

NETWORK 10

MEET THE PRESS

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Subject:

INTV Prime Minister Keating

Compere - David Johnston:

Good morning across Australia, and welcome to *Meet The Press* — our guest today, the Prime Minister Paul Keating.

Four days after the release of the Government's White Paper on employment, the dust is starting to settle. Promising subsidised employment or a training position for all of the three hundred and fifty thousand long term unemployed over the next four years, the ambitious six point five billion dollar jobs package has been described by the Prime Minister as Labor to its bootstraps.

Immediately lampooned by Doctor Hewson as Whitlamesque in its excess, and criticised by some as an election strategy, financial markets endorsed the gloomy assessment by sending bond rates through the roof — a reaction angrily described by the Prime Minister as lemming-like and irrational.

Dismissing claims of big spending excess, Mister Keating said the jobs compact will deliver a large bang for the buck. But just how many bucks will be revealed in Tuesday night's budget.

Our panel today — Paul Bongiorno from Network Ten; Michelle Grattan, *The Canberra Times*, and Geoffrey Barker from the *Melbourne Age*.

Welcome Mister Keating to the programme.

Prime Minister: Thank you, David.

Compere: Well now, the dust has had time to settle a little. Are you happy with the way the White Paper has been received, or are you still angry with the financial markets?

Prime Minister: Oh no. I think we've had probably as good a reception to this document as we've had to any of the budgets or most statements the Government's done over a decade. And, I mean, the last editorial I read was the *Sydney Sunday Telegraph* this morning, which said it was a bold step which deserves community support.

I think that's pretty typical of the reaction, and I'm very happy about that, because I'm happy about the fact that the media and the community and the business community in particular has been very warm to the idea of including the unemployed in Australia's progress.

Paul Bongiorno: Treasurer Paul Keating used to say that the deregulated financial markets would keep Governments honest. Has Prime Minister Paul Keating changed his tune?

Prime Minister: No, no. No Paul, no, no. I mean, what's happened I think people need to understand what's happened. First of all there's the business community, which is actually employing people, and they've been very supportive of this. Then there's the financial markets which are selling securities.

So, in terms of the impact of this with the real economy, it's the business community's reaction that we look for, and that was a very positive one.

What's happened with the financial markets is simply this. From about the end of 1989, early 1990, we had interest rates at eighteen percent, and they fell to four and three quarters in one percentage point falls — from eighteen down to four and three quarters.

Every point drop was an increase in the capital value of a bond. One point down, one up. So each way down it was a picnic for bond buyers and bond holders.

They've now got a belly full of bonds, and they're at a point where now interest rates have bottomed and in some places in the world are going up. Where the world economy is picking up, where they think inflation over the

longer run may pick up — not in Australia necessarily, but the world. So they're saying well the party's over, the capital improvements are finished in bonds. We're now looking at a prospect of interest rates rising — so the thing to do is get out of them.

So what we're going to see is a lot of bond selling which has nought to do with the White Paper, nought to do with the budget — simply the fact that the eighteen percent to four percent beano, which the bond market has had now, predictable profits for eighteen months to two years has finished. And bond holders are now saying well that picnic is over, let's get back now into equities and other things — so they'll sell them.

Compere:

But wasn't their question over funding, over the funding of the plan?

Prime Minister:

No, not really, no. Look, this sell off would have been on no matter whether there was a White Paper, a budget or no White Paper or a budget. Because it was sparked by the US Federal Reserve taking the rates from three percent to three seven five. And the US bond market is saying well look the big interest rate reductions in the US, they're over too. And what we're really seeing in the US is a pick up in the economy, so therefore we the bond holders believe we're going to be in a position of rising interest rates and therefore capital losses. So they try and get out.

Michelle Grattan: But there has been worry about funding. Are you convinced that Tuesday's budget will provide a convincing answer on the funding question, or do you have a big selling job ahead of you?

Prime Minister: No. Look, the government I don't think has any peer in the OECD in terms of fiscal consolidation. And one of the reasons why Australia is growing at four percent plus is the fact that fiscal policy was consolidated in the eighties, and we did have a chance to wind it out in the recession, and hence cushion on the shock and restart the economy.

So we've had, I think, a great record as budget managers, and I think next week will simply confirm that.

Geoff Barker: Prime Minister, with the economy in recovery, do you expect next Tuesday's budget to be a good news budget, or how do you think the community and the markets will react to Tuesday's budget?

