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**Subject: IV Paul Keating
 Prime Minister**

Compere (Jim Waley):

For Paul Keating there's double cause for celebration on this first anniversary of his re-elected government. Yesterday Labor won the by-election in the Western Australian seat of former Treasurer, John Dawkins, a victory which brings to Canberra the Fremantle doctor, Carmen Lawrence, who's expected to breeze straight into Cabinet.

The Prime Minister is in our Canberra studio this morning. To talk with him, Sunday's political editor, Laurie Oakes. Laurie -

Laurie Oakes: Thanks, Jim. Prime Minister, welcome to the program.

Paul Keating: Thank you, Laurie.

Laurie Oakes: Carmen Lawrence handed you a pretty good anniversary present.

Paul Keating: I think she did and congratulations to her. She won well and I think for the government to see a pick up, a swing to the government in a by-election, is unprecedented. I can't remember any time in the 25 years I've been in public life

when at any by-election there was a swing to the government.

Laurie Oakes: Even you wouldn't have predicted that, would you?

Paul Keating: I thought we would - - Someone asked me the other day and my staff were talking about it coming back from Perth last week, how we'd go, and I said I thought we would pull out the 1993 result. As it turns out, we've picked up another one per cent.

Carmen spoke to me last night and she said, 'Look, whatever this result means for me, there's no doubt that it would not have happened unless the government was doing reasonably well. And the notion that we're doing poorly in Western Australia I didn't find anywhere in the course of the campaign'. I think what it is also, Laurie, it's a repudiation of garbage bin politics. I mean she's suffered so much vilification. The attacks on her in the House of Representatives and the Senate under privilege about blood on her hands - I mean all of that muck raking - the Liberals literally ripped up the rule book for this by-election.

Laurie Oakes: But Carmen Lawrence herself in the campaign said everywhere she went she was getting feedback from people that they're sick and tired of the behaviour in the federal parliament too and she's going to bring that message to you and others in Canberra.

Paul Keating: Yes but I think it's one thing to talk about behaviour and it's another thing to talk about what is done and said. I mean for instance all of this attack on Ros Kelly over now a month - in the end what does it bring the Liberals in a by-election? Answer: a swing against them. Look, Laurie, it's always.

Laurie Oakes: That's really a long bow, isn't it? I wouldn't have thought the swing against them was down to the Ros Kelly affair. Surely that's got a fair bit to do with Liberal leadership woes?

Paul Keating: They were saying that the concentration on this issue and Mrs Kelly's resignation was a big plus for the Liberal Party. Well, where's the plus? I mean it's a legitimate question for me to ask. Where is the plus? The answer is there is no plus because the public wisely are looking for value always and they're looking for fundamentals.

Laurie Oakes: But your own polling, though, showed that at the time of the sports rorts affair hitting the front pages in the West there was a swing against you and it came back to you last week when the Liberals were brawling.

Paul Keating: I think the swing against - - I've said to you, I think Laurie, and I've said to others, all of this sort of static - what is for the public, static and the public debate which doesn't go to their lives, their values, which doesn't go to the long run fundamentals of the country, just a big discount factor. If the Liberals want to keep at this, let them go their hardest but where does it leave them when there's a swing to the government in a by-election such as this? It leaves them with those tactics basically -

Laurie Oakes: Just to make that grin a bit wider, the next McNair poll in the Bulletin Magazine shows that you've now got a 17-point lead over Dr Hewson as preferred Prime Minister. Have you seen him off, do you think? Who do you think you'll be fighting at the next election?

Paul Keating: Laurie, a year after the election - a year ago, in the year since - we've seen the economy heading towards 4 per cent

economic growth, 200,000 jobs, a legislative solution to the vexing problem of Mabo, Australia getting itself set up properly in the Asia-Pacific with APEC. They're the things of value and I think it is those things which carry the weight of public opinion.

Laurie Oakes: Do you think you'll be fighting the election against Dr Hewson, or has this result finished him?

Paul Keating: I don't know but you see he told us, and we should remember what he said a year ago - that Australia would be into a double dip recession. You remember the gun sight ads in the election campaign - bang, taking out your jobs. There's 200,000 been put there in their place. I think Malcolm Fraser's comment of two weeks ago in the Australian - he said, 'A year after Fightback was repudiated by Dr Hewson no-one in the Liberal Party knows what the Liberal Party's philosophy or policies are'. And I think that's true.

Laurie Oakes: This result will worry some people. Obviously this is a signal to you to maintain the arrogance and you might get away with it because of the weakness of the Opposition.

