



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP
INTERVIEW WITH JOHN LAWS, RADIO 2UE, 3 NOVEMBER 1994**

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JL: Prime Minister, good morning and welcome.

PM: Good morning, John.

JL: How are you?

PM: I'm good thank you. It's nice to be here.

JL: Good to have you here. When you talked about the banana republic on this program back in 1986, you remember it as well as I do.

PM: Yes.

JL: You were worried about the size of the current account deficit. Are you worried about it now?

PM: Well, it is always something to keep our eye on, but the difference between then and now is that Australia is a much changed, much reformed economy. The tariff barriers are down, we have broken the back of government spending in the past and in that period we were exporting about 14 per cent of all we produced and today we are exporting 22 per cent of all we produce.

JL: OK, but just back to the question. Is it a worry, are you worried about it now as you were in 1986?

PM: No, I'm not because our capacity to service our current account debt has improved dramatically. Let me make this point to you clearly, John. In about 1985, about 21 per cent of our exports proceeds went to servicing the debt. Today, that is just about 10.5 per cent, it's about half that. And, the reason for that is because we have now been

exporting very strongly all through this period and that is the point I just made a second ago. We are now exporting 22 per cent of our produce instead of 14 per cent so our capacity to pay our way has improved. That is not to say I am not concerned about the current account deficit and we don't keep our eye on it, but it is basically a savings issue and what we have to do in the medium term is to improve Australian savings and the big boost to that will come from two places. That is, the budget returning to surplus in the 1990s and occupational superannuation which now has in Australia's super funds, under the government scheme owned by Australian employees of \$180 billion - \$180,000 million.

JL: Graham Richardson writes in his book about that banana republic comment. It is very interesting and I'm interested to hear your reaction to the way he puts it and I quote him "... by May Keating was really worried about our growing balance of payments deficit. It was no use trying to explain it away again as we had done by declaring that Qantas had brought another plane. Keating needed to issue a shock warning to Australia and to overseas investors. On the John Laws show he told the radio audience that Australia was importing about \$12 billion more than we were exporting every year and that if the government couldn't get manufacturing going again and keep sensible wage and economic policies we were basically done for and would end up being a third rate economy." Then the current account deficit for the year went to \$14.8 billion. But, now it could go to \$22 billion, so shouldn't you be even more concerned than you were in 1986?

PM: Well, we are forecasting it at about \$18 billion, but the thing is that was \$14 billion then in the size of the economy as it was then. It is now very much greater. I mean, Australian GDP, this is the total economy, is now about \$400 billion. Then it would have been something in the order of \$300 billion. So, as a proportion of GDP, and we were then in the late 1980s John, we were looking at the current account deficit heading up to 6 per cent of GDP. Now, we are looking at rates of half that. So, that is the key point. Can I just make this other point, when I spoke to you at that stage, we had the worst terms of trade, the worst commodity prices since the Depression and that is what lead me to make that remark. Our national income had fallen so sharply from wheat, wool, iron ore, coking coal and all these other things, that now commodity prices are much stronger and, of course, we have had this enormous transformation in our industrial base. We are now exporting elaborately transformed manufactures. In fact, the fastest growing component of our exports is elaborately transformed goods.

JL: The thing that I don't understand, pardon me if I don't, but I doubt that our listeners understand either, as a percentage of GDP, doesn't it mean that it could still go to 6.1 per cent of national output?

PM: No, I don't believe that because I just think that we are not going to have the sort of crazy credit growth we had in the 1980s. When we came to the end of the 1980s boom we had credit growth of nearly 20 per cent a year and that sort of spending by the banks just lit the whole economy up like a Christmas tree and, of course, we started sucking the imports all over the place. We are now growing at a pace we can manage and, of course, the banks after being stung so badly in the 1980s are now so abstemious in rationing credit growth, that sort of problem is not going to arise.

JL: OK, I looked at the figures because people are now going back to the 1986 comments because of its revival in Graham Richardson's book. Back in 1986 inflation was higher, I think about 8 per cent.

PM: Yes, it is now 2 per cent.

JL: That's right. Now, does the lower inflation figure make any difference to the way in which the current account deficit should be looked at?

