



**PRIME MINISTER**

TRANSCRIPT OF 7.30 REPORT INTERVIEW WITH THE PRIME  
MINISTER, THE HON. P J KEATING, M.P.  
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PL: Prime Minister, welcome to the program.

PM: Thank you, Paul.

PL: Now, this buzzword here in Hobart today, competition policy, exactly what does that mean?

PM: Well, it's trying to expose to all competitive forces and the Trade Practices Act those parts which have formerly been protected, such as state electricity authorities, water authorities, rail and unincorporated business enterprises.

PL: So, we're really talking about a big change in the way our economy works, are we?

PM: It's a very large policy matter and the adoption today of the principles of these competitive changes is a very large, economy-wide change.

PL: Are we talking about the professions as well, medicine, law, that sort of thing?

PM: We're talking about the legal profession, we're talking about some professions, not necessarily all, but, now, the Trade Practices Act already applies to many. But, because the Commonwealth can only legislate in respect of corporations we need state legislation for unincorporated people. And, then, of course, the other area in which the Commonwealth needs the support of the states is in the state government business enterprises such as electricity, water, rail etcetera.

PL: Now, what are the gains in here for the community? If we really get a lot more competitive and get rid of a lot of these monopolies and really open the thing up, how do we benefit and by how much?

- PK: Well, at the moment a lot of the electricity tariffs, for instance, accrue to the electricity commissions, electricity authorities or they go in state budgets so they don't accrue. You have reforms but the benefits never go back to the consumer or rarely go fully back to the consumer.
- PL: And if I'm running a factory I'm, in effect, paying a sort of hidden tax in higher energy charges?
- PM: Exactly, so what we're saying is if we really want to kick along in the nineties, if we've done all the things in the eighties, in the labour market, in the general product markets of this country... we've now got a huge boost to exports but we'll run up against competitive problems by not getting these barriers down. Now, there's only one way to get them down and that's cooperatively. And that's basically what has happened here today. It's a very big outcome with the Commonwealth and the states all agreeing that we should be accepting these principles and working on joint legislation up to the next August meeting of the Council of Australian Governments.
- PL: Of course, many state governments are rather hooked on the revenue stream they get from these nice cosy little state monopolies, aren't they?
- PM: They are, but just as we, the Commonwealth, have lost the better part of \$600-\$700 million a year now by reduced customs duty because we've long ago now brought the tariff wall down. Just as we've paid money for structural adjustment by buying out employment on the waterfront and other things - there's probably well over a billion dollars every year now that we spend on structural adjustment - we've lost the revenue, so the states will have to lose the revenue too.
- PL: Yes, but they don't like that idea, do they?
- PM: No, they don't. They want us... part of the discussion today was them saying, look, we'll reform in a sense, if you pay for it. And we were saying, well, hang on, hang on, hang on, there's going to be a great benefit for you, in your state, by more employment, more activity in reforming. But, if there's a peculiar transfer to the Commonwealth in some of these things we'll consider some reimbursement. So, we're saying, "Look, we can't buy the reform for you, you're going to have to do some of this yourselves. But, when you do it you'll find - just as we did, in telecommunications, we've done the reform and what's happened? Phone charges have gone down and services have come up. The same will happen to you, you'll end up in a better state, dare I say it, in a happier state."