Paul Keating: I just reject that maintaining the arrogance line, Laurie. Look, I started consulting about Mabo in April of 1993 and I kept it up til December. I mean arrogant people don't run those sorts of consultative processes. I did the same throughout the year on APEC - trying to build a constituency for that leaders' meeting in November the following year. I think in the caucus and in the cabinet I'm the first amongst equals in there. It is a cooperative process. We've had a generational change inside the government. There's tremendous enthusiasm on the part of the newer Ministers. In that I think this sort of old claim, that

to have pride in one's work and determination to see things done, is arrogance - it's untrue. But whether it's untrue or not, I don't in a sense care provided that we keep making the changes and we keep getting the fundamentals better.

Laurie Oakes: Carmen Lawrence presumably will go into the Ministry at the next caucus meeting on Tuesday week. Is that right?

Paul Keating: I would like to see her in the Ministry. It is a matter for the caucus. I mean everyone knows my views about this. I would very much like to see her in the government.

Laurie Oakes: And that would be the time table - Tuesday week?

Paul Keating: In the event that the caucus agreed, yes.

Laurie Oakes: And what sort of portfolio do you have in mind? You must have thought about this.

Paul Keating: Not very much. No, I haven't because I would like to consult her. Laurie, there's a thing called commonsense and presumption. It's not sensible and it's presumptuous to have discussions - myself and Carmen - about what she might do and portfolio. The first thing is see what the public think. Let's get the by-election out of the road, see what the caucus thinks and in the course of those consultations I'll see what I think. I mean after talking to my colleagues, to Brian Howe, my deputy, and to the other leaders and opinion leaders inside the caucus, I'll talk about the spread of jobs.

Laurie Oakes: But presumably if she's to be the kind of use that you want, you'll have to give her some sort of important portfolio in the social policy area, won't you?

Paul Keating: Not necessarily. It should be -

Laurie Oakes: You wouldn't get rid of her on admin services?

Paul Keating: No. I think, given her record as a Premier and as a major

contributor to the Labor Party and to Australian public opinion, she should have a policy job.

Laurie Oakes: Now, are you just filling one vacancy - the Ros Kelly vacancy? Or are you now going to close up the hole left by Alan Griffiths?

Paul Keating: It's clear from the sequence of events that it's not going to be opportune to resolve the question with Alan Griffiths now. There's some flexibility there for us. I'll soon be establishing the inquiry which Alan asked me to establish. That'll take some time, though. So I mean it still leaves the government - happily, I might say - in a position where it can make judgments about all these things. But it will mean, I think, the fact that Dr Lawrence will be joining the caucus and will contest a place in the ministry, that it will be the occasion of a set of decisions about ministerial responsibility.

Laurie Oakes: This will be your fourth reshuffle in three months. That's starting to look a bit untidy. People are talking about instability. You won't want another one a month or two down the track, will you?

Paul Keating: Laurie, let me say this to you: I don't think in terms of Alan Griffiths or Ros Kelly any of us would want these things. But let me also say that what we are seeing, and have seen, with the resignations of people like Neil Blewett and John Kerin and John Dawkins is the opportunity for a major generational shift in the government. The vigour, the youthfulness, the vivacity for the job - all those sorts of things are on display I think with the newer members of the ministry and the cabinet and, might I say, those who've been there across the last 10 years.

Laurie Oakes: But surely you want it to settle down? Can I ask you

specifically, do you still hold to that promise to keep Alan Griffiths' job open until this situation is resolved or, for the sake of stability in the government, do you think it's gone on too long?

Paul Keating: I think that's a matter to be amicably settled. I think this is a very fair caucus. No-one is going to say of Alan, well, because of this matter - where you've resigned but have since been cleared by the police, and he has - and where there's an inquiry in prospect, which he has every confidence of being cleared in terms of his ministerial conduct. This is a very fair caucus and I think that caucus will consider Alan's position very favourably.

Laurie Oakes: On the night before the election a year ago at a party with your staff, you said that if you won the election Labor would do more things here than any other Western government will do in the next three years. Now there's been criticism in the last few days that at apart from the employment White Paper and a Mabo social justice package, the agenda for the next couple of years looks pretty empty.

Paul Keating: I don't think that. Let's go back to that statement. What have we got since? We've got the economy growing faster than any other Western economy - between 3½ and 4 per cent now. We've had the creation of 200,000 jobs across the year. We've had the legislative settlement of Mabo, which in most comparable countries could have taken five to 10 years and put the whole development of a continent under question, with continual claims being lodged in the High Court. We have the continual improvement in Australia's position in Asia, in the world. We're not only building structures in Australia but

we're building structures for Australia outside of Australia, and we're now going to try and do something in Western world terms novel about long-term unemployment.