PM: It makes a tremendous difference because for a start world interest rates are lower so, basically if you take our current account and take it to pieces there are two elements of it. One is called the trade surplus or deficit and the other is called the payment surplus or deficit. One is called the merchandise trade deficit and the other is called the net income deficit. Let me just explain those. One is basically whether you are importing or exporting more goods and services - that is goods and services - well, that is basically about balanced. At various periods now we have a merchandise trade surplus. That was never the case. I mean, where our debt came from, it came from the fact that in the 1970s, we dropped our guard on our manufacturing base and were so massively uncompetitive. So, we were running huge merchandise trade deficits so the debt came from an incapacity to trade goods. Where the debt comes today, where the current account deficit comes today is from the net income deficit, from the interest payments. Now, that low inflation rate that you just referred to and the low inflation rates and lower interest payments around the world means that in the 1990s the interest payments on our debt are much lower than the 1980s so therefore the likelihood of the current account deficit blowing out because of high debt payments and high interest rates on that debt is, of course, nothing to be compared with the 1980s.

JL: OK, now we hear the doom boosters and there are plenty of them, saying that we have to level out the amount of exports compared to the amount of imports, that they have to be about even. You say they are, but the cry that we are hearing from quarters is that is not the case, that we are importing a good deal more than we are exporting. But, even if that was absolutely balanced, that doesn't solve the problem does it?

PM: No, it doesn't solve the problem. In the end what we have had to do is we have to export even more and that is why next month I am going to the APEC meeting in Indonesia which is about lowering tariff protection and trade barriers around the Asia-Pacific. Australia has already made this great transformation, John. We have got tariffs coming down to about 5 per cent by 1997. The whole culture of the Australian manufacturing has changed to a competitive one. Manufacturing production has doubled since the 1980s, early 1980s. Manufacturing exports have trebled, we now export as much manufactures as we do primary products.

JL: Well, I imagine even more this year with the drought.

PM: Even more this year, and this is, of course, the first in our history and it is that higher added value, these elaborately transformed products which is basically coming from our education system and our research and development and by more entrepreneurial management and a willingness to actually ship product into the Asia-Pacific and the rest of the world which was never true when the tariff wall was there. It is that change which will give us the capacity to meet our trading imperatives, but the basic fundamentals underlying the current account deficit mean that we have got to lift our savings during the 1990s and the two things that I say that will do that is basically a shift of the budget back into surplus and a very large change in savings coming from the government's policies of award or occupational superannuation.

JL: OK, what about government spending, that should be cut surely?

PM: Well, not so much spending. I mean, the deficit is being reduced and let me just make a point, John. At the moment we have 9.5 per cent unemployment. The last time we had 9.5 per cent unemployment was in about 1984-85. Then the budget deficit was 4 per cent of our total national production. At the moment it is 2.5 per cent. So, if you are comparing apples with apples we are miles in front of where we were in the 1980s because if the budget was in surplus today we would be running the economy back into a recession. That's the point, we have got the economy ... I noticed yesterday by the way, on 2UE Alan Jones was saying he was talking to Mr Costello saying "the dramatically bad circumstances we seem to be in at the moment". I mean, it is just outrageous this sort of talk. Let me just explain this to you, we have got 4.5 per cent growth. We are growing as fast or faster than any other western economy. We have got 2 per cent inflation which came out last week. Now, the last time we had growth like that - 4.5 per cent growth and 2 per cent inflation - would have been 30 years ago. As well as that we have had 4 per cent employment growth when western Europe has had around 1 per cent employment growth. As the Treasurer said recently the last time we had a conjunction of circumstances like this was 30 years ago. And yet, you have got

people talking about dramatically bad circumstances. Look, the average person is not to know all these numbers and to make all these comparisons and it is irresponsible in the extreme to be addressing a broad audience saying we have got dramatically bad circumstances or it is a "sickening confidence trick" and all this sort of stuff. The fact is two and a half years ago the economy was still in recession. This government has managed to get it back to growth, but not just back to growth, back to massive levels of employment growth. I mean, the big issue in the last election was unemployment. Unemployment has come down from 11 per cent to 9.5 per cent and we have had a massive increase in people looking for work and we have had 4 per cent employment growth. The other thing is, in the mean time, John, we have absolutely exported our heads off. So, Australia is at the top of the OECD league table and let me just say this to you, The Economist magazine, a conservative economic publication - one of Britain's foremost economic publications - it has a league table in there every month of economic performance versus inflation and employment. We are at the top of that table and we have been there for 14 months.

JL: Now, just quickly back to unemployment. How many of those jobs, you say that we have created or you have created all these jobs ...

PM: Well, the policies have created this.

JL: I mean most of it has been private enterprise that has created the jobs.

