



# PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
INTERVIEW WITH RUSSELL POWELL, RADIO 2GB, 11 MAY 1994**

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RP: Prime Minister, Good Afternoon.

PM: How are you, Russell?

RP: I am well. Now, leaving aside the funding side for a moment, because a lot of people have talked about that throughout the day, the Budget is also being seen as an election primer. How do you react to that? Is it?

PM: Well, that is just a bit of nonsense. I mean, elections are too hard to win, without simply giving them away quickly or cheaply. So, we have got plenty of time to run.

RP: Now, the funding side and the growth forecast. Many are saying those forecasts are too optimistic?

PM: Look we are running at the moment at about 4 per cent growth. And as a consequence, here's the Liberal Party arguing between 4 - 4.5 per cent. Now, I remind you of this, Russell, we grew on average at 4.5 per cent through the 1980s. But the economy is now far more subtle, inflation is much lower, there is a productivity culture in the country, in the community, in the business community, we have not had in the past. And as a consequence there is every reason why Australia could grow at least as fast as it did in the recovery phase of the 1980s. Now, we had in the forecast last evening 4.5 per cent growth and as a consequence we are predicting half a per cent above what we had for the year. That is, we have had growth in the year to March of 4 per cent, and so we have got to haggle now over 4 or 4.5 per cent. Now, the Liberal Party was telling us, Dr Hewson was telling us in the last election that we were going to have a double dip

recession, that we are actually in for a depression. And now, they have got the front to be up there arguing about whether the growth rate is going to be 4 or 4.5 per cent.

RP: Well some of the asset sell offs, which are also part of the funding, the left has been critical of. In fact, I had Laurie Ferguson on the air last night, John Button once said he wasn't concerned about any asset sell-offs, except Qantas. Well, Qantas is among them.

PM: Yes, that is right Qantas is amongst them. But it doesn't change the character of the Budget. We have got outlays spending in the Budget running at below the rate of growth of the economy. Outlays are running at 3.1 per cent growth. If you take the asset sales out of that they are growing at 2.9 per cent. So, it is making no difference whatsoever to the general pattern of the Budget. And things like Qantas, frankly, will be much better in private sector hands because they can keep the capital up to them, run them effectively and efficiently, and of course, with a big share holder like British Airways, and linking Qantas into the British Airways world system will make Qantas a much better and stronger company than it is today. I think we have got to be interested in what we do with these things at institutions. It is like the Commonwealth Bank, the Commonwealth Bank is worth as much to the Commonwealth today, we have sold half of it, yet we have had billions paid to the Budget, and yet it is still worth as much as when we started.

RP: But you only get one go at those kind of things, of course.

PM: Yes, I know. But I mean, there are always some asset sales in the Budget. I mean the Commonwealth acquires assets all the time for various reasons over the years. It has got to be in a position to dispose of some at the same time.

RP: Ok, harking back to the White Paper, can I say, I think there will be many people out there cheering for the parenting allowance announced there. Many people who perhaps aren't even organised lobby groups, but who feel that they have been missing out on choice in that area. The choice to stay home and look after the kids, they now have that choice as a result of the White Paper. That was obviously your feeling as well, that the choice wasn't there?

PM: What we have done with the White Paper on the Social Security side has completely changed the way in which the Social Security system works. For all of the post war years we have presumed in the Social Security system that it is today like it was in 1945, that you have got a married couple and one person either at work or unemployed. Well, in fact, now both couples in a marriage or a partnership go to work, often go to work. So, the change we have in the White Paper is rather than jointly income testing and work testing a couple, we are giving a half

married rate unemployment benefit to each person, and then we income test and work test them both. But the spouse who is looking after children can elect to receive the parenting allowance rather than be work tested. So, if you take, let's say generally the mother, a woman under 40 who has got a couple of children, who is likely in her terms to choose not to be looking for work, then we will pay her the half married rate unemployment benefit and she won't lose it simply because her husband or spouse earns a bit of income. Whereas, before the White Paper we had this sudden death taper of 100 per cent. That is, if you picked up a dollar of income you would lose a dollar off the unemployment benefit. We have now got a 50 per cent taper and a 70 per cent taper cutting in at different points. So, it means that unemployed people can actually go and get part time work and add to their unemployment benefit, and in the doing of it, let's say the husband of a couple, wouldn't diminish the wife's benefit until he earns \$230.00 over the unemployment benefit. So, what it means is, Russell, what it means is that people can now, if they have the incentive to take on work, particularly part time work, they will end up with more income, and the spouse caring for the children has a real choice about whether she wants to line up for UB, unemployment benefit, and the work test or stay at home and receive the parenting allowance, which is about \$132.65 a week.

RP: And it is an important recognition of what she is doing as well.

PM: It is. And there is also the home child care allowance we introduced in the Budget of last year following the commitment I made in the election.

PR: Well it is clear looking at your own family life that there are areas there that you feel pretty strongly about. I remember the crack down on violence on TV, part of that was motivated by what you had seen your own kids watching. And I understand that your wife Annita had a part to play in the breast cancer allocation as well. Some people may criticise that, but I think it is a recognition that you are drawing from real life the issues that are affecting Australians?

PM: Well, I think she has made the point to me on a number of occasions about the problems of understanding breast cancer. The problems of detection and how it should best be treated. So, we have increased funding in this area, quite dramatically, to increase primary research into the disease, but also to extend the screening program so that there is earlier detection. And some of that research in various branches of research into generic cancer, in a generic sense and breast cancer in particular, will, I think, probably let us understand it better and treat it more effectively once it is discovered.

RP: Of course there is the statement today too, that men have significant problems, prostate cancer is another area that may well be worth targeting? That is a huge problem.

