



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
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J: Do you think the markets will believe the bottom line on this Budget?

PM: It's easy enough to believe. The starting point deficit was around \$6 billion, there are \$3 billion of discretionary changes by the Government - that's on outlays, spending and receipts - and there is then the sale of Government assets, which improves the structure of those institutions, and removes long-term public debt-interest effects. Altogether, \$6 billion to \$3 billion, to a surplus of \$700 million - it's all there in the Budget papers.

J: The Opposition says it's a "fudge-it budget"?

PM: What else can they say? They are left without a feather to fly with - they were presented tonight with a Budget surplus, next year, a Budget surplus free of any asset sales, and the biggest change in the nation's history in terms of a private savings plan.

J: Is the extent of the asset sales justified given the Commonwealth Bank decision?

PM: It improves the institution...let's take the Commonwealth Bank - what was it? A couple of years ago, it was the old State Savings Bank of NSW. Then, we bought the State Bank of Victoria. It is now a real institution. Then, under this Government, we floated it - we sold half of it, it strengthened in the market, it's share prices strengthened. Sold, completely, it will then have a strong capital base in the market - it is the right thing to do. It is the right thing to do for the institution -the right thing to do for the Budget. And it is the same with Qantas - Qantas needs capital that the government can't give it, it has the chance of being the primary airline in this part of the world - of South-East Asia - and why shouldn't it have that chance?

J: Is this an election Budget?

PM: This is a Budget that does - as the Treasurer said, quite eloquently: "A key objective of current policy is to address the national savings investment balance, while maintaining strong economic growth". What this Budget does is give the lie to John Howard's cynical, opportunist claim about "five minutes of sunshine". We have had now three and a half years of growth, and the Budget forecasts are forecasting another 3 years. In other words, what is very clear to the Australian people from this Budget, is that there will be 6 years of continuous growth, with low inflation, but at the same time, filling that massive savings pot-hole - which is sitting up there around the late 1990s and the year 2000 - with the biggest private change ever with superannuation.

J: Why haven't you gone harder on spending cuts?

PM: We have gone very hard. We have got net spending cuts in the Budget of \$700 million, but gross spending cuts of about \$1500 million. So, there are \$1500 million of actual cuts, but there is a lot of new policy - a lot of it is unavoidable new policy, the spending on families, - leaves us with \$700 million of net spending cuts, and that rises next year. The key thing is that the \$3 billion of changes we have in this year, rises to over \$4.5 billion next year - that is the discretionary receipts and outlays changes.

J: How do you overcome credibility problems with scrapping the second round of *One Nation* tax cuts, and bring in the superannuation trade-off?

PM: I don't think there is any credibility problem. If you say to people "what would they prefer - \$10 or \$15 in their hands, or the chance to have a decent income in retirement?". I think you will find in the Budget papers, for someone on average weekly earnings, who has been in the workforce for 40 years, they go out with something like \$0.5 million dollars. Half a million. That is a person on average weekly earnings. So if you give that choice to Australians...remember this - the Government paid and brought forward the first round of tax cuts, and on this occasion will be paying more than the second round of the *One Nation* tax cuts - will be paying more. But they are paying it directly into superannuation accounts, and then that will give all Australians - everyone, particularly the lower income earners - a much higher standard of living in retirement.

J: During the last election, you promised that the company tax rate would come down to 33 cents in the dollar - now you have taken it back up to 36 cents in the dollar - what happened to our international combativeness?

PM: You remember that at the same time, John Hewson was going to take the company rate from 39% to 42%. And we had the Business Council all out there cheering a 42% rate, and we said "don't mind us - we are going to reduce it to 33%". Not a soul gave us a point for it. We did reduce it to 33% from 39%, but the companies....it's the highest level of profits in Australian history at the moment. And taking that up by 3 cents only to 36 cents is still a long way down from the 46 cents it was when John Howard left it all those years ago...

J: But they are warning....

PM: ...taking it up to 36% will bring in, I think, \$300 million this year, and \$1500 million next year. Now, that is off the massive level of profitability which companies enjoy, and that is where the burden should be.

J: But they already warning about jobs growth and employment prospects.

PM: But who - some flapper from the Business council?

J: But what about the tax on motor cars going back up 5% - we have already had the motor traders saying that is going to hurt employment, particularly in Victoria?

PM: What we did, we reduced it to 15% and 16% in *One Nation* for the express purpose of kick-starting the motor industry in the recession. It did that - we are now up to as high a level of sales as we have seen, and now is the time to bring it back. It was cyclical policy then - it was counter-cycle policy then, and it is counter-cycle policy now. In other words, we took it down when it needed to go down, we are taking it back up to where it was because now the need has passed. The key point in all this - the Liberals don't know where to go with all this - they are now facing a Budget surplus this year, and a surplus next year without asset sales or anything, and a massive change for everyone in the country having 15% put away for their long-term savings. Mr Howard almost shrivelled up tonight looking at it - we have had nervous giggles, we have had all sorts of rehearsed lines, extravagant press releases - the Liberals know that their cynical line that there was only going to be 5 minutes of sunshine, and that the Government was not going to have galloping interest rates, has now fallen for the fact that it has no truth. And what this will mean with this Budget - with this very great change to fiscal policy, and to long-term savings, much less pressure on any prospect on interest rate rises.

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