- PL: So, in future this freeing up, this competitive regime, will mean if I want to start producing gas and pumping it into a national grid, I'll have access to these monopolies will I, to electricity?
- PM: Yes. For a start you'll have access, you'll have fair, competitive rules and there won't be the capacity to draw down what's called, in the jargon, monopoly rents. In other words the monopolists won't be able to charge what they like and then give it to a state government budget or keep it in their reserves. With competition, prices will fall and the public will end up with cheaper electricity, business will end up with cheaper electricity, cheaper water and, generally, cheaper inputs. And, our economy can't really maintain the competitiveness with Asia unless we have the whole of.... all of the sectors of Australia. Not just the corporate sector or the Commonwealth, but all of the sectors dropping these barriers to competition.
- PL: And, some of the premiers have suggested that if you're fair dinkum about real competition you've got to have another look at industrial relations?
- PM: Well, what I have said during the day is this - product market reform will always precede labour market reform. If you look at the motor car industry, if we hadn't lowered tariffs on motor cars you wouldn't have seen the productivity changes at Ford or General Motors or Mitsubishi or Toyota. Because they faced lower tariffs and a more competitive environment they just had to change. So, the employees and the unions changed with them but if there is no pressure to change the labour market reform is just theoretical.
- PL: Yes, but if you have closed shops for example, that doesn't sound too competitive. I don't think they're talking about screwing wages down but we have got a bit of a cosy situation still, haven't we, with unions in the workplace?
- PM: Well, they dropped this item on the agenda today. They didn't want to press ahead with it. I'm talking about the conservative premiers, they didn't want to press ahead with it. I think the main thing is, I said this week that Australia has to have a cooperative relationship between the Commonwealth and the states. Through cooperation much can be done, already a lot has been done. Now, I think it's fair to say there wouldn't be too many federal systems where you could sit down as today - say in Canada or in Germany or in the United States - and get the heads of governments to agree to open their government business enterprises to... that is,

expose them to competitive forces as in the rest of the economy.

PL: Especially not over a three hour lunch.

PM: So, this is an effective device, COAG, but, of course, what underpins it is, essentially, cooperation.

PL: On another matter, Prime Minister, Mrs Kelly. How much more damage can the government sustain on this?

PM: Well, again, it just highlights the point doesn't it? I mean, here's the government looking at trying to open up sectors of the economy which have been closed for all of this century to competitive forces and what are the opposition doing, chasing around \$11,000s from being paid to pipe bands in band halls...

PL: But, that's what's in the headlines, that's what's hurting the government.

PM: Yes, but it demonstrates, I think, the difference between the government which is going all the time for the main, big policy changes and an opposition which has got no policy, basically trying to track down a minister - not because of any fraud or any corruption, because they admit that - because they just don't like the way she administers it.

PL: Well, some would say at two to one on Labor marginals they had a right to not like the way she administered it.

PM: Well, most Labor marginals are always in deprived areas. So, netball courts and basketball courts to the small organisations of amateur sports clubs... I mean, after all, this is small money being paid to amateur sports clubs. Its almost the...

PL: It's two to one, shouldn't she have just fudged it a bit more than that?

PM: It borders on the essence of civic virtue.

PL: But this borders on the essence of using taxpayers money to try and win an election.

PM: And here's John Hewson at the Cairns University saying, I will, without the Vice Chancellors giving him any support, without the higher education authorities giving him any support, saying, oh yes, I'll give you \$30 million for a new campus because it might help us win the seat. It's alright for John Hewson to promise \$30 million. And when asked by a journalist, Dr Hewson how did you evaluate this \$30 million? Like, was there a whiteboard? He

said, on his fingers, three times ten, contemptuously. Now, in other words, there's a rule for John Hewson but the same rule doesn't apply to Mrs Kelly.

PL: Well, how long are you prepared to hang tough for Ros Kelly?

PM: Well, there's a House of Representatives report following the Auditor-General's examination of this program and that House of Representatives committee will report next week. And I'll see what that report says. We have a committee to look at these things, it has and I'll be taking...

PL: And you'll weigh that report on its merits?

PM: I'll look at the report, absolutely. I have to, don't I and of course I will.

PL: Yes, but Mrs Kelly's a colleague, a longstanding friend and you've got the government's face at stake, haven't you?

PM: But, remember this, I have never minded the notion that ministers lose their place in the government because there's been impropriety or there's been some fraud or something of that matter. There is nothing of that kind, here. What there is, is constant attacks by an opposition without any policies over what they think are allocations which run against them.

PL: But you will have a look at this report next week and you will weigh it up on its merits?

PM: I said in Parliament yesterday that this report is to be presented, it's a House of Representatives report on which the Government has a majority so, of course, I'll be looking at the report to see what they say.

PL: Thanks for your time.

PM: Thankyou.

Ends.