



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH TERRY LONG, ABC RADIO 7ZR, 12 MAY 1995

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TL: John Howard has had his reply and this morning Paul Keating, the Prime Minister, is in the studio at The Lodge to talk to us about the way he sees it, good morning.

PM: Good morning, Terry, how are you going?

TL: Good thanks. John Howard's performance last night - eight out of ten too generous?

PM: Oh absolutely, I mean, he did the whole speech off-the-cuff. I mean, he had a great opportunity last night, within a year of an election, to lay down what the Opposition's policies would be. He never mentioned one policy thing on their part, he never even responded to a prepared text. What he did was essentially give the Parliament the sort of debate he'd have on, you know, any Tuesday or Wednesday or Thursday afternoon on a Matter of Public Importance, a sort of raving speech which was mostly about me and the Government and it left, our members left - you can always tell on the sort of balance that goes on in the House of Representatives - our Members left very buoyed because they thought his performance was so poor, and his Members left very glum. That's always the test.

TL: Do you see it as the start of the election campaign if he should have been laying down policies?

PM: Well, he's been in the job now since the beginning of the year. We've got no idea, any of us, what his policies will be - on economic policy, on social policy, industry policy, foreign policy - we've absolutely no idea. All he ever does is attack the Government and try to blackguard the fact that we're seeing five minutes of economic sunshine which is, of course, a completely untrue statement and this week's Budget and yesterday's unemployment figures - 90,000 job growth in the month, 640,000 jobs since the election - give the lie to that statement and

there's the Treasury forecasting another three years of growth, low inflationary growth. So, that's about all he's been up to and last night was his chance to put some markers down and he didn't do it.

TL: You didn't see him in any way as taking the fight up to you last night?

PM: Not at all. I mean, I don't think the fight...the public of this country continue to want, fortunately, continue to want policy changes of the kind, of the great superannuation change the Government had in the Budget on Tuesday night, or the shift in the Budget balance or the Hilmer changes - the competition changes - of a month earlier, or, you know, the other big block things like APEC, *Working Nation* - they're the sort of things that people respond to. They don't respond to abuse and rhetoric and these sorts of things. That's all cheap and easy but it doesn't take you far.

TL: What about that Mars Bar quote? Is that damaging to you? (inaudible)

PM: No, no, it was a joke, it was a joke of ten years ago. That's the sort of stock and trade they go on about. I mean, what I'm about is employment. I mean, what I did in the last election was commit myself solemnly to get growth going again and to focus on employment. I said that we would not leave the unemployed behind, that we would put an arm out and bring them up, and we've had, I think, now the fastest employment growth in the OECD area, amongst the 27 nation states of the OECD, Australia's employment growth has been the fastest and we've had in the last year the biggest fall in unemployment that we've ever recorded.

TL: But did you actually say that to Donald Horne?

PM: No, not to Donald, I never said....I was cracking, we were cracking jokes with Barry Cohen in 1984 and Barry came down and we were sitting down as guests of the ABC, I think, or the Australia Council and he had a Mars Bar in his hand.

TL: So you've been taken out of context?

PM: Oh well, you always are in this business, I mean, but they can't take the jobs out of context or the fall in unemployment.

TL: (inaudible) as being removed from the people if that is seen as having political advantage, in that respect, it was fairly smart, wasn't it?

PM: Well, I don't think, but who cares about it? I mean, it's just that another bit of throw-away nonsense in the throw-away debate of Australia. I mean, what they can't throw away is the drop in unemployment in Tasmania yesterday, the drop in unemployment around Australia. You see, that's what Howard is battling - he's battling against substance

and he can run around there blackguarding Australia and saying that the place has basically had it and that we're not doing that well and we've had five minutes of sunshine - if people believe that gullible nonsense, all it does is do damage to the country where the Government has been focussing on getting things going.

TL: Was that unemployment number a better number for you than the Budget itself?

PM: Oh no. No, no, the Budget was a great document. I mean, it put us into surplus three years earlier than we would have otherwise been. It's taken enormous pressure off interest rates because notice yesterday, the Treasurer gave the figures yesterday, last year we sold \$21 billion worth of Commonwealth bonds - that's \$21,000 million - and this year we'll sell \$5.6 billion. So there's about, you know, \$14-15 billion less pressure, less bonds that have to be sold in the Australian market, so if there are fewer bonds, the price of the bonds, the value of the bonds rises and if the value of the bonds rises the yield, or interest rate, drops. And that's why we saw a 1 percentage point drop in the long term bond rate over the last 10 days and confirmed again on Tuesday and Wednesday. So, it's that great change in the Budget balance, the largest swing ever from deficit into surplus, from a deficit of \$12 billion to a surplus of \$700 million. That change and the change in national superannuation are the sort of things that, you know, one lives for in public life. I mean, the superannuation change, we started on this in 1986. The ACTU and the Government put together an Accord in 1986 for 3 per cent super. Then we sort of inched it up to 5 per cent and then in 1991 we brought in the Superannuation Guarantee Charge and that's taking it now to 6 and up to 9 per cent from employer-based contributions by the year 2000. What we were able to do on Tuesday night was, I thought, a very innovative proposal, was to say to people, "you put 3 per cent away yourself, and we'll match it, the Government will match it". So, in other words, on that 9 per cent there will be a further 6 per cent. So, every Australian working person will have 15 per cent put away for their retirement and that would mean, I gave the example on Budget night, that will mean that someone on \$33,000 today, if the scheme was fully in place and they were retiring today, would retire on \$30,000 a year. And they would have a lump sum of just under half a million dollars.