Prime Minister: I think well. I think well, because the budget shows that we'll be well and truly within the target of one percent of GDP by '96/'97, and Aust will go back into surplus in the balance of the nineties.

Now, as far as I know there'll be virtually no other comparable country, or very few, in that very advantageous fiscal position.

Compere: We'll be back on that good news point after this break.

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So, will next Tuesday's budget be a good news budget
— Michelle.

Michelle Grattan: Mister Keating, how would you characterise the thrust of this budget?

Prime Minister: I think the budget is principally a macro-economic document. There will still be substantial, some substantial policy in it, but of course a great block of the policy has been delivered last week, and the numbers for that will be consolidated in the budget.

So instead of the budget being largely a policy document, as well as an accounting document, it'll be more of the latter, and less of the former by virtue of the fact that we separated the two statements.

So, I think the budget will be seen as a positive step by the business community towards the target the Government has set for itself, and give Australia a quite advantageous position.

Michelle Grattan: And a good news budget? Can I press you on that?

Prime Minister: Well I think you'll probably have to wait on that. I certainly don't think it's going to be a budget which is going to be in any way gloomy.

Geoff Barker: Given that you've separated out the jobs compact, will the budget have much more in it in terms of Labor's vision for social and economic reform? You said it would please the business community — will it also please the people who have less in this society?

Prime Minister: Well I think yes, yes — the answer to that's yes. But the bulk of what we wanted to do, in terms of unemployment, we did last week.

Could I just say, in terms of the last election, the government said it would do the following things. It would provide cuts — it's done so. First tranche is paid. It would legislate for Mabo — it's done so after a very large debate. It's introduced a Home Child Care Allowance, the Generalised Child Care Rebate, and now in fulfilment of the commitment to the unemployed, we've introduced the White Paper. And we're also bringing the budget down as promised.

So, I mean, Government's come in for criticism for not meeting election commitments. This government has met the major election commitments.

Paul Bongiorno: There's a lot of discussion over just how firm your forecasts are going to be in this budget. Some people say that already the figures in the jobs paper are a bit rubbery. I mean, what is your attitude to forecasts on inflation, employment, and growth? Do you see it as something that you should be more up about, rather than down?

Prime Minister: No, I think they're all just best estimates, but the important point is that on inflation, which is an important indice in this country, as in all countries. I think we're in a fairly good position.

With that CPI that came out a couple of weeks ago, the CPI is now around two, or just under two percent — point four percent for the quarter. The underlying rate is a little bit higher, but by and large, the portents there are very good. On the wages front, in terms of wages flexibility, in terms of prices, in terms of productivity — you see the prospects for growth—

Paul Bongiorno: But on Thursday you spoke in terms of growth at four and a half to five percent, and we've had two leading forecasters since then say that's too ambitious.

Prime Minister: Well the Australian economy grew on average at four and a half percent between 1983 and 1989. Over six years, six to seven years, it grew at an average rate of around four and a half percent.

Now, we've got now much more competitive product markets with low tariffs; we've got a much more flexible labour market than the rigid one we had then; we've already broken the back of inflation, that's down to low numbers; we've got the lowest interest rates in thirty years; we've got a very high profit share; a thirty three percent corporate tax rate. If all of that doesn't add up to doing as well as we did in that six years, well there's something wrong with all of those influences. And nothing can be wrong them.

Michelle Grattan: How tough are you going to be with the minor Parties after this budget? Do you take the attitude they've had their say during the consultative process, and that's it? Or will you give them further ground if you need to in the post budget period?

Prime Minister: Well I think we've got a good relationship with the minor Parties, and we have in this budget round I think done something new, and that is that we have consulted the, they've given us their views on what should be included in the budget — this has never happened in Australian federal history—

Michelle Grattan: But what happens if their Oliver Twist like, calling for more when they see the document?

Prime Minister: Well that's got to be just weighed up. I think, I mean, this invariably happens, but I can't predict what the

Democrats or the Greens or any of the Independents in the Senate might say.

Compere:

Did you have compromise with them much?

Prime Minister:

I don't think so, but I think there's a lot that the Democrats and the Greens in particular, and Senator Harradine, would find to support in the White Paper, I mean generally. I mean, if you look at the Parenting Allowance, which will put a hundred and thirty three, up to a hundred and thirty three dollars a week in the hands of a supporting mother — I would have thought for instance Senator Harradine would support a measure like that, as I think probably the Democrats and the Greens would.

