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PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER THE HON P.J. KEATING MP INTERVIEW WITH KEITH CONLON, RADIO 5AN, ADELAIDE, 23 MARCH 1995

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KC: Prime Minister, good morning.

PM: How are you Keith?

KC: You might have been interested to see what the BBC thinks about Parliament this morning, have you read The Sydney Morning Herald yet?

PM: Well, I heard a report about it, but I mean, talking about the cultural cringe, there is The Sydney Morning Herald proposing itself as a newspaper of substance running what some cub reporter puts on a BBC newflash. Could you imagine The London Times running something that is on page three of The Sydney Morning Herald or The Adelaide Advertiser?

KC: Well, they do say however it looks more like the Australian show *Heartbreak High* with school children bickering at the assembly rather than a parliament and they say that it is 'bull ring of bellowing vulgarians' in which the Prime Minister, you 'set a snide tone' and the Speaker is a 'Labor party poodle' with no moral authority. How do you respond to that?

PM: What I say is let them look back over their history in the House of Commons where people who have come to fisticuffs, I mean we ought to be urging the time ... just to turn back over some of the speeches of Winston Churchill or some of the other greats of the House of Commons and just see how rough the debate was. When you look at some of the debates that have been there over free trade, over the role of the House of Lords in 1912, I mean it would make hair stand on end.

KC: What about a leaf Prime Minister, from the Commons Book though in making the Speaker truly independent, resigning from the Party, going for a long term.

PM: It doesn't work in our system. Our system, I think, works quite effectively and, I think, to have a robust parliamentary debate where

the issues of Australian public life are debated and where they are felt, heartfelt by those who represent positions is a good thing. For instance, let's take one of the current issues - the Aboriginal Land Fund - I mean, am I right to sit there and say 'oh well, if you want to destroy it in the Senate, that's all right, I'll take back a second hand bill, I won't say anything harsh', I mean, the fact that all title of the land was regarded as, put it this way, they were regarded as having no title to the land after European settlement and now we are giving them the chance under the Native Title legislation to establish that and where they can't, to buy it back. That is called progress. You get social change by victories, not by shilly-shallying compromises. The BBC would be better talking about British productivity, about how they are going to cope with the Deutschmark, about how they are going to join, if ever, the European Monetary Union and get their parliament onto some of the things like we get onto and that is the substances rather than the hub-bub of nonsense.

KC: That gets us to matters economic. There is concern in the community, I know you are aware of it, some people believe perhaps that John Howard ... the five minutes of economic sunlight, others perhaps go for your line that the economy is slowing naturally. What is a rate of growth that is not too hot and is sustainable?

PM: Let me deal with John Howard's line because it is basically just a bit of poll driven pap. They get told these things by their pollsters and they repeat it. They do what they call 'focus grouping' and someone says 'oh, it doesn't seem right to me that we've had that much joy since you know ...' so then it gets re-told back. The fact is Keith, we have had 36 months of growth, we've had 12 quarters of growth. The Australian economy is growing now faster than any other OECD economy and as a test of its quality, I was with Chancellor Kohl in Germany a week ago, now you know there is this treaty called the Maastricht Treaty in Europe - the tough conditions for joining the single currency with the Deutschmark - that is called the convergence criteria. The only other two countries in the world who could meet that strict criteria at the moment and join is Luxemburg and Australia. Out of the 27 member states of the OECD the only two that meet the convergence criteria outside of Germany is Luxemburg and Australia. That is on productivity, on inflation, on government debt to GDP et cetera. On the sustainability in other words of your economy.

KC: What does that translate to in terms of rate of growth?

PM: What all that means is that the Australian economy, we have had the best run of statistics in the last year we've had in 30 years.

KC: But aren't they too good?

PM: Well, the economy has been growing at around six per cent which we think is too fast, but it has slowed back and we will soon see in the next quarterly accounts how much, but it has slowed back. It is still with low inflation and with massive employment growth. Last month we

had 91,000 job growth. If you go back to the election Keith, what the Government was asked to do was to re-start the economy and re-start employment and that is what we have done.

- KC: Frank Gelber from BIS Shrapnel was just talking to us a few minutes ago on the program before you came in saying he thinks that there will have to be more slowing of the economy, he is talking mortgage rates, home mortgage rates of 13 and 14 per cent next year.
- PM: Look, the fact that you mention his name and organisation is why he is on there saying that stuff. It is all a free plug for them.
- KC: So, they don't have credibility ...
- PM: No, a lot of them don't no. There are ex-Treasury economists laying around, State and Commonwealth Treasury economists and other people laying around these institutions putting out blurb and they are all attempting to be noticed. The fact of the matter is that interest rates rose by two and a half per cent last year to slow the economy so that this was sustainable for people, so that they had not just three years of growth, but a decade of growth with low inflation and employment. Let me make this point, that in the period that this Government has been in office household disposable income has risen by 40 per cent in real terms, that's after you wash the inflation out - 40 per cent real improvement in household incomes - because more people in households are in work. Now, that is called income growth and social progress and you get it by consistency. I would much rather be managing a strong economy and making it sustainable than managing an economy in a recession.
- KC: So, when Senator Evans said this week that interest rates are not likely to rise in the foreseeable future, how long is that - a month or two?
- PM: I think a good budget, and I am very confident the Government can put a good budget down, is going to make any move in interest rates far less likely.
- KC: You now don't think as the market seems to think there will be an interest rate rise in April or May?
- PM: I think markets are starting to say and make some of these noises because of movements in the international monetary system. You know, movements in the US dollar, movements in the Mexican currency, movements in Europe and they are looking at Australia and making some judgements about us. But, if the Government gets the budget right it will make any monetary movements far less likely.
- KC: Prime Minister, with the budget coming up I know that you are not going to get into what's on and what's not in detail, but there must be I suppose an annual dilemma here especially with an economy that is still maybe a bit too hot, you can slow the economy with interest rate

rises, you can wind back government spending or you can raise taxes or perhaps all three, which is fairest to most Australians?