TL: Are you happy though that you've delivered your tax cuts in that fashion rather than straight out, saying, here you are guys and girls, take the money and walk away with it?

PM: Well, we did. There were two remember? There were two from *One Nation*. The first half we paid in full at the end of 1993. This second half we said we would put them off, probably until 1998. Well, in fact it is going to be 1998. But I think though that most people would believe that they are better off being able to leverage up the value of that tax

cut in a superannuation scheme that really provides for them in retirement. Even if we take, let's say we take a couple in their 30s - 30 years of age - when they retire as a result of Tuesday night's changes, when they retire, they'll retire on an amount three-quarters larger again than the pension. And when their children retire, they'll retire on an amount twice as large as the pension. So, I think if you say to people well, would you rather that or you would rather, sort of, \$10 or \$15 in your hand? - I think they're going to say, well, in the long run, not to have the burden of worrying about one's retirement income and at the same time producing a huge pool of national savings for the current account, is a better way to go.

TL: And what about the banks then, the banks now, as you are aware, are saying that they can't absorb the additional charges that you put on them through company tax and the like in the Budget, and they won't give a guarantee that interest rates won't rise. How do you see that?

PM: Well, they would say that, wouldn't they?

TL: Do you expect interest rates to go up?

PM: No, no, they've got profits coming out of their ears, I mean, they've never had such a beano, the banks, and really, what we're saying to them, look, we give you a privileged position in the market by giving you a banking license, what about paying us for the license, giving us some money back, and taking it off the Budget rather than us find that out of some other area of taxation. When you hear bank MDs and others saying, "oh this will affect interest rates", you can just dismiss that with all the cynicism in the world.

TL: And what about the Commonwealth Bank? Does the sale of that, in a way, signal the completion of a change in the Labor socialistic principles? Are they on the block as well?

PM: Oh no, look, all the Labor empathy with the Commonwealth Bank came when the Commonwealth Bank was, in a sense, the Reserve Bank of Australia. You see, when King O'Malley and all these people in the early part of the century introduced the Commonwealth Bank, it was, you know, but not long before that you would have had the bank notes, you know, printed by the Bank of New South Wales and other banks, we then went to national currency but we needed a central bank or a reserve bank and the Commonwealth Bank was that. That all changed with the Reserve Bank Act of 1959. The Commonwealth Bank then became just another bank, a Government-owned bank, but just another bank. Now, you might remember when the State Bank of Victoria and Tricontinental had difficulties a few years ago, I was party to the Commonwealth Bank buying the State Bank of Victoria. As a consequence, we made the Commonwealth Bank into a real institution

because formerly it had really only been the old State Savings Bank of New South Wales, it had picked up in the Depression. Once it got...

TL: But nonetheless, taken together with the Hilmer changes which introduced competition and so forth into government activities, and which also mean that some State Governments are divesting activities, the Labor Party at a national level had embraced those - taken together with that, doesn't that signal a change to the electorate in the way that the Labor Party actually operates now, in fact, the nature of the Labor Party?

PM: Oh the Labor Party has completely changed, but that change happened in 1983. That change happened 12 years ago. That happened when we removed exchange controls and floated the Australian dollar. I mean, that happened when we started pulling the tariff wall down in the middle 1980s. I mean, that's competition through imports, which has now picked up our manufacturing sector and now where we have seen exports to GDP rise by 50 per cent in the last eight or nine years - that's come essentially through the notion of a competitive economy. It's a great irony that it's taken a Labor Government to give Australia, for the first time ever, an open, competitive economy, a free-market economy. And all that Hilmer is doing is building those changes further into the State sector. See the Trade Practices Act always applied to Federal instrumentalities but they never applied to State Electricity Commissions or water boards or maritime services organisations, and what we did was extend those competition and access principles to the States under Hilmer. Now, that's a very great change, but a change in the groove of a change in the Labor Party from 1983. I mean, I think, this is one of the great changes of Australian politics in the last decade because the Labor Party will never regress to the views it had before 1983. In other words, one of the reforms that the country has picked up from this great period of change, is a change, a very change to one of its major Parties and that's why, and where would we be with the Liberal Party in its state without ideas, without personnel, without a view, without a structure - where would Australia be if the Labor Party had not gone through this metamorphosis over the last decade?

TL: And finally, why are you not coming to Tasmania to sell the Budget? I think the Premier down here thinks you might be hiding in Canberra.

PM: I'll be in Hobart in early June on a post-Budget visit so I'll be there soon, and I'm in Perth on the weekend and Brisbane next week, so I get around the country as much as I can and I do listen to what people have to say. I think that there's such a sort of screen of criticism these days coming, a sort of, a torrent, the whole culture of criticism that's been developed in this country now is I don't think serving us well and the public are listening through the veil or trying to peer behind the screen to pick up some value to listen, to actually listen and hear some

important information so they can make their own mind up and what I do when I go around Australia, I take the opportunity when I meet people just to listen to various things they say and you'd be surprised just in a week the sort of things you can pick up. So I keep touch that way and I'm very pleased to be able to have those opportunities.

TL: The Prime Minister, Paul Keating, thanks for talking to us this morning.

PM: Thank you very much indeed, Terry.

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