I mean, there are many things there. By and large I don't think anyone should assume there's some sort of adversarial situation there, because I think the policy outcomes are pretty much heading in the directions most of these Parties think they should be.

Compere:

We'll continue on *Meet The Press* after this break.

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So, if it's a good news budget, could it possibly be an election budget — Paul.

Paul Bongiorno: Well Prime Minister do you get the impression that neither the Opposition nor the minor Parties really want an election soon, and probably your budget will get through for that? But does that tempt you to perhaps go to the people sooner rather than later?

Prime Minister: No, I don't think so. No thinking about it — certainly not. This is, Labor Governments residing over a growth economy with a prospect of doing a lot of important things like Mabo, like the White Paper — these are opportunities that shouldn't be missed or lightly passed up.

Michelle Grattan: So are you committed to full term — March '96?

Prime Minister: Well, I'm committed to seeing, sensibly seeing the balance of this term out. That's not a matter of cutting off any options the Prime Minister enjoys in this system, but certainly, I mean I'm not saying to day, to the month, day or week — no-one ever does — but by and large I don't believe that the Parliament should run half its course and have an election for what point—

Compere: But this White Paper is electorally important — the success or failure of it, isn't it, really?

Prime Minister: No, I think the White Paper is a very altruistic attempt to give Australia the kind of society that many other western countries have passed up, and that's an inclusive one—

Compere: If it fails you don't think that's important — I mean for your electoral chances at the next election?

Prime Minister: Well I don't think it'll fail. But I think it's important that there is a notion of inclusion, that people do not feel alienated, cast to one side, forgotten — and in a callous way the rest of us move on and say well they carried the brunt of economic change.

I think this is a statement about Australian values; about a fair go; about egalitarianism — so that we move along as a society inclusively.

That's what the White Paper's about — it's done just after, a year after the election. This is not set up in the cycle of an election, it's not six months before an election, it's not there for all of that — and I think it is because of that, its timing and its content, that the community has given it a warm reception.

So this is a good thing, we feel better about the fact that these people are not going to be forgotten.

Geoff Barker: Prime Minister, part of the funding for the jobs compact will involve the sale of some government business enterprises — airports have been mentioned — and certainly that seems to have left the Left of the Party fairly angry. Are you confident the Party's behind you on that sell-off and others that might be in mind?

Prime Minister: Well, I mean, the Labor Party in policy terms and ideological terms is more united now, Geoff, than I've ever seen it in my lifetime.

When you look at the things that we've accomplished in the last few years, I mean getting back to growth — we've had nearly a quarter of a million job growth in the last year; a huge piece of cultural and property law like Mabo, which is a great breakthrough for Australia as a society and for Aboriginal people, and something which the Left would feel that it was important they had a role in, and we did.

The same is true on the White Paper on unemployment—

Michelle Grattan: But you are pre-empting the conference, aren't you—

Prime Minister: Can I just say, Michelle, now these are very Labor outcomes. I mean, these are very Australian, good Australian societal outcomes — but they're very, of their essence, Labor outcomes — and I should imagine people on the Left would feel as though they've been part of a process which has been significant and important.

And therefore I think these other matters like asset sales, and we've had some big debates now, as you know, about QANTAS, TAA, Australian Airlines which is now incorporated into QANTAS — these sorts of debates. I mean, the competitor to Telecom in 1990—

Michelle Grattan: But how do you answer the point, Mister Keating, that this sale of the airports will be approved by the Parliament before it goes to the ALP conference, which should approve it in terms of policy, which is required to approve—

Prime Minister: Well there's always, I think there's always these, you know, cart and horse things — but by and large the directions are pretty right, and I don't think any wise Cabinet gets beyond Party or community opinion.

Paul Bongiorno: Well the Left are meeting in Canberra today, and they're telling us that the factions are not all that happy, and they're going to try and fight this in the Caucus. What's your message to them today?

Prime Minister: Well I don't expect complete harmony on every issue of policy, but if you take the Left of the Australian Labor Party, and look at the Left of the British Labour Party or the political Left of Germany and these other countries — who would do anything like the White Paper in western world terms? I mean, who would take on a matter like Mabo — you know, such a huge issue as that?

I think that the Left feel very comfortable, by and large, about the direction of policy. And yes, there'll be a little bit of chattering about this sort of stuff, but you've got to see it in the bigger context.

Compere: We'll continue with the Prime Minister in just a moment.