Laurie Oakes: I was going to ask you about that.

Paul Keating: Either we have developed in the public commentators a bunch of sort of insatiable change junkies. I've been here for 25 years, Laurie. No coalition Prime Minister could have made that claim after a year in office at any one time.

Laurie Oakes: Let's talk about unemployment. Obviously the economy is recovering. The former Deputy Governor of the Reserve Bank said on Business Sunday this morning that even though when this recovery reaches a peak he expects unemployment to still be at 8 or 9 per cent. Is he right?

Paul Keating: Time will tell but one thing is for sure: long term unemployment will be far higher than at any other time and I think we do have to get these people job ready and stream them back into the labour force. In other words, of those laminations, that laminar flow from various parts of the community into employment, one of those laminations has to be from the long-term unemployed. In other words, what we are trying to do is to get those people out, up, get their esteem up, get their work experience up and get them back into work.

Laurie Oakes: But the possibility of unemployment still at 9 per cent when the recovery hits its peak: that's pretty grim, isn't it?

Paul Keating: I don't know whether I'd be as pessimistic as that. But, again, one thing's for sure: there is no substitute for economic growth for employment and the government does want to see the economy grow. I noticed some terribly dismal and I thought pretty pathetic headlines in one of our major newspapers a day

or so ago saying, 'Let's put our foot on the brake'. We've got a sort of a pile of unused resources out there in the capital stock. We've got a pool of people unemployed. Now is the time to take those resources up and not to in some way put a suture on it just as we're starting to get the thing flowing.

Laurie Oakes: There seems to be a mindset at the moment that good news equals bad news, that the growth figures mean that inflation is inevitable, higher interest are inevitable.

Paul Keating: I think we just can't cop this kind of analysis, Laurie. The country cannot cop this sort of gloomy analysis. When we're in a recession, it's terrible. We grow for six months, it's shocking. From the dismal sort of fiscal and monetary watches - I mean people who in the big public debate wouldn't blow a candle out. I mean in terms of if you said to them, 'Look, you run an agenda and get the place back on its feet', they wouldn't know where to start. Now, this place of sort of studied caution - at this point, at this point, we don't need it. That's not to say we don't need always to be vigilant about inflation - and we will be - or that we don't need a sensible role for monetary policy. Of course we do. But we have been in a recession, after all. You've just made the point about the store of unemployed people, including the long-term unemployed. Now's the time to get on with the growth and to get the place really moving so we take some of those resources up.

Laurie Oakes: Another anniversary question: again in that speech in the night before the election you told your staff that voters were contemplating taking Labor back but not with any relish. And you said, 'We love their votes but we don't particularly need their love'. Is that the way you still feel? You don't care how

Australians think about you?

Paul Keating: We want their respect and their regard. Look, they must understand now that Labor is setting Australia up in the 90's for a period of low inflation regrowth. We've got proximity to markets that are growing faster than any in the world for the first time in our history. This government has made the structures and the access and the cultural change to exports to let us be part of that. Now, it is in those matters of substance, of fundamental importance to Australia, that mattered yesterday in that by-election. They will matter in the next federal election. In other words, the public elects the government to deal with Australia's problems and its fundamentals and the government responds. Whether on the way through they like the way I part my hair, or the look of the faces of the ministry, in a sense is secondary to whether they approve of the policy fundamental job and the fundamental things that the government's doing.

Laurie Oakes: If yesterday's result was not about Carmen Lawrence's personal popularity, does that mean you expect a swing to the government in next week's Bonython by-election?

Paul Keating: I think each by-election is different but I think that the government is travelling reasonably well because I think the public do look for value. I've always thought this - always - right throughout my political life. Laurie, you've reported me saying nearly a decade ago that good policies are good politics that don't sell the public the dump, don't believe cynically you can feed them pap or dross and that they'll take it. They won't. They'll look through it and see what you're actually doing. What we're doing is re-modelling Australia and giving it a

future and giving it a sense of optimism, particularly I think with our young people, giving it a setting in the part of the world we live.

Laurie Oakes: You're getting some help from the Opposition, though, aren't you?

Paul Keating: We've got an Opposition that doesn't know where it is. I mean I noticed John Howard saying this morning, 'I'm not yesterday's man'. He's right about that. He's a man of 25 years ago.

Laurie Oakes: We're out of time but thank you very much, Mr Keating.

Paul Keating: Good, Laurie.

Laurie Oakes: Back to you, Jim.

Compere: The Prime Minister there with Laurie Oakes.

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