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PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
INTERVIEW WITH JOHN MACKENZIE, RADIO 4CA, CAIRNS
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JM: With me in the studio today is the Prime Minister of Australia, Paul Keating. Good morning and welcome.

PM: Good morning John - good to be here.

JM: You are up here frequently - I would imagine 2 or 3 times a year - there has got to be something about the place. I notice today - front page of the Cairns Post - we are considered to be the best place in Australia to live, as far as capital cities are concerned - you have had the message for a couple of years now?

PM: I have. And I think one of the reasons, of course, is the climate, and the easy-going nature of the place. But, whether you are wealthy or relatively poor, you can still enjoy the good weather and this is the difference between living in a really nice temperate place than a cold place. Here, nature is available to everybody, and that is the great strength of it. It is also a growth area, and there is an excitement about Far North Queensland that there wasn't 6 or 8 or 10 years ago, and by and large, people are doing it well up here - that is, they are developing the place well, sensibly and keeping the best things - the rainforests, the core tourism assets, but at the same time developing a strong commercial hub. So, it's a good place to come, and I am quite sure it's a good place to live. I'm not surprised at that finding, at all.

JM: You had a crack at the hill slopes last time you were up here, and when you left Tom Pyne rejoindered by saying next time he's going to have a crack at the hill slopes, tell him to bring his wallet with him.

PM: Tom's a good fellow, but it is all a matter of taste rather than wallets. Anyone who carves the side out of a hillside to put a brick veneer up there, ought to be severely rebuked.

JM: Well, Tom would like a buy back scheme.

PM: In fact, we have got...the largest buy back scheme we have got running was the money I put in the last Budget - \$24 million scheme - to buy back the land in the Hole in the Heart of the Daintree: that subdivision in the Daintree, which Joh put through in the 70s, and that threatens, of course, one of the core tourism assets of Cairns and the surrounding area - and that is the Daintree rainforest. If the power cable had crossed the river, you would have seen a town develop there and it would have made an absolute mess of the Daintree, so in terms of bringing your wallet with you, I brought a \$24 million wallet to that one. By the way, the Queensland Government is supporting us here dollar for dollar on that - Wayne Goss and I worked this out together to try and save the Daintree. But the Daintree is one of the great assets, and of course, that came on top of the \$86 million that I provided as Treasurer to Graham Richardson when the thing was first declared. But it is one of the great, great places of Australia as a consequence, so we have had...and can I just say that I gave Mike Berwick \$9 million for the road - the sealed road up to the Daintree- so I had my wallet out again then.

JM: Have you had a drive along that yet?

PM: I have, and I think they have done a tremendous job on the road and the shoulders, and of course, they are putting the native species of trees back, and Peter Dodd - who is with me in the studio - we went up there last time I was here and had a look around, and the important thing is that when the heavy rains come, the shoulders don't run away - you don't lose the road. I think it is a good quality road, and putting those native species of trees along it, really means it is going to give tourists the effect of a rainforest right through, instead of just a broad acre dusty place as it was.

JM: Even though you spend a lot of time here and you are not actually on the job, you would get to talk to a lot of people in the tourism industry - you would realise how crucial it is here, but I wonder from your own perspective how important you see the industry, you know, on the national scale - is your Federal Government really conscious of the importance of it?

PM: Can I just say, on behalf of the Government, this is the industry we largely created - before the dollar was floated in 1983, there was no tourism industry to speak of, other than small motels etc. You look at Port Douglas for instance, or Cairns, before 1983. Financial deregulation, the capacity of businesses to acquire funds, the strength of the stock market through the period, plus the competitiveness of Australia - Australia today is 40% more competitive than 1983 - that means that every time you sell a tourism place to a foreign person, you have got a 40% better chance of doing it today than in 1983. That

created a new industry in Australia - International tourism. And I think it is very important to keep that - the Labor Party takes a lot of pride in the fact that we created it, and that we have had the support of the main players in the industry. And let me just tell you this John, that recently I had a meeting with Goh Chok Tong, the Prime Minister of Singapore, and he was saying that he would like his community to travel more outside of Singapore, and to come to Australia - particularly young people, particularly during their holiday periods - and he is going to be leading a tourism mission to Australia in the middle of the year. So in other words, I think - and I said to him that Far North Queensland was a place which was accessible by plane - from Singapore to Cairns is a reasonable short flight - and it has tremendous opportunity for, if you like, tying a fair bit...if you like, tying traffic to this part of the country.