PM: Well, it is a matter of getting the balance right. Two years ago at the election my opponents were saying we were going to be in a double dip recession to John Hewson and a depression and John Howard endorsed his remarks. Now, if you say the economy is a bit too hot, if I had said at the election two years ago 'look, in two years time the economy is going to be very hot and strong and our real problem will be managing it' people would have said 'oh, tell us another one'. Now, that is the state of it. So, it is a matter of making certain that the budget, I mean what do we need? We have got strong investment and that strong investment soaking up our savings and more, it is flowing over into overseas savings. So, to stop that we have got to actually add to public savings and we do that by bringing the budget deficit back more quickly. That can be done by cuts in government spending or changes on the receipt side.

KC: Both sides are you looking at?

PM: Well, we will look at both sides, as we do on every budget.

KC: Services taxes for instance as called for by the Metal Trades Industry Association?

PM: That is another runner for the consumption tax.

KC: But, it is a big area that isn't taxed isn't it? It is a huge part of our economy.

PM: Then there is food not taxed and clothing not taxed, there is heaps of big areas that are not taxed.

KC: So, services tax is not on?

PM: I'm not saying, you said correctly at the start - I'm not ruling things in and ruling things out because there is no point. Once I start on one you've got to continue to go through them and one can't put together a budget like that. But, the business organisations are very incredible when they want the incomes of the lowest income people in the country cut back, they want transfer payments cut back, but they don't want any business welfare cut back, they don't want any spending on business cut back and remember, I think Keith, you should recall that the government gave business about \$3 billion a year of benefits in the year after the election, but none of that is to be cut back. So, you know, you say 'well ok, well you have put your views out and you have given us your little press statement, but thank you very much'.

KC: Prime Minister, just one more area on the budget, something has got to give and you have told us you are looking at all sorts of options. Is there a way in which you can insulate those states, at least partly, that are not keeping up with the heat. South Australia, for instance, is

patchy in terms of its recovery compared with the east, so do we see at risk something like say the money for the Adelaide airport runway?

PM: Keith, let me just say this Government's treatment, my treatment of South Australia, I don't think has even been slightly acknowledged at this point. Coming into the last election, I gave South Australia off the budget as direct real money, not loans, \$640 million.

KC: That was the State Bank bail out?

PM: Yes, the largest payment by the Commonwealth Government in the history of our federation to any one State. Now, \$640 million is an enormous amount of money to go into anywhere, but for it to go, not as a guarantee or as loans but just cold hard cash.

KC: As you understand Prime Minister, that sort of helped us get out of the \$3 billion well, so we had a fair way to get out, so we are still looking, the Adelaide airport money?

PM: I know, but people say 'well, thank you for that', but a lot of don't even say thank you. I mean, the State Premier has never even acknowledged it. I mean, where would his budget be without it? Imagine the tax burden on South Australians without that \$640 million. I mean it would be at least another \$60 million a year in charges every year.

KC: ... (inaudible) ...

PM: Yes, well look, on the question about the airport, that is part of the scoping study we are doing at the moment. We are selling the airports which includes, of course, Sydney and Melbourne and Brisbane and we are currently looking at the future of Adelaide as part of the scoping and regulatory studies which are being undertaken preparatory to the divestment of those airports.

KC: Can we look at the promise that came out of the ALP conference that there will be money attached to help with that divestment?

PM: It really depends on how the whole scoping study goes.

KC: So, it is not guaranteed that extra money, the money is perhaps not guaranteed in the short term?

PM: It may well be that we do the things which the conference spoke about, but again it will be in the context of their sale. We are preparing this airport for ownership by another group or body and so whatever we do is in that context.

KC: Mr Keating, another area that is of direct concern to South Australia, you will know that there is now bi-partisan support to stop any acceptance of the Industry Commission's wine tax recommendations, are you wanting to comment on that?

PM: Only that when I became Treasurer of this country the wine industry was a relatively small domestic industry. It is now a large international industry. So, I think, if you look at the wine industry under this Government in terms of that competitiveness, our support for it and the fact that we have now been able to open up market opportunities around the world and actually make very big indentations in some markets attests to, I think, the Government's regard for the industry.

KC: Industry says however that if you don't provide the domestic basis then you kill the golden goose.

PM: They have always been saying that and when wine was untaxed completely they said if you put any change to the tax treatment of wine that will be the end of the industry. It just stronger and stronger and stronger. That is not to say that we are about to accept the Industry Commission's view or ...

KC: Prime Minister, the Hindmarsh Island bridge affair has been raised again. Mr Costello predicts a return of Mr McLachlan because he says the breach was a technical issue. What do you think?

PM: Well, I think that is a disgraceful remark. What he did was intercept mail that was part of all of the legal documents in the Commonwealth's case for and on behalf of the Aboriginal people there. They intercepted them and copied the mail and sent it around and Ian McLachlan was forced to resign because he misled the House of Representatives suggesting that the Minister had copied it and sent it around. Now, only a couple of weeks later you have got Mr Costello in the most brazen outburst saying he thinks it is only a technical breach and Ian McLachlan should return to the front bench. They have got no morals these people.

KC: Prime Minister Paul Keating, thanks very much for your time.

PM: Thanks very much.

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