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Our guest on *Meet the Press*, Paul Keating.

Geoff Barker: Prime Minister, two important issues at the Labor Party conference in September will be quotas for, specific quotas for women Labor MPs, and the Party's uranium policy. Will you support a motion for a specific number of women MPs within a specific time, or do you agree with those in the Labor Party who say that's sacrifices merit for gender equality?

Prime Minister: Well I think that's complex issue. The underlying thing is that there is not enough women in public life, and not enough on our side of public life, and we want to improve it. And we're only going to improve it by some affirmative programme, and it is that which the Party's now considering.

Michelle Grattan: So what about quotas, though? Are you willing to go down that path?

Prime Minister: Well this is an organisational matter that I can't simply embrace or dictate, but—

Michelle Grattan: But you can have a view.

Prime Minister: But I think that we will have to decide for an affirmative programme, to leave it other than to the vagaries of the selection systems in each state—

Compere: It would have to be fifty-fifty, wouldn't it?

Prime Minister: Well, that will not happen quickly. But it's a matter of I think the Party getting focused up to the task, and women are being, as candidates, coming forward and being in a position to take the selections for House of Representatives—

Geoff Barker: How about uranium policy, liberalisation of uranium policy? Do you think that's on, would you support further liberalisation?

Prime Minister: I haven't, Geoff to be frank with you, I haven't thought about this for years, and I didn't know, I mean other than the sort of protemps things that come on — you probably know more than I do about this. But it's coming up at our conference.

Michelle Grattan: But it usually does.

Prime Minister: It usually does, and it usually goes—

Michelle Grattan: Isn't it time to liberalise the policy again?

Prime Minister: Well I don't know. There's been an oversupply of uranium in the world. I don't know that — the big issue has always been whether you can develop the large mine in the flood plain of the East Alligator River of Kakadu.

Michelle Grattan: What's your feeling?

Prime Minister: Well I've always, frankly, had great reservations about it. That is, you know, how you handle a tailings problem from such a large deposit in a region like that.

Now once we decided upon Roxby Downs years ago, effectively we opened up uranium mining in Australia because of the huge bulk and the sheer size and scale of it. So whether it's one big one in South Australia or some little ones somewhere else really in a sense doesn't matter. So to that extent I don't think an x number of mines policy is something that should be holy grail.

But then it gets back to the Pan-Continental site — Jabiru is it? Or Jabiluka? I can't remember which one it is now — and I think that's just got big engineering and environmental problems.

Paul Bongiorno: There is one issue that you haven't given a lot of thought to, and that's the republican one. It's now May — we were expecting the response from the Cabinet to the Republican Paper earlier in the year. Has that been put on hold?

Prime Minister: Only to the extent that the White Paper has been such a time consuming, Ministerially intensive process. Remember this, Paul, we're doing something novel this year we've never done before — we're having a budget before the beginning of the financial year.

So Ministers, and they're often the same Ministers, have been involved in the ad-hoc process of the White Paper and the budget. So from the last week of January we have done nothing but those things. And we really haven't been in a position to be considering the Turnbull Paper, or take opportunities to proselytise on the issue.

Compere: Mister Keating, Robert Ray on this programme a few weeks ago spent some time talking about your successor. Was talk of your replacement a bit premature, do you think?

Prime Minister: Well I think it is. But again, I've always taken the view, I've said to people privately, I don't mind saying publicly, no-one will have to knock on my door to carry me away. And I think the life cycle of government should be more than the life cycle of the leader or Prime Minister or Premier as the case may be.

Compere: So what do you have in your mind, after say the next election that you think you'll win, of course. How long after that do you think you'll stay?

Prime Minister: I think that from this point of view, I think you should take three years at a time. I mean, I like to have the next Parliament, and set the Labor Party up. I mean, the one thing I think, the thing that gives me great pleasure out of this is the zest and energy in the Cabinet room. I mean, everyone's jockeying for speaking positions, every view is contested. I mean, papers are well prepared, it's got so much energy.

And that big change after the election in personnel has been a tremendous fillip to the Federal Parliamentary Labor Party, and I think it speaks volumes for turnover freshness. But it will take a while before they turn me over.

Compere: And on that point we'll leave it. Thank you very much for your time this morning.

Prime Minister: Good.

Compere: Our guest today has been the Prime Minister Paul Keating. Thanks to our panel Paul Bongiorno, Michelle Grattan and Geoff Barker. Til next week, goodbye from *Meet The Press*.

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