



**PRIME MINISTER**

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP  
INTERVIEW WITH JOHN LAWS, RADIO 2UE, THURSDAY 28 JULY 1994**

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JL: Good morning, Prime Minister

PM: How are you John?

JL: You were firing away there last night. We only played 1 minute, 10 seconds of it, but I think it went about 45 minutes, or something didn't it?

PM: Oh yes, we had a few funny bits in there.

JL: Obviously, you were in a good frame of mind.

PM: Well, I think that you know, we've got to get away...part of the message I was giving was we've got to get away from these sort of shadow debates and back to real things. I mean, the job of people in public life is to deliver outcomes, and what I was saying yesterday was that in seeing the confirmation of decelerating trend inflation in the face of 5% economic growth, which is the fastest in the western world, Australia has not only achieved growth again of a very high order, but it's broken the back of a 20 year scourge of inflation, and yesterday morning the debate was about whether Mr Downer would sort of pull off his Citizen Initiated Referendums.

JL: Yeah, well you see, this is the part that confuses the people. When we have good news, such as the news we had yesterday, and not even Terry McCrann could say it was bad news - why don't we get a run on that? Why don't we enthuse about the success of our very own country instead of doom-boosting all the time?

PM: Well, I mean, listen we sort of, it's as if, you know, there's a sort of moratorium on any kind of rejoicing about the fact that the Australian

people together have busted inflation and secured their future. I mean, let me just make this point John, under the Liberals, inflation never got - oh it got once - below 10% at 9.8%. We've got inflation now in trend terms at about 2%, slightly under 2%. That's an 8 percentage point differential on whatever interest rate structure the country will have. That means that all Australians have got that 8 percentage points of advantage in inflation and in interest rates than they would have had had the sort of policies of not pulling together, not having accord with the trade unions, not trying to systemically bust inflation. And that makes all the world of difference, and that's the point I'm trying to get across to Mr Downer - this is not about what I call political ping-pong: one smart answer to meet another sort of slick reply, and another one batted back, another quick answer - it's not about answers and slick replies, it's about substantial outcomes.

JL: Yeah. The comments now being thrown over, about the Citizen Initiated Referenda - your thoughts on that, I imagine, would be with most of Australia that if you elect a government surely it's there to govern, and doesn't have to ask the people how to do it once it's there?

PM: Well, it's like when they have these Referenda, Citizens Initiated referenda in California..

JL: I was talking about those, dreadful.

PM: Yeah. Cutting the, so called cutting the tax rate and what have you. Then they found there was a paucity of police people on the beat, there was a decline in public services and, of course, there's got to be some government. See in this country, John, we have elections every three years. In fact, we generally have them slightly less than three years. So, the public get a chance to adjudicate on the government within a very short space of time. So, you know, there's not much I agree with Mr Fischer about, but I agreed with his comments yesterday, that Citizens Initiated Referenda is law-making cancer, and, but again it just shows that Alexander Downer's leadership is not leadership at all. I mean, he lets Reith run this thing out, he tells everybody in the press yes, he's supporting it. The moment it gets into trouble, he falls away from it, the same as he did on the monarchy and the republic. We didn't get low inflation falling away from fights. We got low inflation and high growth through determined policy efforts - standing the heat when the heat is on.

JL: Yep. Just back to inflation during the Liberal years. During that entire 7-year period it only came under 10% on one occasion?

PM: From my recollection, it got to 9.8% in the early '80s.

JL: And when Labor took government, unemployment was about 10% too, wasn't it?

- PM: It was, unemployment was, inflation and unemployment were the better part of 10.5 or 11%.
- JL: Yeah. Well, why is it that we don't - in our own country - enthuse about our ability to succeed? I was interested to hear you say then that the people of Australia had collectively been able to do what's been done, and they have done it. Why don't they rejoice in the fact that they have?
- PM: Well, they're entitled to the recovery, which has come, and to the wage restraint which has put the low inflation and the higher profits into place which engendered that recovery. Now, the government can direct the policies - and it has - but it's had the co-operation of the whole organised workforce through the Accord, it's had the cooperation of the workforce in wage restraints, and it's now, we're now, producing the highest rate of growth in the whole of the OECD western world area, and we're doing it when inflation is actually slowing down, not going up. Normally when growth goes up, inflation goes up. We've got growth going up and inflation coming down, so my point is, let's give the nation a tick when we get it right, and also, see John, can I just make this point - you just made a very interesting point about unemployment. In the early 80s we had unemployment at around 10%, and we've got unemployment today at around 10% too. The difference is though, we kept the nearly 2 million jobs created in between times. In the early 80's we had a workforce of 6 million, today we've got a workforce of nearly 8 million. So, there's always this confusion in the public minds between rates, like the unemployment rate, and levels - the level of employment. The level of employment in the early 80s was 6 million, the level of employment now is approaching 8 million. So, we got 10%, nearly 10%, unemployment of 8 million is a damn lot better than nearly 10%, over 10%, unemployment of 6 million.
- JL: Yeah, and particularly when you couple that with the inflation rate?
- PM: When you couple, see, we've had from 1983 until now we've had, I think, about 26-27% employment growth. That's about twice as much as most western world countries. And we've got it now with fast growth again. Looking at the 90s, you've got already a strong take off for growth. We are yet to see the real strength of the investment phase come through - so we've got more to come - we've got inflation under control, and we've got linkages into Asia and product growth and export growth we've never had in any other decade. So the position of the Australian economy, and the outlook for Australia in the 90s is better than it's been, I think, certainly in any decade since the war - and I think before that.
- JL: Do you concede that there is still plenty of people in our society who are not yet feeling the benefits of the recovery?