PM: Well, of course it is, but it didn't just happen. The 'One Nation' policy of 1992 got the country moving again. When we put that money into rail, road, the ring roads around the capital cities, the highways, the trunk rail network, all that government spending at the time was there when private spending had stopped during the recession. That is what kicked the place along.

JL: OK, well when you talk about the jobs and the job rate being increased how many of those are government subsidised jobs because there are many who are going to say 'well, the government created the jobs.'?

PM: Very few, very few, the great bulk of them, 90 per cent of them would be in the private sector - 90 odd per cent in the private sector. And, of course, need I say John, with 11 per cent unemployment and 4 per cent employment growth, the unemployment rate, if everyone stood still, would be 7 per cent. The reason it is 9.5 per cent is because we have got new entrants to the workforce and in the main, people optimistically looking for work and in the main the people joining the workforce are women. So, there is a tremendous boost of what we call the participation rate. That is once things start to improve those who are not registering for work or looking for work go out looking for it again and that is why you don't get a clean translation of the 4 per cent

employment growth off the 11 per cent which would otherwise give you 7 per cent.

JL: Yes, is there any indication of how many of those in the private sector ...

PM: It would be 90 odd per cent.

JL: Yes, but how many of those in the private sector are still getting government assistance?

PM: In terms of?

JL: Subsidies.

PM: None of those other than those who are longer term unemployed who get wage subsidies.

JL: But, there would be a percentage.

PM: Only those unemployed over 12 months or more.

JL: Yes, well, there are a few of those aren't there?

PM: That is one of the great successes, I think, we have had in the last year. Of the 400,000 jobs, 90,000 went to the long-term unemployment - that is people unemployed 12-18 months. Now, if we were comparing 400,000 in the 1980s about only 25,000 of them would have gone to the long-term unemployed. So, the government's White Paper changes and the labour market programs where we actively support those who have been longer term unemployed, we are now finding we are having, well, you could say, roughly a quarter of the jobs that have been created now are going to the long-term unemployed and that for this country is just terrific.

JL: OK, all the news according to you and understandably is good news, one would like to think that everything that you are saying is right. Graham Richardson has caused us, of course, to raise our eyebrows on that subject ... again, but if everything is as you say, if everything in God's great garden is as rosy as it sounds when you talk about it, why then do we have other people decrying the situation in which Australia finds itself at the moment.

PM: Well I noticed that you, yesterday apparently referred to the Australian Financial Review story where one of the largest US American bond dealers said Australia had gone bond-kers and amongst other things, you said this, "the glass is never half full in Australia, its either seen as empty or overflowing", and isn't that just dead right. In other words, we can never say, look, here is a recovery, we are going to maintain it and

extend it with low inflation. We have got 4.5 per cent growth. We have 4 per cent employment growth and low inflation. Now lets do the right things to extend it and give all Australians a chance at it right through the 1990s. No, its either a feast or its a famine. We are either all 'rooned or its a bounty heading our way. And you can't seem to get from the commentators here, that sort of latitude that says "look, we've actually done it right this time".

JL: Present company excepted please.

PM: Well, present company excepted, absolutely. And I think that is part of the point. I noticed in the same story, let me just give you a couple of quotes.

JL: You see, that's the point I made yesterday and I read parts of that from the Financial Review - that's what it was wasn't it yesterday - page 37

PM: Well there were a couple of can I just read you a couple of

JL: But let me just finish I read that, and said that these fellas are into bonds and this is the way they are talking about our country, Australia. And then you get people on the phone saying "oh yeah, but so what. They are only buying bonds". I mean its intelligent people talking about our country for God's sake.

PM: Well its more than intelligent people, its the people who watch the major western countries who handle billions dollars of bonds and basically buy them on the back of the prosperity and their judgements about those countries. So its not just a judgement about Australia, by Australians, its a judgement about Australia by people who buy similar securities, in Germany, in Britain, in the United States right through Western Europe. Let me just read what two people had to say in that interview. One said (this is a New Yorker), "Aussie inflation is fine, its going to pick up a bit, but its still quite low by OECD standards. The budget deficit has got a little bit worse but I'm willing to believe that is a timing issue. The currency is going to appreciate it in the next couple of years". Another said "we think the inflation fears in Australian are exaggerated and we don't think Australia has the political uncertainty of many countries. The currency is strong, the commodity prices are strong, and I have to say that it does look a bit like the bonds are mispriced". The key point is the underlying sentiments of the remarks. Forget the focus on the bonds, I mean, here you have the really hard assessors of Australia saying, look basically the inflation rate is fine, they are ticking along with quite high rates of growth, the place is stable, commodity prices are high and the currency is strong. Now, you wouldn't get that out of the doom sayers. And that's the point. I mean, its quite wrong for these people. I mean you can never quite win with the Jones' and people like that. A year ago - eighteen months ago - it was all doom and gloom. It was unemployment; we're all

