



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
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J: Welcome, Mr Paul Keating.

PM: Hello Jenny.

J: I believe you have Irish ancestry.

PM: Yes, I do actually and I went back there last year to the village of my ancestors and they could actually show you the block of land they worked on.

J: And did it have an impact on you going back?

PM: Yes, it was wonderful. A village of 250 and 6,000 turned up.

J: Fantastic.

PM: It was wonderful, the warmth of Ireland. I guarantee half the worlds warmth must reside in that little country.

J: I heard an Irish woman today say that she thought St Patrick's Day trivialises the problems over there. What do you think about that?

PM: I don't think so, no. It is a great national occasion, a great national day for a country with enormous spirit and which has made an enormous contribution to the culture of the world and we keep the celebrations going here. Harry Woods is with me, I don't whether Harry ...

J: He is in green.

PM: Harry has got the colours on, he has got a bit of the Irish.

HW: I have ancestors from Clare.

- PM: From Clare. I am from eastern Galway. Harry is from Clare. You see, black Irish - we've both got the black hair.
- J: All right, still talking about overseas on two more serious matters. We are having trouble competing successfully in the international arena because our major competitor Asia pays such low wages, our corporations are starting to go off shore to manufacture and even some of local industries now are setting up factories overseas. How can we compete successfully internationally?
- PM: We are already doing that. Our manufacturing production has doubled since 1983; our exports have trebled. Let me just explain this to you - ten years ago we exported 13 per cent of all we produce, this year that is 21 per cent. So, we have seen a huge growth in exports and in the national accounts which came out yesterday which showed the economy growing so strongly at 4 per cent, a big contribution to that was exports. So, what I am saying to you Jenny is not a claim, it is simply a fact: that Australia is exporting its head off and we are hugely competitive - via wages, via the inflation rate, via the exchange rate - all of these elements of our competitiveness have turned around Australian manufacturing. We don't want to be in the business of competing with low wage countries. We want a society here which has much higher incomes than that. If our future was only a dismal one, in other words we would have to have the same wages as China or Malaysia or somewhere else, then Australians would be very much the poorer. So, what we would need to do is to do innovative and clever things and that is why the government has put so much emphasis on our education system that now we have got eight kids in ten completing secondary school and most of them going into universities and into vocational education, into TAFE. The kind of society we will have and the kind of products we will produce will be a measure of their creativity. So, the money is in selling innovation. There is no money selling simple things.
- J: A lot of those kids though are staying on because it is programmed that way, because they are keeping them at school longer because there is not enough jobs for them. Can you see that changing though?
- PM: If you look at the 1980s, we are starting to get strong employment growth back again now. If you look at the time when we did have it, say from 1983 to 1990, those kids instantly went into jobs. I was talking to somebody the other day at an secondary educational institution, a tertiary institution, they were saying that every single person who graduated found a job. I think that won't be generally true, but people who are qualified for interesting work will be taken up. That is why the emphasis has to be on education and training. In other words, we don't want to be an untrained, low wage society. We want to be a highly trained, much higher wage society where we are selling services - and services growth has just blossomed - where we are selling manufactures and where we are really reaching out into the

world. All that has shown up yesterday again in those National Accounts.

J: You obviously must have been pleased with them, but I understand there has been very little new business investment shown in those figures. Have you got any plans to make it more attractive for small and big businesses to increase their investment?

PM: In yesterday's Accounts the profit share of the economy - that is the share of national product going to profits - if you take national income, let's talk about some of these terms, and you come to the fork in the road: one part goes down to profits and the other part goes down to wages, at the fork in this road the profit share of national income in yesterday's National Accounts is the highest in Australian history. So, business has now got very, very booming profits and what it will now do is invest them. But this is a phenomenon of the last year and it takes a while to get started. We are now seeing quite strong investment coming through; we are seeing very strong housing investment; we are seeing strong retail spending and the tax cuts the Government promised in the election and delivered were responsible for kicking along retail sales in the December quarter and that has been part of the power of the 4 per cent growth we are seeing. So, yes, business investment has been slow since 1989-90, but we are now starting to see the pace and if you look at the expectations data, this is the surveys of business to see what they think they will be doing, they are saying they will be doing much more in the coming year.

J: So, you are saying they don't need any more incentives offered then?

