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PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP INTERVIEW WITH PAUL LYNEHAM, 7:30 REPORT, 19 AUGUST 1994

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PL: Let's set the scene by going back to the start of this day. When you arrived at the new Parliament House here in Darwin, what was at stake did you think then?

PM: Well, I think, what was at stake was the whole notion of co-operation in a real sense in the Federation. That's what was at stake. Because, I think, there was a chance here today, and I think we've seized it, to see that all Australians come out winners, but the notion that we might fall and that these large areas of the States enterprises, in electricity, in gas, in water, in rail were not to be opened to competition means that it would ultimately stultify the long run recovery and we just needed to get a win.

PL: So, if these State monopolies, like electricity for example, open themselves to competition, what does that do for Australia as a whole and how do I know about it in the end, how do I feel?

PM: Well, I think, it is very much like the Commonwealth's reforms in telecommunications. You can see the competition now between Telecom and Optus. People can see a quite dramatic reduction in telephone call charges. That will be as obvious in electricity, in water, in gas and businesses, competitive businesses get the opportunity of cheaper supplies and therefore they are more competitive. They get an edge over someone else somewhere else in the world.

PL: So, I get smaller bills perhaps as a consumer, a business gets smaller bills can compete with other companies overseas better.

PM: And, we maximise our advantages. For instance, there is a coal seam all down the east coast of Australia. That is a national asset. That is a national comparative advantage. We've got gas throughout the Commonwealth, this is another natural comparative advantage. We want to employ, I mean, Australians - all of us - we need everything on

the line to keep ourselves competitive and we need to employ all these advantages and we simply couldn't while ever they were locked up in monopolies. So, this is a win for the whole Australian nation, not just for the Commonwealth and the States and the State governments and the Premiers et cetera. but most importantly, for all Australians.

PL: But, the battle here in Darwin today between you, the Premiers and the Chief Ministers has been based on the fact that they say they are out of pocket by all this because they lose the monopoly dividends that they have become so comfortable with.

PM: Yes, well, they are in a sense, some of them are on the drip of profits that come out of these electricity and water and gas authorities and they wonder how their budgets will run without them. But, just as the Commonwealth Government, this Labor Government, has cut tariffs in the 1980s and 1990s and had a massive loss in customs duty, we've picked it up in a more active economy, a more efficient economy. And, the fact is, if we do pro-competitive things, the natural economic system works for you and States will end up, I don't think, with a very great loss of revenue at all.

PL: But, they said their opening gambit was that you would be \$5 billion better off at the Commonwealth level.

PM: Well, I think, we very quickly dispensed with that and as you know, there was a lot of intransigence at this meeting until lunch time, but I think, the important thing is that it is all credit here to the Premiers and the Chief Ministers who took the longer view, the larger view, the bigger view, the national view. I think, all of us coming together means that we have secured a benefit for the whole country and for all Australians and that is the key point.

PL: Now, you have agreed in this meeting which you at one stage today described as 'insufferably polite', you have agreed that you will try to work out what the gains to the Commonwealth are as a result of this new competitive spirit and give the States some share of it.

PM: That's right. We are saying there is obviously going to be some benefit to the Commonwealth. It won't be as much as the States think it will or have said it would, but we have agreed to assess it and we have agreed to share it with them in the event that they sign up to extending the Trade Practices Act to States authorities and to other pro-competitive changes as encompassed in the Hilmer Report.

PL: And, meanwhile, you'll bring in legislation into the Parliament which you will show to everybody and not enact until there is a lot of community discussion.

- PM: That's right. We will then table draft legislation and circulate draft legislation to the States, to business, to consumer groups ...
- PL: This year?
- PM: ... this year probably and over Christmas and into next year for the February meeting of the Council of Australian Governments. So, by the time we get there we ought to be able to agree more about the parameters of funds and how we should split them, we've had a chance to work over the legislation to see a pro-competitive regime come in on July 1 in that year - that's next year.
- PL: Now, not all States have agreed to all things have they?
- PM: No, no. Some have agreed to the core things, others not.
- PL: What happens if a State tries to stand out of all this?
- PM: Well, can I just say this Paul, the Commonwealth had a chance to, because of its constitutional power, could for a very large part of this go it alone.
- PL: What legislate forcefully?
- PM: Legislate, use its constitutional power under the corporations power to legislate, but I think, it is important that this is done co-operatively and I wanted it done co-operatively. I mean, one of the Premiers said to me today, I don't know how you sit there with so much patience. Well, I'll set there until midnight if I have to to get a result and if we inch the debate along the road, inch by inch, if you pick up converts and you know, people who support you along the way ...
- PL: The Keating cart rumbles on?
- PM: Well, it's a change isn't it? I mean one of my jobs, Premiers jobs, is to introduce changes and get them successfully executed.
- PL: And, this talk of perhaps a national dividend in total of around the \$20 billion a year mark by the end of this decade, is that a fairy tale?
- PM: I think that is, but that is from all micro-economic reform, not just that which we are thinking about today, that is from the changes to telecommunications, to ports and wharves, to airlines et cetera. But, even then, I think, it is a little over stated. But, the fact is, there will be ... I mean, this is the last nut to crack. In the competitive breezes in this country which started in the 1980s when we removed the exchange controls, when we started knocking the tariff wall down, we've really now got some really ... we've got low inflation, we are a very competitive country now. One of the last bastions of resistance to

competition were the States authorities and so we want this recovery in the 1990s to keep on going and when we get to those supply bottle necks like we did in the 1980s, we don't want to see it spill into imports and that is why we've just got to get a better supply, a better response from the supply side of the economy. That is, from industry, from the States industries. That is what this is about.

PL: And, what's in place today now, this agreement to go ahead and the draft legislation coming in, that's not going to come unglued?

PM: Well, I don't think so. I mean, we had a crack at it in February in Hobart. We got the States to agree in principle. In May we put some money on the table at the Premiers Conference to give them a much better financial formula. We've come back now and got the agreement of most of them to the core principles. I don't think some of the others can stand out. You know, once I think this legislation is drafted, there is popular community acceptance for it and we meet our commitment on sharing the income with the States, I think, we'll end up with a uniform result.

PL: Prime Minister, thanks for your time.

PM: Thank you very much.

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