ruined; where are we going; we've had it; and within six and nine months transition, we are all ruined again. This time its for growing too fast. Because interest rates have moved up slightly, and why are interest rates up? They are up to sustain the recovery. So all Australians can enjoy it for longer. That is, to keep inflation down, and therefore keep our competitiveness up, to keep our exports going and to get and maintain now this investment phase in plant and equipment which we haven't seen for three or four years. We are seeing it coming back strongly, and with it of course, a long run recovery into the 1990s.

JL: OK. Well you say that inflation is under control, we would like to believe you. But we've got unions now, going for unbelievable wage increases; increases have got nothing to do with productivity but based on the fact that the interest rates to which you just referred are going up. Now if they get those increases, and they flow through to other sectors of the economy and normally that's the way it goes. We have precisely the same situation that lead to the recession we had to have.

PM: Well, what you do - what Governments do all the time is manage things as they arise. We are now in a growth economy. In a growth economy, you get price taking, you get people who want to put their prices up. You can see various strength in the housing sector. It's possible that things like bricks and tiles and kitchens and all these sorts of things will have a little premium on them now where they didn't two years ago, so the Government has got to watch that. Its got to watch claims in the labour market, given the fact that most people in the labour market did no better but probably worse over the last couple of years, in some cases in the inflation rate, so they're out there now saying "well this is the time to get a wage increase".

JL: And of course they are using interest rates as the hook, understandable.

PM: Well, some are. Basically they are just using the growth. And the other thing is, some of the states in the public sector are starting now to offer wage increases they shouldn't be offering. For instance, the NSW Government, John Fahey was under attack up at Darwin at the Council of Australian Governments, not so much by me but by some of the conservative State Premiers of the other States saying, "listen John you better chop it out, offering 7 per cent to teachers and 5 per cent to nurses" and on top of that, he's now got another 8 per cent hanging about. So that sort of public sector lead coming out of NSW, there is this notion you can buy your way back into office by offering the public sector employees up to 15 per cent wage increases, is very dangerous indeed. I can assure you that the Commonwealth Public Sector, that is my Government employees - we will not be making those sort of settlements.

- JL:** Well, you have no control over what happens in NSW. So if those wage demands go ahead, how are you going to control inflation?
- PM:** Its not the wage demands, its the complicity of the Government in meeting them.
- JL:** Well assuming that happens in NSW, you have no control over it.
- PM:** You will always get wage demands, its a matter of whether you have some bunny to actually say yes to them.
- JL:** Well if one of the bunnies does say yes, you have no control over that, so how do you control it?
- PM:** Well, basically what we have done over the years is that we have had an Accord with the Trade Unions. The reason we have got 2 per cent inflation and remember this John, we have been growing now for about 12 quarters for three years, we have been back into positive growth for three years and we have still got 2 per cent inflation. And the reason for that is, basically we have had reasonably a good restraint on wages and good productivity arrangements. The great change now compared to the eighties, is that we now have enterprise bargaining. We've got a decentralised labour market and all wages are not fixed by the Australian Industrial Relations Commission. There is no such thing as a National Wage Case today. So a lot of companies, what they are doing is basically saying "look alright, we will give you an increase, providing you give us some productivity".
- JL:** OK. Well what about our mates at the TWU. 15 per cent they're demanding and that has been sanctioned by the ACTU.
- PM:** Well, it depends on for a start, what's agreed by the companies. Whether the companies want to cut their throats by agreeing to it and secondly, over what period of time? If its over a couple of years or two or three years, it becomes eminently affordable in national economic terms. So John, you know the debate we have had in this country about industrial relations. You've had the conservative side of politics for years and the business community are saying "give us a decentralised labour market. Give us labour market flexibility. Give us enterprise bargaining." Well, now they have got it. And what they've got to do is basically make it work. So when they pay a wage increase, they have got to get something in return. That's more productivity, that is, more product and lower costs.
- JL:** Its seems that they are having some difficulty making it work because only 45 registered non-union enterprise agreements have been put in place since the new industrial relations laws were introduced, but in that same period of time, 2694 claims for unfair dismissal have been lodged.

