



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP
DOORSTOP, SHIRE COUNCIL AND LOCAL COMMUNITY COUNCIL
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PM: I might just say a few introductory words and then you can ask me some questions after that. The point of my coming was to demonstrate the application of the White Paper for regional Australia. And in the White Paper we fund an important salinity program here in Sunraysia Mildura, and as a demonstration of that, regional areas that understand what they are doing and have programs of coherence will get support, and can get support, from the Commonwealth and State Governments. And in the White Paper there is the opportunity to exploit now infrastructure bonds, pool development funds, but more particularly, funding for regional economic organisations that need some core funding to let them put strategic plans together. Because a lesson out of all the studies, the Kelty Task Force, all of the other studies that we have had, is that regions which are well lead and coherent in their plans, do better than other regions that aren't.

So what it is, is strategic funding and specific funding for particular projects from an infrastructure fund. And I am looking forward to today being involved with that salinity program this afternoon. This morning, of course, I had a very interesting tour through the district, looking at some innovations in horticultural production in grapes, this is going to be one of the important grape growing areas of Australia for the Australia wine industry, export industry. And therefore, consolidation of farms, higher output and productivity, new techniques, mechanical harvesting, better use of water, all of these things, I think, are important lessons and I was very pleased to be able to see them today.

Could I just say for the White Paper in general, that there is a great opportunity here, I think, for regions, but also for all areas of Australia where unemployment is high, to have people who are long term

unemployed case managed so that they are better trained and placed for work, so that their prospects of retaining work are enhanced. So, can I say I have been heartened by the reception it has had from business, which has been very supportive of it, the various industry groupings, the Chambers of Commerce, the Metal Trades Industry, the big companies like BHP. Because of these things, I think, have been a big confidence boost for it.

J: Mr Keating on the White Paper, it obviously going to be a great test here because unemployment is 20 per cent here. You hope to get the national average down to 5 per cent by the year 2000, what will it do to Sunraysia?

PM: Well, there will always be greater problems in regional areas because of diminished employment opportunities. But if we can get the output and productivity of areas like Sunraysia up, there will be more aggregate employment. But we have also got a policy in the White Paper called the new opportunities program, which will allow support of job subsidies under labour market programs to go to regional proposals that are conceived well and which have got some chance of using local, otherwise unemployed labour, other than in commercial things. I wouldn't suggest this is going to be the complete answer to unemployment in regional areas, far from it, it won't be, but it will help.

J: What per centage?

PM: I don't think I can say that either. But one thing I think you need to know and remember is, in the 1980s we had just about, in those eight, nine years between 1983 and 1990-91, we had nearly 2.5 million job growth. We lost about 300,000 of those in the recession, but we still kept the 2 million. To get to around 5 per cent unemployment by the end of the century we have got to create over a million job growth. I think we can do that.

J: Mr Keating, in light of your own and Mr Howe's statement that the regional development strategy aims to .. on what potential of Australia's regions. Will you talk to the NSW Opposition and tell them to allow passage of the Irrigation Corporations Bill, debate on which has been adjourned at the moment, and seems that that may be threatening the \$27 million refurbishing of the irrigation project?

PM: I am not aware of the Bill, but now that you have mentioned it I will acquaint myself with it. I think there will be a lot of privatisation in some areas of the public infrastructure which is going to be commercial. We announced a very large one in the White Paper and that is, the Federal Airports Corporation large airports around Australia. So, I think, from the Government's point of view we have been the first Government in Australia to champion large scale privatisations with a sale of half the stock of the Commonwealth Bank, and more latterly, the FAC, Qantas, which is coming up. So, again, it

all gets back to the viability of these projects. I don't know the project you speak of but I would be very pleased to find out.

J: You will talk to him?

PM: I will talk to him about it, sure.

J: Mr Keating, if regional Australia does have such big potential, why was out of \$6 billion only \$150 million went to regional areas?

PM: You have got to see this not in terms of the way you help regional areas is by just throwing a bucket of money at them. That has proven not to work. I think what works is regional communities who know what they are doing themselves. I mean, you can see this here in Mildura, in the Sunraysia. The people I met here today are very confident about regional plans, how they can lift the productivity of the area, how they can lock that into the world market, how they can draw capitals to the area. What they need is strategic funding, that is what the White Paper provides. It has also got mechanisms to draw private funding, private capital, into public infrastructure works, but might not otherwise be available through the public account. So, I think that is the approach. Any approach which says we will fix the money with a big cheque from the Budget, really, has never worked, and it won't work now.

J: Dr Hewson says that regional Australia's expectations have been raised, but they have just got piddling concessions.

PM: Well Dr Hewson is somebody who is discovering, I mean, Dr Hewson would need an army map to find his way out of Sydney and Melbourne, particularly Eastern Sydney. He is obviously somebody who has been more comfortable in the comfort station of the leafy suburbs of Eastern Sydney than anywhere else. We are acting on the Report of the Kelly Taskforce which had the most extensive regional consultations of any taskforce ever. The huge surveys of McKinsey and Company, and the Industry Commission Report, all say what we need is strategic funding which supports the regional leadership and some instruments to finance things that otherwise regional bodies can't finance. Now, if Dr Hewson thinks that is piddling, that is a reflection on his failure to understand the aspirations of regional Australia and his failure to read the reports, which in themselves, I think, are very illuminating. He is also, can I say, he has been running on this the last day or so, this question about poverty traps. Let me just say a couple of things about that. I made this point clear in Parliament yesterday, that is, the changes to the Social Security system, the changed taper arrangements, and paying half the married rate of unemployment benefits to each member of a family, a couple, is going to dramatically change the Social Security system. It is the antithesis of a poverty trap. A poverty trap is a circumstance where somebody can't earn more income by virtue of the fact that the marginal effective tax rate, or

the withdrawal rate takes it from them. That is the current position before the White Paper.

The introduction of the White Paper will mean that couples will be able to earn much more income by, instead of having a flat cut off of 100 per cent, that is, for every dollar of income earned a dollar of the benefit is lost, we will go now to a 50, then a 70 per cent taper, and that withdrawal rate. And that will mean that people won't be in poverty traps as they are now. But this is the same Dr Hewson who said that people on unemployment benefits should be chipped off after nine months, this is Australian families. This is the same person who said, "if you reach down and pull the unemployed up beside us, you will pull the rest of us down". These are the people who described the unemployed in the Social Security Office as riff raff. These are people not to be listened to.

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