PM: Well, it is. I think, that a lot of the research for these sorts of cancers is generic. They go to the mutations of cells and this is of a generic variety rather than an organic variety. But, this will be allocated, of course, sensibly by those who know where the research programs are and what merit they have and who should receive the funds.

RP: Well, you have the Budget out of the way, you have Mabo now out of the way, is it time to concentrate back on the republican issue? Is that an issue that you're going to be raising again now?

PM: Well, it is an issue that I campaigned along on in the 1993 election and I have raised it from time to time and I'll continue to raise it. I think, that Australia has got a tremendously good future in the 1990s as a competitive economy with a productivity culture we've never really had before; a very high premium on education and training and product innovation; big links now we've made into Asia, we are exporting 75 per cent of our exports into Asia, we've taken exports from 14 per cent of GDP of all we produce, to now 21 per cent. So, there is a big change in the character of the Australian economy and its society and there are great opportunities for us in Asia, as well as home, and I've always believed that these will always be enhanced by the country being more confident about itself. Reflecting in its identity and understanding what that identity is. Hence, the natural extension of that is, that we manage our own affairs.

RP: Sure, that's been moderated though in recent times. I think the debate has gone a little quiet. Does it need to accelerate or are you happy with the pace of that debate proceeding?

PM: Let's say this, Russell, it is on simmer. It is simmering away out there. It is a real life issue with people now and they think about it and they talk about it and they talk about it in schools and it is an after dinner matter for discussion. You know, you'll get it in the after dinner debate, I mean, this was not true a few years ago. So, the work which the Republican Advisory Committee did under Malcolm Turnbull's chairmanship was a very good piece of paper, a very interesting document; the first of its kind looking at the modalities or models of a shift to a republic and how it might be done. And, I think, it provided the debate with a very good basis and we'll be continuing to participate in that debate from time to time.

But, we have been focussing on the White Paper and on the Budget and, as you've mentioned, Mabo. One of the things I would like to communicate to people is that the Government has kept its election commitments in respect of the things it said it would do - Mabo, the first

round of tax cuts have been paid, we've got now our commitment to the long term unemployed, we've picked it up with the White Paper, which is a novel thing just not in Australian terms, but in international terms. We are doing something here that I don't think is being done in any comparable countries. That is intensively case managing on a one-to-one personal basis over half a million people - 500,000 we estimate will be intensively case managed in the coming year - to understand their personalities, their aptitudes, their educational standards, their work experience and place them back into society. In doing that, not only will we do something which is good and efficient for the economy, that is, in complementing skills formation and the economy, but we are doing something which is also giving Australia some more social cohesion and equity. I am very proud of that and we've now got a big job of work to do to make sure that works.

Of course, the Budget consolidates all that and in the Budget we have got some other important changes. The Land Fund for Aboriginal people, \$500 million there on health; \$135 million for the preparation of our Olympic team; \$209 million on breast cancer; an immunisation program for children and all in the context of declining Budget deficit coming well within the target of 1 per cent of GDP by 1996-97 as promised.

RP: OK, but you are confident you can get the growth to fund that and the business investment?

PM: Well, the four quarters in the year to March came out at 4 per cent so, we are nudging that up half a point when profits have never been higher, when the exchange rate is competitive, when inflation is low and interest rates are low, a 33 per cent corporate tax rate legislated after the election in last years Budget, links into Asia we haven't had, tremendous growth in exports. If we can't screw a half a percentage point out of it, then at this stage of the cycle Russell, I think, we are all whistling dixie.

RP: OK, just finally, can I take you to a matter you touched on a little moment ago. The election promise has been kept for the first round of the tax cuts, the second round of the tax cuts have been deferred, are they gone forever?

PM: Well, what I said a year or so ago, I said, we were deferring the second round for payment probably in 1998, but depending on how our fiscal conditions are at the time. What we need to keep an eye on is, first of all we are carrying the full costs this year of the November 1 tax cuts. You see, you pay the tax cuts last November, but that's not the end of it, those tax cuts keep being paid every week and they're now, for the full year, consolidated in this Budget. So, we will be looking at how the economy picks up, how capital formation is, looking at investment and the demands on national savings to see what is the

appropriate timing for another round of tax cuts. Now, we'll do that a little later than now when it becomes a little more clear what those various influences are.

RP: Have you got a probability rating on that?

PM: Well, can I just say this, all the tax cuts that the Government said it would deliver from 1983 onwards, it delivered. And, I think the best thing to do is look at our record. The other thing, I think, which is important to understand is in this period, say, 1995 right out to 1997-98 where we are forecasting now over a four year period, we are doing it without a rise in general revenue. In 1994-95 the estimate, that's for all revenue, to GDP is 23.7 per cent. We expect it to be 23.8 per cent only - a decimal point difference in 1997-98. Now, in all recoveries like this we've seen the tax to GDP ratio rise by over two percentage points. In the 1970s it went up from 22.5 per cent to 24.5 per cent. In the 1960s it went up from around 21 per cent to around 22.5 per cent. In this recovery it will be pretty flat which means we are not relying on a huge revenue poultice to bring the Budget deficit down.

RP: Yes, so on that basis you are confident they will be there in 1998?

PM: What I'm saying is, that the Government's intention is that the incidence of tax over time shouldn't rise unnecessarily even with modest inflation. That is, with the impact of modest inflation on the tax scales and at a time appropriate to Australia's fiscal needs and general savings, we'll introduce a second round.

RP: OK, Prime Minister, we'll leave it there. I know you have other things to do. I thank you for giving us this time and I hope we'll talk with you again soon.

PM: A pleasure. Thank you very much, Russell.

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