JM: It might all be very fine but we have got the accommodation problem - we have got this problem here now that we are rapidly running out of beds, and this conjecture - almost perpetual as it is - about the prospects of a bed tax isn't encouraging people to invest in that area. Can you give us anything definitive on the future of that bed tax?

PM: Well, John Hewson and the Liberal Party tried to put the bed tax in last election, with the consumption tax, which would have applied the 15% to all goods and services, including beds. And we made the point at the time - strongly - that this would be an impost on the tourism industry. And given the fact that was emerging from a slow period, one it could do without. I can only reiterate the sentiment I made on that occasion.

JM: All right, I want to stick with local issues now, so we are going to go to local calls - there is a fair bit of pressure, as you can well imagine, from the Southern media on the line this morning saying "can we find out more on the Carmen Lawrence issue"; but we will get back to that after some local calls. We have got a few minutes up the sleeve...

PM: That's not even news.

JM: All right. We will go to our first call - go ahead.

C: Hello.

PM: How are you there?

JM: You are talking to the Prime Minister.

C: Oh, am I? This is Sandy Warren from the sub-contractor and suppliers association, Mr Prime Minister.

PM: From the sub - sorry?

C: The sub-contractors and suppliers association. We are very, very concerned at the Bankruptcy Act, and where these people go bankrupt and only come back shortly after to get back into business again, and then promptly go bankrupt again, and they are ripping our people off by millions and millions of dollars, and causing great hardship. We are also very concerned as how the Federal Government can give them half a cent in the dollar tax and say "well, you can be back in there soon and do it again"?

PM: We don't say that - these arrangements are largely agreed between creditors. You have seen the more famous one recently with Mr Bond?

C: Yeah.

PM: It's nought to do with us - I mean, what's to do with us is the prosecution of wilful acts, or criminal acts, against the companies code. But where a set of creditors agree with somebody who owes them money - they will accept 10 cents in the dollar, or a cent in the dollar - that person then escapes the bankruptcy. So then that person - he or she - is not a bankrupt, and then can carry on.

C: But surely the Government has some control over the Taxation Department? That's taxpayers money, and nobody asked me if I was happy with it.

PM: I don't follow your point about the taxpayers?

C: Well, that Taxation Department let him off on half a cent in the dollar, the other thing is that in many other countries in the world once they are bankrupt, they stay bankrupt until such time as they have paid all their bills off.

PM: Can I just say, Governments try to be sensible and friendly to people - one of the great claims in the past has been the Tax Office has gone in to take its claim first, leaving sub-contractors and other people like yourself out in the cold. Now, that's been changed over the years, so if the Tax Office - if you like - comes to a discussion amongst other creditors, and there is a scheme of arrangement which everybody agrees to, well then the person then escapes the bankruptcy. It's a matter, really, of how hard and how little - if you like - people will take from somebody who is in this circumstance. I don't really think that the Government can go and say "now, this person will be a bankrupt forever"...

JM: We will have to move on - we have got a few other people....

PM: Mind you, there would be plenty of candidates for it, I can assure you. I appreciate the call.

JM: Go ahead.

C: Hello?

PM: How are you there?

C: How are you? It's Steve here. I'm just ringing up about the Oyster Point development - do you know what's going on here, because I was born in Cairns and brought up in North Queensland and I think it's shocking that Keith Williams should be allowed to build that resort there. Do you know what is happening in the project with that?

PM: Well, the Commonwealth - because it's got heritage implications - we are going out of our way to see that...you know there was originally a clearing away of some of this area some years ago...

C: Yeah.

PM: ...and it was left in a very unsatisfactory state, including the clearing away of the mangroves. Mr Williams is seeking to build this project, but he will build it with the - only with the - the clearing of these kelp beds and the rest will be done with scientific evaluation and monitoring under the Commonwealth responsibility. Now, John Faulkner - the Environment Minister - has made that abundantly clear. So, given the fact that the Queensland Government too doesn't want to see a repeat of the island development - Hamilton Island - or anything like it, which John permitted in the 70s, the weights are on Mr Williams to produce something which is far more environmentally pleasing, and does justice to this wonderful place - Hinchinbrook Island. Now, the Queensland Government has taken principal responsibility for it, but we are in there looking after our responsibilities ..(tape failure).. world heritage areas.