PM: Well, its the full enterprise bargaining stream, not the non-union enterprise flexibility area that's important. Its the full - what we call 'certified agreement area' - that matters and we've now got about 55 or 60 per cent of all federal award employees subject to enterprise agreements. In other words, the system is working and a lot of good businesses with good managers are doing good productivity deals. They are getting higher profits for the company which they then share between profits and wages. And the employees walk away with a wage increase and the inflation rate doesn't suffer. Now in any recovery, there will always be a bit of what's called 'economic adjustment'. That is, to cover off the bit of the joy and even modest inflation. Well, the economy can afford some of that, providing there is a bit of productivity around and what the Government is about and what the ACTU and our Accord partners are basically about here, will be trying to manage that wage outcome, through the next few years, so that we can have what most countries don't have. That's growth with employment. Now let me just repeat this John. Western Europe is growing at about 1.5 per cent. We are growing at 4.5 per cent. They are getting about 1 per cent employment growth. We are getting 4. In other words, our society is going to be more fully employed and therefore, much more fulfilled and I hope happier. Therefore, the Government's job is to extend the recovery, but listening to all the doom sayers saying "it's a disastrous state of affairs" because interest rates have risen by 1.3/4 percentage points from a 30 year low, to still be low is extravagant doomsaying.

JL: There is so much of it, people do tend to become brainwashed by it. I mean, how do you stop it? You see, if you look at what the former head of the Treasury, John Stone, has to say about your statement that \$9 billion taken from the Budget represents the fiscal responsibility of the Government, and he says it's all...this figure is arrived at by sleight of hand - that you have included as so-called savings \$3.6 billion by deferring the second instalment of the tax cuts. Now, nobody can understand what he is writing about except that he is talking the place down again - that all this isn't really happening, that you...have you indulged in some sleight of hand?

PM: No. And when John Stone was secretary of the Treasury, Commonwealth spending was 30.5% of our total product - 30.5% of our GDP.

JL: When he was head.....?

PM: When he was secretary of the Treasury.

JL: Yep.

PM: When Bernie Fraser left the Treasury to become Governor of the Reserve Bank, the Government spending was 23.5% of GDP - down 7 percentage points. Now, I'll tell you what that is - 7% is just on \$30 billion. Thirty thousand million each year less spending when Fraser left the Treasury compared to Stone. So, the thing about all these fellows is to look at what they did at the time. Stone believed in the tariff wall, he believed in a managed exchange rate and when he left - after giving us all these high faluting ideas about his economic capacity - when he left the beauracracy, where did he go? Of all places, to the National Party. To the Country Party which built the tariff wall in the first place. These guys are classic under-achievers. They failed in their public life, walk out and then want to be commentators about people who really achieved something. Putting 4%...at no time during John Stone's Secretary-ship of the Treasury was there ever 4.5% economic growth and 2% inflation. Never. He could have only dreamed about it.

JL: Why do we need a racial hatred bill?

PM: Well, basically because we do see outbreaks of violence against people...persons and property for reasons of race. And at the moment under the law, if someone throws a brick through your shop window, they can be prosecuted only because they have broken your window and not because it was racially inspired.

JL: But violence of any sort should be kept under control by any governments anywhere...

PM: Exactly.

JL: ...irrespective of the motive of the violence?

PM: Here we are talking about incitement's to racial hatred and threats of racial violence or damage to...or such as damage to property etc. Because basically having people running around saying "I'm going to throw a brick through your window or burn your building down because of your race" should be an offence. And that's what we're making it.

JL: But now it's being said by Michael Lavarch and others that "well, this won't be enforced really - there won't be any charges laid against...". If this is true, why have it there?

PM: Well I don't know that's true. But we have legislation of this nature in a number of the States already. This is basically just the Federal Government doing what is already around in some places, but having a national law here.

JL: But you can't legislate emotion.