PM: Oh, absolutely. And I think that's why we've got to nurture it and bring it along. And it means keeping an eye on all the elements of our competitiveness. But that's one of the reasons why the Government's been about extending enterprise bargaining through the workforce so we're getting now productivity related wage increases which is protecting the inflation rate. See, in the old days we had what was called "wage push inflation". Someone would claim a wage increase, it'd go straight into prices and straight into inflation.

JL: Absolutely..

PM: What's happening now is, the wage increases are covered by productivity. That's why the inflation rate yesterday is moving down, not up.

JL: Yeah, but you'd have Alexander Downer saying to that, and I suppose other critics saying to that, well, if you've kept wages down for all this time, is that really something to be proud of? In a country like Australia, shouldn't the standard of living be increasing all the time, not remaining static?

PM: Household income has risen in every year the Government has been in office simply because there's been more people in households, in work. So, we've spread the wage restraint to 26% employment growth, and it's that stronger employment growth which has lifted family incomes. But, as well as that, we've had in the last few years, strong increases in real incomes because the inflation rate ... see for any, look shall we say, nominal level of wages..if you've got lower inflation, your real wage is higher...

JL: That's right, because the dollar is more valuable.

PM: Yes, because the dollar is more valuable. So people have actually had a, with the real wage increases with low inflation and the tax cuts, they've had a big kick along - and lower interest rates for housing - real disposable income of Australians has risen quite strongly in the last couple of years because of the lower devotion of family income to interest for housing, because of the tax cuts, and the low inflation making real wages higher. So, in other words, the aim of the game is to give to people a higher standard of living, and that's what we've been doing as well as creating 3.5% employment growth over the last year. The only country in the world which shares our employment growth rate at the moment - or is near us - is Canada. We're way ahead of the pack...

JL: What do you...

PM: ..of OECD countries.

- JL: What do you say the people who will ring this radio program after I've finished talking to you and say well, it's alright for him, it's still lousy for us. I'm still unemployed, things are crook - and there are people who are now entrenched in that sort of thinking. What do you say to the people who haven't yet felt the good of the recovery?
- PM: Well that's where the White Paper comes in, John. That's where we've got this revolution where we'll spend in the next 4 years, \$1.4b on labour market programs, and in next year, they will reach 650,000 of the unemployed. That's the great bulk of the unemployed. 650,000 will be picked up and half of them will be individually case-managed. And that was the great breakthrough of the White Paper of Working Nation which I announced a couple of months ago saying we would not leave the unemployed behind. But you see, for the Liberals, John, this is all just so much, they think, "well, that's the Labor Party, they're out there with their sort of so-called compassionate policies worrying about the unemployed". They're basically saying "the recovery is on, let's hope the joy goes to the top-end". They don't care about an underclass, that's why the Government said Australia will not go the way of the US or Britain - we will have a White Paper, we won't let the unemployed slip between the cracks. But, you see, the point Mr Downer has got to get through his head is this - smart, radio cracks, repartee at the door-stop, is no substitute for policy. He doesn't have policies. He doesn't stand for anything. And that's the problem. There's no Liberal leader since 1983 who has stood for anything. And we don't have one now.
- JL: I talked yesterday to Bob Collins about the drought, and it was good to talk to him, too. He seemed to be...
- PM: Well, I mean he understands. He's an agricultural scientist, he's been around - all his life - agriculture.
- JL: He also went broke in the drought, didn't he?
- PM: Yeah. And he worked for the CSIRO in agricultural science in the Northern Territory.
- JL: He concedes that more needs to be done, he concedes that the drought as it stands now is a disaster. Are you prepared to allow him to introduce the legislation which is there under the Natural Disasters legislation for the drought-stricken farmers, particularly in Queensland?
- PM: Well, he's bringing a submission to Cabinet which I've encouraged him to do, and Wayne Goss and I had a conversation about this during the week..
- JL: Yeah...

PM: See, what we've got is a very,...we've got this unusual circumstance John. We used to have a thing called the NDRA (the Natural Disaster Relief Agency). You would have normal seasons and then for a year or so, you would have an extraordinary condition like a drought or something else...

JL: Yeah, but they usually accommodated that themselves, the farmers, didn't they?