JM: We are going to move straight on - go ahead.

C: Hi John, it's Kelly (inaudible) here and I would like to speak to Mr Keating.

PM: Yes - how are you?

C: Paul, look, I'm just wanting to ask a question about vertical integration - could you explain to us what actually it is?

PM: What do you mean vertical integration - in respect of any one thing, or what does the concept mean?

C: We are talking about the tourism industry, you know, like you say for example, at Cairns Central School, a Singapore company bought the site, and they are going to build a hotel there, and perhaps Singapore Airlines is going to fly people in a couple of years here to have holidays here - like you just said about the students travelling?

- PM: Yes - in relation to...
- C: Will they book their holidays in Singapore, and pay for them there, or how will our economy benefit from the sale of Cairns Central School?
- PM: The economy benefits - many people try to have what is called these vertically integrated arrangements, where they own the tourism property, they own the buses, they own the gift shops, they own - if you like - the whole kit and caboodle.
- C: Right.
- PM: But people do have to fly in, they fly in on all sorts of airlines - including Australian owned airlines...
- C: Right.
- PM: ...they use the passenger facilities, they do end up spending money outside the (inaudible) resorts, so I think the whole notion of vertical integration is a bit overdone. It's like, for instance, if you look at the Shippan and Mitsui ownership of Mirage Port Douglas, many of those people who have come from Japan end up in the Daintree or end up out on the reef and lots of other places...
- C: So, (inaudible) we are going to benefit?
- PM: Absolutely. I think....
- C: Well wouldn't you think then that a bed tax would probably be a good idea, so that the Government is gathering more money to compensate for what they have lost by the people buying their tickets overseas?
- PM: I think the main benefit to Australia comes from the general Gross Domestic Product that comes from the provision of these services. So you add to national product by making things, you add to it by providing things and that's where the Commonwealth gets the benefit. It doesn't need a bed tax to get the benefit of tourism.
- C: ...you're breaking up, I can hardly hear you.
- PM: I'm just saying it doesn't need to get a bed tax for the benefit of tourism. This is the point I made to Dr Hewson in the last Federal election when he wanted to impose one on the industry.
- C: How do you feel about the fact that public assets like Cairns Central School have been sold to overseas investors?
- PM: Well, I wasn't aware of that but again it depends where the school populations are and where the assets need to be. It's like the closure

of hospitals being sold - public hospitals sold to private operators. The reason they have been sold is because the usage of the hospital has changed and the public need has shifted. This may be the case with the school, I don't know.

J: We've got to move on now - go ahead.

C: Good morning, Mr Keating. My name's Angela.

PM: Angela, how you're doing?

C: Not too bad. According to the Cairns Post, this morning you're opening a JobSkills project?

PM: That's true.

C: Why is it that you're on the job creation band wagon up here in the north now, when previously we've been ignored. You know, Cairns and the far north region has had one of the highest unemployment rates in Australia.

PM: No, you've never been ignored, never been ignored. I mean, the very things I was saying about the core tourism things which is a very labour intensive industry. You do admit that a lot of the jobs that have come in the last six or eight years have come from tourism as well as from some of the manufacturing and agricultural businesses in the area. And I will just mention to you, just in the last year we have spent something like, we are spending something like about \$15-20 million on some of the core tourism assets here, just simply on the Commonwealth's own account. But the main point is one of the core reasons for the Government's return to office in 1993 was to restart growth and employment. And we've done that, and we've had now 560,000 jobs since the election, which is a phenomenal rate of employment growth - that is around 4 per cent employment growth since the election. And that's, of course, coming to Queensland as it is to most other States. In fact, Queensland's unemployment rate overall is lower than most States of Australia.

C: I can't agree with you there, Mr Keating. In February, in the far north, we had 7,563 unemployed people but yet in March, we have 7,612 unemployed people - that's an increase. And you're talking about tourism (inaudible).