- PM: Of you can't legislate emotion, and the operation of the....when I say that you can't legislate emotion...that is, if they're emotions that don't lead to an infringement of someone else's liberties - you can legislate if it starts to infringe someone else's liberties. If they had this sort of legislation in Western Europe in the 1930s, of course, it would have mattered a great deal indeed.
- JL: Yeah, but you still wouldn't have changed attitudes - legislation can never change attitudes.
- PM: It can't change attitudes, but there's no way that the nation or the community or the Government should regard offences against persons or properties for reasons of racial hatred as being something to be condoned.
- JL: It's got a lot going for it as far as the Government is concerned in as much as it has obviously shored up the ethnic vote?
- PM: Look, it's not for that reason. The Government, I can say, has had a lot of support from ethnic communities over a period of time - for years - we don't need a racial hatred bill to maintain that. It's there because it's a proper adjunct to our laws in respect to people's liberties.
- JL: Is it something that is in place in most Westernised countries?
- PM: I'd say most countries would have something very similar.
- JL: It's going to cause...put the cat among the pigeons in the Coalition, because they will be at loggerheads with each other on the issue. That too would be to the Government's advantage, wouldn't it?
- PM: Well, I should hope it isn't because I should believe that most people in the Coalition would support this sort of legislation.
- JL: Yeah. Out of all strange people, one of the Western Australian Green people seems to be opposed to it - does that surprise you?
- PM: Well, they were opposed - at one point - to the Native Title legislation when they were claiming an interest in the welfare of Aboriginal people, and now they're seeking to upset the Land Fund legislation. So again it just makes this point - Independents wandering around the Senate with no rhyme or reason about their political existence - no depth of policy analysis, no track record, no yardsticks, no sheet anchors - have no particular consistency in their approach to particular pieces of legislation.
- JL: OK. Something else that we have been hearing a great deal about, and we have been hearing hysterical cries about how we have duded

New Zealand as far as the aviation policy is concerned - what is the real story?

PM: Well, we haven't duded New Zealand at all.

JL: Didn't New Zealand dud us?

PM: What happened here was I said in the One Nation statement....we offered New Zealand....John, you would be familiar with the Airline SAS - the Scandinavian Airline System?

JL: Yes.

PM: Now that's basically an airline which operates around the countries of Scandinavia - you don't see a Swedish airline, and you don't see a Danish airline, but you see SAS. Do you understand?

JL: Yes, I do.

PM: Now what we were saying is "let's have a single aviation market for Australasia". And in One Nation, I offered the Government of New Zealand a common Customs border - that is, Australia's customs laws would be the same as New Zealand's, and therefore the carriage of passengers between our two countries could then be domestic to domestic terminal. In other words, you would travel from Auckland to Sydney, or Christchurch to Melbourne, and you would go just as you would go from Perth to Melbourne, or Brisbane to Sydney.

JL: Ok. So New Zealand would become part of our domestic air market, and we could become part of theirs.

PM: Yes. Now, New Zealand refused that. They said they wanted to keep particular Visa arrangements with Taiwan and Mexico and other countries, and they refused that. So we then said "Allright. OK. Well listen, let's talk about then...it would be better to have a single customs union - a single set of customs arrangements - let's then talk about a single market." Now, what a single market means is that we have a single market for passengers, and we organise that market in terms of a single market for the capital for the airlines. In other words, there's no particular reason why one of the airlines should be a New Zealand airline or an Australian airline. That idea we have not been able to make progress on. Basically I think, the view from New Zealand is yes they want a single aviation market for passengers, but not a single aviation market for airlines. In other words, they want to keep a national flag carrier.

JL: So that's why you have terminated the arrangement?

PM: At this point, Australia...there were to be agreements about airline ownership and rationalisation about airline structures. We have had repeated conversations over the course of the last 18 months - I have had a number with the New Zealand Prime Minister, my colleague Laurie Brereton has had a number with the New Zealand Transport Minister, the Australian airline companies here - Ansett and Qantas - have had a number with Air New Zealand, and because this memorandum we had together had certain indicative dates in it, Air New Zealand has already done very finely out of it. It's got now 14 jumbo flights a week out of Brisbane, which is a very large number of passengers, which they can pick up Australian passengers and take them to Japan...

JL: So that's taking away from Australian airlines?

PM: Yes, that's taking them, and they also then - the contemplation was - in a single market, we would move them to domestic flying in Australia between Brisbane and our capital cities - our trunk routes - and then further beyond rights, that is further rights for say, Air New Zealand to pick up people out of Sydney and Melbourne and carry them to other countries. But that's only on in the event we have a single-market. In other words, what has happened in Australia's terms is it's been all give, give, give, and New Zealand has been all take. And as the sort of trigger dates for these things were coming up, we were looking for some kind of change on the part of New Zealand to recognise the imperatives of one market, but it didn't come, and so therefore Mr Brereton wrote to, Laurie Brereton wrote to his counterpart saying in terms, seeing as you basically in spirit rejected the proposal, it's off.