PM: Well, the NDRA helped - it put money into particular localities. The problem with this drought is that it's been on and off for around now, about 8 years. It's a medium-term problem. It's not just an annual, or an 18 month or 2 season, problem. Now certainly it's way out of the ordinary with the climatic conditions of the century, over the century, because we've now seen not just marginal farmland, but really good farmland in trouble. So, what it needs is a medium-term solution, and that's why we think that the structural adjustment type policies under the Rural Adjustment Scheme, a modification of those, recognising the severity of this and the medium-term nature of it, is the way to respond. And that's what I think Bob Collins will do.

JL: And will you permit that to happen?

PM: Oh, I think, I said in Queensland last week - that's what I think should happen. I mean, I just think it's a, you know, it's very poor for people in these communities to have someone in public life, like myself, or somebody say "oh well, look, you've got a problem - we'll slip some one year money into the NDRA arrangement".

JL: Oh yes, I agree with that, but you....

PM: Do you understand? Where in fact the problem is a medium-term problem and requires a much more systemic kind of approach.

JL: yeah. You seem to get them off-side a bit with some comment, I don't know exactly what it was....

PM: Well look, some of the grain-growing council people..

JL: Yep.

PM: ...they want you to say this is the biggest disaster ever, and we'll throw inordinate amounts of money at it in an unstructured way. Now, no government could do that, or should do that. When you say to them, "look, I understand the nature of this problem - it's a medium-term problem, and it needs a systemic approach" - they try and then argue, it becomes a word game about what they think the medium-term is, and what they think is an intermittent disaster..

JL: Yeah...

- PM: ..so instead of these people running grain councils, actually getting off their tail and having a real valuable conversation with the Government, they want to have little pot-shots on radio programs. I mean, they're just not representing their own people well.
- JL: So, you believe that they do need help, and you will encourage the Government to give them help?
- PM: Well, I told...
- JL: 'Cause you only lend them the money, don't you?
- PM: I told the public that yes, it's all about whether it's serviced, what the rate of interest is. A lot of it's at nil rate. Some of it's at nil rate.
- JL: Well, so it should be.
- PM: And therefore it's got no servicing cost. So what we've, what I've said to the public of Queensland last week is that I think this is a serious situation, I said the same to Wayne Goss. And Bob Collins had already said that before I had, so Bob and I have agreed that he should bring the matter to Cabinet.
- JL: Okay, just one final thing. What's happening with the Cahill Expressway, and have you heard from the Premier of NSW?
- PM: Well, I notice there's a press report today that he's written to me. I haven't seen the letter yet, but I will, no doubt. And I'm happy to sit down with NSW and talk about it. But, you see, we've got to talk about the expressway and not a wish list. See, in the so-called \$400m of costs of the expressway. I mean, look John, you don't have to be civil engineer to know, it doesn't cost \$400m to cut down a steel structure.
- JL: Well I wouldn't know that.
- PM: Well, of course it doesn't, you know. I mean, the demolition job is a very low-cost thing - it's a matter of where you put the railway and a couple of other things...
- JL: Yeah, because they would have to implement replacement measures to get that traffic across the city of Sydney?
- PM: But the thing is the traffic is largely taken up by the tunnel, by the tunnel. What comes across the expressway is the lower north side traffic from Kirribilli and places like that. And what John Fahey has said in the \$400m, is they want to put a tunnel from the Town Hall to the Museum in Drutt Street, under Park Street, coming out at William Street. Well, OK, that's a project that the city should consider, but it's not part of the expressway cost.

JL: Well, I suppose they would say it was because they can no longer get traffic from the west to the east of the city.

PM: Yeah, but of that traffic, only about 5% of the traffic that would use that tunnel comes from the expressway. In other words, look, what they're trying to say to me is, "look, seeing you are in a conversation with us, let's really load it up to see if we can screw from you a new expressway to take the east traffic to the west, which is a state responsibility, and we'll park it onto you - the Commonwealth". All on the basis that 5% of the traffic that might use it formerly used the expressway. Now, if you take that tunnel out, the cost comes down from \$400m to \$150m, even with a gold-plated underground railway station! So, if you think of another solution for the railway, you're talking about under \$100m here.

JL: Okay, but you're still at least prepared to discuss it with them?

PM: Oh, I am, I am. But the thing about John Fahey, he's got to realise there's a difference between a pro forma conversation and a real conversation. And a real conversation says, "look, alright, we've got a claim on you there about this expressway from the Town Hall to William Street, lets put that to one side for the moment, and discuss the expressway, see if we can come to an arrangement on that, and then we can discuss these other matters later".

JL: Yeah. Well, lets encourage that and hope that it comes to fruition.

PM: It should happen, John, it's the most important precinct in the city of Sydney - you've got the Olympic Games coming up, there's going to be - after Atlanta - enormous concentration on Sydney. When the Atlanta Games are finished, the concentration on Sydney is going to be immense, and we should use the opportunity to at least take this area which is, you know, we're now looking at the question of World Heritage listing for the Opera House..

JL: Yes.

PM: ..and the Sydney Cove and treat it with the respect I think it deserves.

JL: Well, let's hope it's financially viable. Okay, Prime Minister, thank you for your time. It was good to talk to you.

PM: Right John, thank you.

ends.