PM: Can I just say to you, I don't know if those numbers are right, but let me just make this clear to you. Let me tell you what is clear across the country. In the last year, 12 months, we've had just on 300,000 job growth in Australia. It's about three times the western world average. We've had 560,000 jobs since the last election. And you might remember at the election, I was saying our target was to get to 500,000 jobs in three years. Our opponents were saying, "oh that's

malarky, don't take any notice of that". Well, in fact, we got to 500,000 jobs in two years. We got to 500,000 jobs in two-thirds of the time. That's spreading right around Australia and again, I think you've got to look at the seasonal adjustment of these things. If you take the raw data of any unemployment number like you just did, but not seasonally adjusted for the seasonal changes, you can always make an argument out of these statistics. But there's only one direction that unemployment has been going in Australia in the last two years and that's down, I'm very happy to say. And this JobSkills project today, which Peter Dodd and I are opening, is a \$1.5 million project to train 135 unemployed North Queenslanders for jobs in the building industry. And that comes on top of technical and further education in TAFE, in vocational education, on top of tertiary education in universities. That's the sort of things which the Commonwealth Government has done. I mean, the whole of the North Queensland economy has changed forever under a Labor Government.

J: We're going to have to move on, I'm sorry, because we have got a heck of a queue up here. I've got to bring you back to an issue that's been bubbling on for years in North Queensland - that's the future of the Tully Millstream Hydro-Electric Scheme. We've got a situation here where the Premier of the State, in exactly the seat you're in, has said on two occasions he can't see anything wrong with it. We've got a situation where the Labor Minister here, the Member for Mulgrave, also can't see anything wrong with it. He's a strong proponent of the scheme, yet we have this situation where State Government and Federal Government cannot agree. Wayne Goss' excuse is it's finally up to Mr Keating's Government in Canberra whether or not we have the scheme. What's going to happen with it?

PM: I don't know what Wayne's said to you but Wayne and I get a lot of things done co-operatively. I just mentioned a couple - the Daintree and last week, at the Council of Australian Governments, where he amongst others and I agreed on the Hillmer competitive changes which affect the electricity, water, gas systems right across the country. And we will have an east coast electricity grid as a consequence of all that. And that means that if there is a surfeit of power in Victoria, or in New South Wales, that is piped into Queensland. In other words, instead of having this, if you like, uneconomic abundance of generating capacity going to waste in some of these States, it will actually be smoothed out across the grid running from Queensland through New South Wales, through Victoria to South Australia. That's the core matter and I think that's the reason why the Queensland Government has had second thoughts about the Tully Millstream. That is, it's got World Heritage connotations about it. Any of these water storage and hydro-electric power projects, their economics in the long run is always subject to question and given the fact that we have now got the prospect of having an east coast electricity grid which we have never had before, I think Queensland, basically, has probably changed its mind about it. But again, can I say, it is a matter, the Commonwealth is not the

proponent here. The proponent of any such project would be the Queensland Government. But as I understand it, John, I think that issue has gone off the boil. I mean, I don't have, Wayne Goss has not raised Tully Millstream with me, I don't think, ever.

J: Yes, it may have gone off the boil down south, but it hasn't gone off the boil here.

PM: I know, but it depends who's it on the boil with, though? If the requirement is to bring electricity into North Queensland to meet the region's power needs, if that electricity can come more efficiently and cheaply from the coal deposits of central Queensland or New South Wales, why is anyone jumping up and down about the Tully Millstream?

J: Well, they're jumping up and down partially because they feel we're vulnerable to cyclones and the contact is going to be lost. Well, you talk to people in those cyclones (inaudible)

PM: Yes, I know, cyclones are strong but I mean, there are lots of places that have cyclones but they don't lose their power systems and if they do, you are just as likely to lose the power cables from the Tully Millstream as you are the power cables from somewhere else.

J: Now, the job scheme - \$1.5 million, 135 north Queenslanders to be given job opportunities - can we have the details of that? We're running out of time. How it's going to work?

PM: Basically, what we do, we give people six weeks of training at TAFE, followed by 20 weeks on-the-job training with local employers. So, the Department of Employment, Education and Training has put this scheme together with the assistance of the Queensland Master Builders' Association, the AWU, the Federated Ironworkers, TAFE and Queensland Construction Training. So, in other words, what we are trying to do, because we are running into skill shortages in the building industry, we're trying to pick up 135 unemployed people to train them, give them skills, give a subsidy in support from the Commonwealth to the employers and as a way of moving longer-term unemployed people. And could I just say to you, John, the last year of those 400,000-odd jobs that we created, a bit over 400,000 in the last year or so, a bit over a year, 100,000 have gone to the long-term unemployed. That is, unemployed people, unemployed 12 months or more. So the description of a long-term unemployed person is someone unemployed 12 months or more. A quarter of the jobs of the last 12 months have gone to them. Now, in the 1980s, for instance, only say, 7 to 10 per cent of the jobs would have gone to them. So, these labour market programs such as JobSkills - the one that I am opening today with Peter - is actually pulling up the long-term unemployed and giving them a place back into the main labour market and getting the skill

complementation and skill formation we are going to need, you know, particularly in the building industry as the building industry goes on.

