



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
INTERVIEW WITH FRAN KELLY, ABC RADIO "AM" PROGRAM,
WEDNESDAY, 11 MAY 1994**

E&OE PROOF COPY

FK: Prime Minister, no new taxes, that sounds like a slogan say, for a pre-election Budget, is this an omen?

PM: No, it's not an omen. This is a Budget which builds on the changes which we have made in this country and in budgetary terms over many years and it is a Budget basically set up for growth and jobs. We've got the economy growing at about 4.5 per cent; we've already grown at 4 per cent in the year to March; we'll accelerate to about 4.5 per cent; we are predicting 3 per cent employment growth, which is just under 250,000 jobs and all in the context of the deficit coming back and winding down to the 1 per cent or actually now, better than 1 per cent forecast as a deficit for 1996-1997.

FK: Well, you've delivered a deficit figure to the markets, what if they don't buy it, what will you do then?

PM: I think market reaction so far has been pretty good. The long bond rate dropped back a bit, I think, during the course of the day and tentative signs from market commentators have been not too bad. The fact is that the Budget is well predicated and premised. That is, the revenue is coming from growth which is built on growth in employment and a growth pick-up in average weekly earnings.

FK: The Treasurer said the Government will use monetary policy to keep the inflation figure in check. Will there be a rise in interest rates this year as part of your economic strategy?

PM: Certainly not because of the Budget and I don't think there is any cause at this point in time why interest rates should rise. One can never say interest rates will never rise, but that is the very point of having a monetary policy. But, with growth of this order and low

inflation in prospect - remember Fran we've just had the inflation rate for the quarter at 1.9 per cent; we've got it in the Budget at 2 and 1/4 per cent for the coming year, so we've very subdued inflation which is a very good sign for interest rates.

FK: You could have reduced the deficit further and faster, instead you chose to deliver a Budget with no tax increases and minimal spending cuts. Why such a benign Budget?

PM: Because I think it is not a matter of being benign. One doesn't go out of ones way to say, bang up taxes. I mean, we gave tax cuts late last year which is another election promise fulfilled. This Budget fulfils with the White Paper many of the election promises we made - to introduce those tax cuts which have now been paid; to introduce the Mabo legislation which has now been done; to bring up the unemployed and deal with that through the White Paper which we have now announced and in this Budget to produce the jobs we said would be produced and the growth as well as doing a lot of other important things. There is \$1.5 billion over ten years for the Aboriginal Land Fund for those who won't secure benefits from Mabo; there is \$500 million over five years for Aboriginal health and Aboriginal health programs; there is \$209 million over four years for breast cancer; \$135 million over six years for the preparation of our Olympic athletes for the Sydney 2000 Olympics; an increase in foreign aid, but we have done all that within the context of falling, over time now to 1996-97, falling outlays to GDP.

FK: You've also done all of it though, mostly, from the growth dividend. Why did you choose not to take the harder path, but in fact people have probably been expecting, given last years Budget, a few more spending cuts?

PM: The growth dividend so called, there should always be a dividend from faster rate of growth, faster employment growth, better company profits, more people in work and we made a judgement a week ago or a couple of months ago that the White Paper - and the efficiency effects, the broad economic efficiency effects of getting 350,000 long-term unemployed people back to work and case managing young people under 18 years of age and setting up better linkages between school and work - were both more efficient things to do, were things that should have been done in equity terms and we've done that. And, even in the doing of it we've still got the Budget deficit down at \$11.7 billion - 2.5 per cent of GDP, actually lower than we forecast for this year last year.

FK: The Opposition says you are fudging your figures, though. You are including asset sales to fund general recurrent spending. Is this a ... are you selling off the family silver as they say?

PM: Look, that is just absolute nonsense. Outlays growth this year is less than GDP growth. Outlays growth is 3.1 per cent. If you wash the

asset sales out of it, it is 2.9 per cent: 2.9 per cent as again from 3.1 per cent. Look, the Liberals in the House listening to the Treasurer deliver the Budget, I'm sure if somebody had stood up and said at the end of it, I move that the Liberal Party wind up, it would have got a majority of people. They looked so dispirited. Some wag yelled out 'let's get the smelling salts out'. They have got nothing to say about this Budget. It is strong on growth, it is strong in employment, it has got the deficit coming down, it's got outlays running at less than the rate of GDP, it's got no tax increases, it's forecasting strong business investment and yet it is consolidating the White Paper changes and doing all those other things I mentioned as well.

FK: It is counting in though, the selling off of Qantas. You have been trying to sell Qantas now for the past two years, what makes you so sure you are going to sell it this time?

PM: We can sell Qantas, it is just a matter of when we choose to go to the market. At a time of maximum opportunity for the Government.

FK: And that time is now?

PM: We think it is in the course of this coming financial year.

FK: You've given \$1.5 billion to the Aboriginal Land Fund over ten years in this Budget, but there is no mention of who is going to run it. How will it be run?

PM: There is a structure there we are considering, but we've also got to have further consultations with the Aboriginal community about that. But, for this year we have allocated \$200 million. It will be a revolving fund, a proportion of that will be spent on land, but a high proportion will be retained and it will be the earnings of the fund in the long run that actually pays for new acquisitions.

FK: But will the Prime Minister's department want to hang on to control of that spending?

PM: It will be set up under the auspices of the ATSIC Act, but the express structure, it will probably have a couple of functions. One will be financial management of the funds - that's the funds management side, because it will be the accrual of earnings on the fund which will matter for land acquisition and there will be a property management and property acquisition side.

FK: Will this Budget be held up in the Senate again or did you deliberately avoid tax increases to avoid the minor parties having the power to hold over you again.

PM: No, but the fact is we gave tax cuts as promised and what is the point then of coming this year simply to produce an even lower deficit, of

lifting tax? We made a judgement about that, it has got nought to do with the minor parties in the Senate and, I think, many of the things that we are doing on Aboriginal health and the Land Fund and national Asian languages program, homelessness, mental health, breast cancer, medical research, child immunisation, are all things which I think probably the Greens and the Democrats would approve of.

FK: So you don't expect them to hold it up?

PM: No, I don't.

FK: What about, you mentioned the tax cuts that you've delivered. There is a second round of tax cuts promised. There is no mention of them in this Budget, when will people get that second round of tax cuts?

PM: I said this at the Press Club about a year ago. I said that they would be considered for payment in the latter part of the 1990s, probably 1998. Now, the Government can make a judgement about that closer to the time.

FK: But, they will get them eventually?

PM: I said so and it will be a judgement which, I said it in terms that if fiscal conditions permit. That is, if the growth in the economy, the investment phase, the cycle we're in then permits their payment.

FK: But the guarantee of them eventually being paid is still there?

PM: It sits on the words I've said very clearly a year ago.

FK: Prime Minister, thank you.

PM: Good Fran.

ends