JL: So this was done in the main to protect Australia as they had, in part, reneged on the deal?

PM: Well, if we went, say flew to San Francisco and said to the United States Government "we'll pick up American passengers in San Francisco and go and fly them to London and Paris..."

JL: They would tell you tell you to go jump.

PM: Exactly. But we're giving Air New Zealand the right to pick up Australian passengers and take them to Japan. Now, they wanted that right, plus more - plus to be able to fly domestically, but to put nothing back in return.

JL: So you said enough is enough?

PM: Yes, that's what we said - enough is enough.

JL: Okay. I know you're not much into polls, but you might be into this one - the Bulletin poll that says 50% of Australians favour a republic, but

90% want to elect the Head of State. Would you proceed with the republic plan if you can't get up your preferred option of Parliament selecting the Head of State - which I believe is the only way it should be done, and could be done, because otherwise the Head of State would appear to have more power than the Prime Minister, and obviously that is what you have got in mind?

PM: At the moment - people often say "you know, the Government and Keating wants to appoint the Head of State even though there has been some discussion about Parliament appointing such a person". At the moment, of course, upon the expiry of the current Governor-General's term....

JL: Yeah - what's going to happen?

PM: Well, I would make a recommendation to the Queen - and it would be accepted - the Government, and me as Prime Minister, would appoint that Head of State without any reference to Parliament whatsoever. So at the moment, the ball is right in my court, so it's obviously not for that reason that I am saying is what we need to do is to consider a republic constructively. But more importantly than the modality of the appointment John, is the notion that Australia will never really go its way in the world while ever we're following the monarch of another country. And I have said, one of the things that I wanted to see in this year - in 1994 - was a genuine public debate about the virtues of a republic versus a constitutional monarchy. Now I think we have well and truly got that debate going, and that's a very good thing for the country.

JL: Yeah. Still on the subject of polls - it appears that the gap between the Coalition and the Government is now narrowing - some are saying that Alexander Downer after his recent performance is going to bounce back in the polls. Do you still have the future for Alexander Downer all mapped out as you claimed you had in the past?

PM: Well I think I have, John. But again, these polls fluctuate, and the only poll that ever matters is the poll on polling day. But again, the Government has done all the things it said it would do at the last election - we said we would restore growth in the economy and it's growing faster, or as fast, as any economy in the world..and western economy...in the OECD economy. We said we would restore employment - we have got 4% employment growth. The only country that is as high as us in the western world is Canada at about 4% itself - no other country is up in that league. We said we would give effect to the High Court decision on Native Title - we have gone and done it. We said we wouldn't leave the unemployed behind - we set up the White Paper to do that. We said we would support the arts - we have gone and done so. I mean, the Government has done all the things it said it would do.

JL: Just back to the arts thing - again you know that to the chagrin of many? I mean you have got a lot of criticism for having done that in a lot of quarters?

PM: Yes. Well, I notice your friend and colleague on the morning program having his one final ...you know I was listening to him while I was coming onto your program, and they're saying "Oh, there was Turandot", he said, "None of Mr Keating's art money in that". Well the fact is, unless there is support for the Australian opera, and for the opera companies in this country from the public purse, and the ballet and the other major companies, you can't have a Turandot. It doesn't occur to these guys that an investment in arts and culture in the public infrastructure in Australia is one of the things that we should be doing, and we happen to do it well - look at the rave reviews we had for the Australian Ballet in Washington. The Australian Ballet went to the Australian Festival which was held at the John F Kennedy Centre in Washington and it was a great success - 40,000 people came on the first day, half the American Senate was there, some of the Justices of the High Court, a number of American Ministers were there, members of the Cabinet were there, and Clive Barnes the noted New York dance critic had such glowing references to the Australian Ballet. I mean, we are getting international acclaim for the standards of our arts, and to be whingeing about that is really to be blinkered and mean-spirited.

JL: Yeah. I can understand to a degree - and it's difficult to say this because I have to refer to a friend in the form of Reg Livermore who I think is a tremendously talented fella and I think he has done a great deal - but Reg isn't actually on the breadline, and when those artists who are struggling a little bit trying to get on, and I mean you have seen many of them around you, and endeavoured to help many around you, and they hear that a fella like Reg who is fairly well gainfully occupied and has done pretty well and has got himself set up pretty well - that he gets a grant of some \$60,00 odd dollars for a couple of years in a row in order to write his biography - that smarts a little. You must be able to understand that?