PM: They don't need any more profits, no. Let me just make this very clear. If business doesn't start investing the work force will claim some of the profits back to wages. Can I make this point: the Government since the election, has reduced the company rate from 39 per cent to 33 per cent - we have got a company rate the same as Singapore - we have introduced an investment allowance - 2 in fact - where we add 10 per cent value to any proposal for right-offs; accelerated depreciation; no double tax on dividends. The Government can't do any more on that front. What business has got to do now is basically get off their tails and start investing.

J: We are all looking forward to seeing how Carmen Lawrence will do, but she seems to be the exception and not the rule. There doesn't seem to be that many women in the top jobs, why are there so few women in your Ministry?

PM: Let me just make a point, there is not one woman in the National party in Canberra. Not one. Now, of course there are many in the Labor party.

- J: Quite a few in the Liberal party too.
- PM: Yes, there are quite a few in the Liberal party, none in the National party; we are going to have many more in the Labor party and we have got a number now in the Ministry
- J: Two isn't it?
- PM: No, we have had three, and Ros Kelly resigned, but as you know I have argued quite firmly that I think Dr Lawrence should join the Ministry and were that to happen we would go back to three and that, I hope, is the start of a greater level of representation amongst Australian women in the higher echelons of national politics in the executive area.
- J: Has your party got a policy on equal representation?
- PM: Our party is now debating this question about how we move towards a higher level of representation, indeed, equal representation by women towards the end of the century and each state branch is now seeking to deal with that. My experience, if you take Dr Lawrence as an example, she has been a Premier; a person who can develop policies and articulate them and will play, I think, a very strong role in the national government.
- J: Can you imagine a woman Prime Minister in the next five or ten years?
- PM: We have had women Premiers - Joan Kirner was recently the Premier of Victoria; Carmen herself was the Premier of Western Australia - it is entirely possible as it ought to be.
- J: This is a big retirement area and many elderly people feel a bit angry and frustrated about being taxed on the interest of their investments. They feel, I suppose, they have worked hard for their money, they have paid their tax through the years, a lot of them have put a bit aside for their retirement thinking they can survive on it without being on the pension and so forth. Can you see any answer to that, do they have to be taxed on the interest, can you see why they might be angry?
- PM: There are a few things that people should realise about what the Government has done with pensions. When we became the Government pensions were just under 21 per cent of average weekly earnings. Now, I think, they are nearly 26 per cent of average weekly earnings because pensions are always adjusted with the CPI, where in the more leaner times wages were not. If you look at 1990 and 1991 and 1992 what has happened is that at the bottom end of the work force wages have dropped, but the pensions continue to rise because they have been inflation adjusted. Now as well as that, the Government has said we will increase the free area of earnings under the pension so that a single pensioner or a couple can earn much

more without losing a dollar of pension. But we did one additional thing: we said that money you earned was formerly taxed, it is now removed completely from the tax system so a pensioner person or couple can go out and earn that money, not lose a dollar of income, but also not pay tax on it. Now, once they get over that free area, they start to pay tax on it. But again, if you earn income in this country you are taxed, if you are on a full rate pension you can earn within the free area - I can't exactly remember the figure at the moment, but it is now quite generous - and not lose a dollar of pension.

J: But how about these people who are not even on the pension. They are finding it really hard.

PM: The pension is available on the basis of means and income. It is a very fair test, I think. So, if people have assets which take them outside the pension range, the pension system doesn't need to serve them or, if they have income if you like, outside the income ranges. But for most people who have got a bit of superannuation or a bit of something else they end up being a part-rate pensioner. Therefore they then pick up the medical benefits support, they pick up the pensioner concessions.

J: I just thought it might be good to encourage the people that aren't on the pensions to stay off the pensions, it might be a little of the lighter load.

PM: The way people stay off pensions is to have income above the income test ranges. The pension is not a national right for everyone who is elderly. The pension is there to support those whose income levels drop below certain levels and whose assets fall within certain ranges. But you see the other thing about the Government, in terms of the aged, it is not just very good income support through the pension and adjusting it and seeing its proportion of average weekly earnings rise and increasing the free area and removing it from the tax system, but the government has also invested very heavily in support for aged people in the home and community care program; in geriatric assessment; in hostel and nursing home programs. These things, I think, matter tremendously to people and, of course, they have the general protections of Medicare.

J: Given that the Pacific Highway is the main route north from Sydney, why is it still a state responsibility and are there any plans for the Commonwealth to take it over?