J: One final point because we are running out of time - this is on behalf of the southern media people, whom I know you love....

PM: They're such a sweet bunch.

J: The situation in Western Australia. Obviously pressure would be seen to be mounting on you here. It's now gone to an issue of the credibility of Dr Lawrence as against the credibility of Keith Wilson and the former Minister, Graham Edwards. Where are you going to draw a line here? Because Wilson is not backing off, Edwards is not backing off - ultimately you have got to do something?

PM: Well, no I don't because there's no news in this. There's no new matter here than there was a year ago, or two years ago. And since then, we've had a State election in Western Australia and we've had a Federal by-election. All this stuff came up, drifted up to the top again, all this material drifted to the top again, during the by-election in which Carmen Lawrence was elected to the House of Representatives. Now, the reason it's up this week, John, is because the Liberal Party has now irrevocably divided in Western Australia. John Howard has just had two of his House of Representatives Members knocked off over there - that's Paul Filling and Mr Rocher. They've just lost their seats in pre-selection battles and they nearly lost a third. So, they are completely and utterly divided. The Western Australian Liberal Party is at war with itself, so what they've done is drag this red herring across the trail and said, "oh here's Carmen Lawrence", and that happened because Mr Wilson came out and repeated what he said two years ago. But, what we find is that a number of Ministers who were Ministers of the Government of Western Australia at the same period, support Carmen Lawrence's version of this and do not support Wilson's. So, the fact of the matter is, I'm afraid John Howard - and here's John Howard talking about an inquiry. This is the fellow who along with Ian McLachlan about a month ago, asked questions in Parliament which he knew to be false, he tried to suggest the Minister for Aboriginal Affairs had circulated documents from Aboriginal women when they themselves had circulated them. McLachlan resigned yet Howard approved the tactic and admitted approving the tactic at their tactics meeting but didn't resign himself. So, here's somebody calling for, sort of, higher standards when he should have tendered his resignation. I mean, if Howard wants any inquiries, we can have an inquiry into his behaviour in the McLachlan affair. I mean, that's a relevant matter. But the real story, I mean, what is the story here? There's only one story - the Western Australian Liberal Party is shot to pieces. And they think they can smother the trail by talking about some old, hoary old matter raised two or three years ago with Carmen Lawrence.

J: One final point. The State Labor Party seems to be concerned about the high profile of the Mabo Issue and the Republic Issue. They feel that it's a liability electorally - partially, I suppose, for them, but directly, they say for you?

PM: No, well, I don't agree with that. There's always people who lack vision, courage, foresight to understand that what the Government's doing at the moment is engendering a steady recovery. And you notice those fixed interest rates coming off last week. Westpac reduced its fixed interest rate by .3 of a per cent, and the National Australia Bank. We are getting the economy slowing, we are getting a steady growth. We've got 5 per cent economic growth at the moment and we've got around 1 to 2 per cent inflation and 4 per cent employment growth. They're the best conjunction of economic data perhaps in 30 years. But, life is not just about those things. It's also about justice for minorities, for disadvantaged people, the sick, the unemployed, the Aboriginal community, and it's also about holding your head up in Asia here. Here we are in Cairns, where you have got people pouring into the place with travel, with tourism, where you've got business in NQEA selling ships to China and all these other places, and apparently some people believe we ought to be going there saying, "oh, by the way, here we are an independent country, Australia, proud of ourselves, proud of what we achieve, proud of identity, but just by the way, we're borrowing the monarchy of another country as our Head of State". I mean, the Chinese and the Thais and the others say, "what? What are you doing down there? Are you people for real, or aren't you?" So, this is not a side matter. Australia's identity and our culture are as central to our economic success as any other economic variable. And the only people that don't understand are people that have never run a national government.

J: Prime Minister of Australia, Paul Keating, thank you for your time.

ends.