole sale sales tax increases and you would end this uncertainty wouldn't you?
- PM:** Look, let's forget about all the technical, tricky, rinky-dink things and the rinky-dink questions.
- MB:** Well, those are the arguments that are being used though aren't they?
- PM:** Look, there is a Budget presented by the Government - a proper Budget. A Budget which gives a stimulus now and brings the Budget to 1 per cent of GDP and deficit by 1996. In the United States they are still cheering the passage of President Clinton's Budget which was carried by one vote by Vice-President Gore in the Senate. That brings the American deficit to 3 per cent of GDP by 1996. Ours will be only one third of that and yet despite its high mindedness in economic terms and its sense in economic and social terms, in the early round of tax cuts - it is being spiked by a spiteful Opposition. No basis of economic objection whatsoever.
- MB:** Well, you're not going to move. The situation is still going to be here at the end of this week, and at the end of next week, the end of the month, isn't it?
- PM:** That's the point. So far, Australia's not been informed about the course of action Dr Hewson is taking. He's hiding behind a couple of independents in the Senate, needing 38 votes to block budget measures, and having 36 of the 38 himself, resolutely opposed to it. That's why he's been attacked by the president of the National Farmers' Federation, by Malcolm Fraser, by Senator Vanstone and people on his side of politics, because what he is doing is trampling on the basic principles of the operation of the democratic system of government in this country. And that is that parties in the upper house, the Senate, pass the money legislation of the Government. Now that's not to say that every budget has gone through untinkered with. I mean many of the ones I put through in the 80s were tinkered with here and there. Small measures, small twists in some of the measures. And some Opposition people are relying on those things and saying "oh,

look what happened then" but no Opposition , none ever, has ever refused the passage of major budget revenue measures. This is what John Hewson is doing in trying to re-write the rule book of Australian politics.

MB: Well, Prime Minister, where does it leave us? We're still at a stand-off. They're not going to change. You're not going to compromise.

PM: The point is the Opposition have got to think about their position. They have to say: "we are in a position now where were we to form a Government, if we do this and at some stage in the future we form a Government, we will have forfeited the right from that point forever and always to frame and enact budgetary and economic policy. Our right as a majority elected government will only be that which we can snaffle on the highways and byways of independents in the Senate." Now is that the kind of chaos, is that the kind of uncertainty Australians want? Or do they want to get on with it , with a recovery which is now well and truly underway, as we see a return to growth and employment again. And there's only one person standing in the way of that, and that's J.R. Hewson.

MB: So you in Opposition wouldn't guarantee the smooth passage of budget bills?

PM: Look, leave me to one side. I've made my position clear. I believe a Labor Opposition should pass the money bills of an elected Conservative Government. That's what I believe. I said so, when it mattered - in the key weeks of an election campaign, and before. But what Labor leader in the future would be able to say to his or her party : "Look, don't stand up the Liberal Party's budgetary measures...the reply would be, well they stood ours up, they've turned budget making on its head." I mean this is what John Hewson's doing. I mean he's not been around this place long. But he's into the conventions with a pick axe. And he's got to understand what happens with the chaos and uncertainty which will arise from it.

MB: If the stand-off continues the Greens have said they would be prepared to give you the trigger for a double dissolution. Would you take it?

PM: I'm not talking about double dissolutions. This is not the refusal of Supply Bills. This is not 1975. This is not the refusal of the passage of the Government's spending. This is a change in the mix of the budgetary measures on the revenue side in the main. But what it certainly means is that tax cuts which are economically right, and socially useful will be put at risk by the behaviour of Dr Hewson and his colleagues in the Senate. But as I say, more importantly, what will be put at risk are the conventions which Malcolm Fraser wrote about eloquently last week, and other people on the conservative side of politics.

- MB: We could remain in an ungovernable position though, couldn't we?
- PM: Let's assume that word has some credence. Who is responsible. Only one person, John Hewson.
- MB: The budget of course isn't the only problem that you are going to face with the Senate, is it? You are going to face this problem with Mabo, with I.R., with almost any contentious legislation.
- PM: I got greater changes through in the 80s as Treasurer, in the tax system than I think most other persons in that job attempted. I compromised on many things: the capital gains tax, the fringe benefits tax. I kept the core principles and changed the detail around the edges. I mean, no one can assume that you can pass anything you like through the Senate. No one's assuming that. And that's not reasonable and it's not sensible. But, the money bills, the financial legislation of a Government, they are the core things that give the country binding, cohesion and stability. They are the things that give certainty to our style of Government. And they are done by convention. They are not done by the ruthless use of numbers.
- MB: And have you compromised as far as you are prepared to go then on those budget bills?
- PM: We've made it quite clear right the way through that where we think there is a reasonable case to shift some of these measures we will. I mean, we've done that in the past. But the idea that John Hewson says that the Government has no mandate for any tax rises when we are giving even greater tax cuts is of course just a bit of nonsense.
- MB: So you won't shift on the tax measures?
- PM: Look. We are not shifting on the key principle, and that is the Opposition in the Senate has no right to block the revenue measures of the duly elected, properly elected Government in the House of Representatives.
- MB: Prime Minister, thanks very much.
- PM: Thank you Michael.
- ends.