PM: No, there is now a very clear delineation between the national highway system and the highway system under the management of the states. The highway in NSW which is part of that national system is the New England highway. Now, were the Commonwealth to take over responsibility for the Pacific highway it would mean that NSW would have to take responsibility over for the New England highway, the

Commonwealth wouldn't have responsibility for both highways and, of course, there would need to be substantial financial adjustments to Commonwealth payments to NSW in respect of responsibilities the Commonwealth would pick up for the Pacific highway. At the moment this rests with NSW. We have spent \$170 million on the Pacific highway before this change in responsibilities or the delineation in responsibilities and Harry Woods was telling me this morning we have spent about \$25 million, I think, in this area on the highway and including another \$4-5 million on the black spots areas of the highway. So, I wouldn't say we are the only people putting money into it at this stage, but we have certainly put fairly heavy money into it, but it really is a long run program and one that has to be resolved by NSW principally.

Can I also say the other thing we are doing is upgrading the main Brisbane-Sydney railway line left undone for 25 years. This is a state responsibility essentially. We are now putting money into it under the 'One Nation' program I announced a couple of years ago which will see less trucks on the road; a better rail service down to Sydney; we are building a new viaduct in this part of NSW. There is a viaduct at Grafton and we are building a number of new steel and concrete bridges and upgrading the permanent way in tracks. This is going to speed up the trains and make them more regular which will mean they will be a better freight service between Brisbane and Sydney and points along the way which will mean fewer trucks on the roads et cetera.

J: So, will you be listening to your taskforce, the Labor party taskforce, that are campaigning to have it become a Commonwealth responsibility?

PM: We are listening, but again we are not about to just take NSW's responsibilities willy nilly and put them onto the Commonwealth government. There is a notion around the country today - if there is a problem go and see the federal government because they have got the money and they can fix it. Well, so too has NSW got the money and they have got to be required to fix more of their own responsibilities. It has taken the national government initiative to pick up the national rail highway system from this rickety old state rail system to remodernize it and do something with it so we can have a freight service which runs from Queensland all the way to Perth on a proper national highway system. We have put a lot of money into that. We are putting a lot of money into the national road highway system, and we have until recently, until the states said let's free up road funding, we've put into arterial roads in the states and black spots, and it's the black spots, of course, where people are killed, where there are a lot of accidents.

J: In the paper recently Jim Bolger was saying that he suggest that New Zealand might become a republic by the year 2000. Have you got any comments on that?

PM: Jim is picking up my lines, I am very flattered. I think I have converted the Leader of the New Zealand Conservative party to this thinking, but I haven't had as much luck here with Dr Hewson and the obscurantists in Canberra. So, they are still fighting for Queen and country and John Howard is flat out winding the clock back, he is now back to about 1961 and still winding, and no doubt, if he keeps going he will find himself back where he really feels most comfortable, about 1951.

J: Just to finish up, personally your predecessor is a self proclaimed agnostic, what do you believe?

PM: I am a self confessed Christian and I think most people know that. Everybody has their own views about these things. I don't go around parading my religious views or requiring people to take note of them. I actually think that Christian teaching and dogma has been a wellspring of the recognition of human dignity and human endeavour and this has been very telling in the politics and policies of western civilisation. It is no less true here and it has always been very true of the Labor party in particular which always says that the dignity of the human person is paramount - that is, we do things because of the innate importance of each particular person rather than they belong to a particular economic class or socio-economic group.

J: All right, when you go home, what do you do, how do you relax and what do you read - just to finish up.

PM: When I go home my principal interest is, of course, with my wife and family and my kids keep me more than amused I can assure you. I enjoy them immensely and I have got home interests. I like music which Annita, my wife, does too. We had a nice little jam session on late on Sunday afternoon and we went through about three or four hours of Maria Callas and some of the great tenors of the '60s and sopranos and various others, we got into choral music and then we finished off with a big Mahler symphony. Or occasionally if the mood takes it, I hop into the pop stuff, get a bit of Tom Jones on. I have got these generally home related interests - I read a fair bit of biography. One of my passionate interests in architecture and furniture, I read a lot about that. I am doing my fourth degree in architecture, that is privately. When I'm not doing those things I'm talking to my colleagues like Harry about various problems. You have got to have a mix of the two though - bit of work and pleasure.

J: You mustn't have much time for pleasure.

PM: It's mostly work, but there we are. That's why we signed ourselves up and that is why we are basically pleased to be doing what we are doing in the service of the public of this country.

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