PM: The Australian Artists Creative Fellowships are for artists of accomplishment mid-career. These are for people who are in the broad, in the main, uncommercial, and in commercial terms unsuccessful, but in artistic terms of course, are very successful.

JL: But you couldn't say that Reg was uncommercial?

PM: No, Reg is commercial, but again, he is going to take time off to make a contribution back. I mean, just the same as John Olsen at the presentation of the awards this year as a former awardee, presented 30 works back to the Commonwealth. Frank Moorehouse has

produced a first-class novel, you have got....I mean, it has gone to people like Garth Welch in dance and....

JL: Yeah, but surely these people could have made the contribution without the taxpayers having to foot the bill?

PM: Well let me just tell you this John - when the first group of Fellowship awardees went through, and there were on that occasion 7 or 8 of them - now these are people at the absolute top of Australian artistic ability, and of international standing. Their average income is \$9000 for the year, the previous year - the average income of all of them is \$9000 - and that was 1988, and now we have 45 people, I think, in the group. I don't know exactly what the average figure would be, but I wouldn't mind betting it's not much beyond \$12-13,000. This is a very sad fact that people need to understand about the arts - that somebody who is a sculptor or a dancer or a pianist or whoever it might be, unless they fluke that commerciality, they can be absolutely world best and be basically broke. Now, this is an acknowledgment of saying to people who do what they do best, but do it with the greatest possible commitment to this country, who have never walked away from it and gone though it all and given Australia up, but stay here and stay with the low money - it's a way of saying for 2 or 3 years, or 4 years if you like - you can block out these years and put something back right at the peak of your career, and not have to worry about putting food on the table.

JL: Yeah well all that is fine, and I say that I don't want to go into it too much because I am not mean-spirited, but you could never say that my friend - and he is a terrific fella and a terrific talent - you could never say that Reg Livermore is down in the low wage earning. I mean, he's a pretty commercial character and very successful and very good at what he does, and that does smart a bit with people you know. I really do understand people saying "well come on, hang on..."

PM: Okay, but I don't think it is possible to just take one out of...

JL: Well, it's not fair to....

PM: ...out of forty....

JL: Well he's the only one I can think of....

PM: One out of forty odd, or maybe a couple out of forty odd....

JL: Well, you know there is another one that springs to mind as well...

PM: Well what contribution has Livermore made to Australian theatre? An enormous contribution....

JL: Yes he has.

PM: ...and he will put something back. And what we are paying him is \$60,000 for the two years that he is going to do it.

JL: But one could also ask what contribution have I made to Australian radio?

PM: True.

JL: Nobody offered me 60 grand.

PM: No. But they have offered you much more than that, and that is the point.

JL: No, I offered it myself.

PM: Well it's like our friend on the morning program - I don't want to seem obsessed about him, but he seems obsessed about me. The fact is, hearing his blaggarding Australian artists - most of whom, in this category without any Government assistance - are getting \$12-14,000 a year. That is, they're not getting what someone at the bottom end of the wage market is getting, when he is picking up probably around a million a year or better. Now, is there any justice in that? I mean, reading out transcripts and vetting opinions and picking up multiples and multiples of what people of international accomplishment are actually getting. You see look, I don't mind people getting greedy, as long as they are not mean-spirited about it.

JL: I think it's terrific.

PM: I mean good on Alan. He's got a good rating program - even though it's basically...most of the stuff is middle of the road fascism - I don't mind if he's doing his best and he's getting his money for it, but let's not blaggard everybody else who is accomplished and who is basically living on a pittance.

JL: Would you consider taking the House of Representatives to an election without the Senate?

PM: I'm not interested in early elections, John.

JL: No, that wasn't the question.

PM: Well, to take the House to an election without the Senate means that the House has got to go before next August, and that's just not my intention.

JL: Have you....

PM: I want to see the Government enjoy this Parliament to do the things we promised the Australian people we would do - restore the growth and employment, keep the inflation rate low and get on with the big ticket issues like the republic, APEC, Mabo, the White Paper - all of these major milestones in Australia's political history, get working on those - and at the end of it we'll say to the Australian people "This is what we promised, and this is what we have done, and we want you to return us again".

JL: Okay Prime minister, thank you for your time. Good to talk to you, and I hope we get to talk again very soon.

PM: Thank you very much John.

ends.