



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH RON EDWARDS, RADIO 6WF, 15 MAY 1995

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RE: Did you enjoy the football?

PM: There was some very great football played there. I mean I have seen better games in the sense closer games, but I don't think I have seen better football. I thought that some of the playing by the Eagles and the Dockers was just spectacular.

RE: The Dockers are noted for being bold which I suppose gives you a bit of a thought in terms of your political strategy, but the thing to notice that your team, Collingwood, is the one the Eagles have had the most difficulty with in recent years because they seem to be a hard tackling side. So there is hope yet Paul.

PM: Well the old Collingwood they need a good, old Collingwood forever, as they say. They know how to play the game. But they have had a run of bad luck recently. Of course, they got up on the weekend and they will be playing at Victoria Park.

RE: That's right, they play the Dockers at Victoria Park next weekend.

PM: They play the Dockers at Victoria Park next weekend and that will be a tough match because Collingwood on its home ground is a hard side to beat. So I wish the Dockers well there.

RE: And it has really turned out to be a good stadium now hasn't it?

PM: The stadium looks terrific. We put that up under the One Nation program trying to, at the time, get the economy started and get some construction moving because normally the Commonwealth is not in the business of funding \$8 million into a football stadium, but we did on this occasion and I think it was a lucky stroke for the Western Australian Football Club and we were delighted to be able to play a

role in developing the stadium because now that the game is a transcontinental game, a national game, I think it is important, particularly as you have got the Eagles and the Dockers playing against one another here, to have a stadium that takes 40,000 or 50,000 people.

RE: That is our view too.

PM: And I think also the ground looked like a bowling green. It looked fantastic. Apparently they took 1 1/2 metres of earth out of it, drained it, and it will be a really great spot for the AFL and for really competitive games here in the west.

RE: Well, certainly, off to a good start. Now on the question off to a good start. The Budget is interesting, but what's been taking the minds of a number of people in the last day or two is the question of election speculation. Of course, that is reported today in the press. Are you going to have an early election?

PM: Well I have never been in favour of an early election and John Hewson was saying, last year, that we were going to have an early election. Alexander Downer said we were going to have an early election and we are still here. There has been no early election because they are too hard to win, Ron, without giving the time away.

RE: So they are too hard to win so you?

PM: The pressure and cost of winning a national election in Australia, have an election 15 or 16 months after you won the last one, which is what John Hewson was proposing we have and Alexander Downer, was (a) wasting the mandate and (b) the public say hang on we elected you for a term, you better get in there and do your best.

RE: It must be tempting though with interest rates good news on the weekend, the unemployment figures, the Budget reasonably well received.

PM: People are starting to see now that John Howard has made no substantial policy. He has no substantial policy thought. He has made no substantial policy changes or announced anything of substance in a substantial way. That is now becoming apparent. He ran around with a cynical little line about five minutes of sunshine. We have grown for 3 1/2 years now and the Treasury are saying we will grow for 3 more in their forecasts. You can see, from 1983-1998/99, which is 15 years, we will have grown all the time, bar 18 months. And really grown. We averaged about 4 1/2 per cent through the 80s, where Europe is doing 1, Japan is doing 1/2 per cent. We are doing 4 1/2 per cent. And this year we are doing 3 3/4.

RE: He is now attacking your credibility and saying you can't be believed in what you say.

PM: The principal commitment I made at the election was about employment. The whole election was about unemployment and employment and you might remember me saying on election night Ron, we wouldn't leave the unemployed behind, we'd put an arm out and pull them up behind us. And what was our principal commitment? 500,000 jobs in 3 years. We are at 650,000 already. In 2 1/4 years we are at 650,000. We actually reached 500,000 jobs in two-thirds of the time. That was our principal commitment. Then to the long term unemployed, the people unemployed 12 months or more, who ran the risk of becoming an underclass, this year because of Working Nation and our labour market programs, we have seen 102,000 of them go back into work, which is a phenomenal figure. You look at the 80s, we would have got maybe 10,000 in this period of long term unemployed people back to work. This year we got 100,000. So not only have we kept our principal commitment, but at the same time we haven't the long term unemployed behind. That was the principal thing and there were all the other specific election commitments, the generalised Child Care Rebate introduced, the Home Child Care Allowance introduced and now, of course, we have seen the Parenting Allowance, it will be introduced soon, and the one we have just recently announced the Maternity Allowance.

RE: The Opposition is also saying that 12 years is long enough it is time for a change. That must be fairly hard to counter.

PM: Well I don't think it is hard to counter. Ron, this Budget is so fresh, it could have been delivered in 1983 from the Cabinet then. I mean what Ralph Willis and Kim Beazley and my colleagues in the ERC have been able to do on this occasion, and the whole Government indeed, I mean look at what this Budget has got. It has got a massive return to surplus, but more than that it has got the biggest and most comprehensive savings plan the nation has ever had, laid in the middle of it, is superannuation.

RE: It must worry you a bit though that the question of superannuation, what we have seen already is that the funds can get in and rip into the contributors in terms of charges. You must have some worries about the management of funds and whether or not they are going to be secure in the future because it hasn't all been plain sailing on superannuation.

PM: The funds had a loss on the long bond market this year, but they did all around the world because long bond yields went up and therefore the bond prices came down. They took losses. But you have to look at the longer run. The point though, at issue, was - the question you asked me - about the Government. Now here is John Howard, he had

a chance on Thursday night last to respond to the Budget on national television. Not one policy thought did he put down. You see, what has the Government given the public since the election? A strong economy, huge employment growth, low inflation and now we have taken all that pressure off interest rates. You see, Ron, what people need to realise about the Budget is last year we had what is called a bond selling program, you know the Commonwealth Bonds, we sold \$21,000,000,000 worth of bonds. This year we will be selling \$6,000,000,000. There is a \$15,000,000,000 reduction in the bond selling program. That means that there is less Commonwealth paper out there. The price, if it rises, if the price goes up, the yield or the interest rate drops. That is why long bonds, 10 year bonds, dropped by 1 percentage point in the last 10 days and that pressure having been taken, the banks then responded by dropping their variable mortgage rates for housing. So here is the Government, which has got an economy back into life - through things like One Nation, the football stadium, all these areas - got it there with 2 to 3 percentage points in inflation, not 10 as John Howard left us. We have had the biggest fall in unemployment, since we have been keeping the records, in the last 12 months. We have had 650,000 jobs since the election. And you look at the vitality and the verve and the spring in it and say how would that come from John Howard who has got no policy clues and look at his front bench. He has got Tim Fischer who is economically illiterate. Costello who is like a crow on a fence, picking the eyes out of anything that is good, carking along about any positive thing that comes along. And, Alexander Downer who is a professional failure. That is his front bench.

RE: They are revitalising. If we look at the events of the weekend, Brendan Nelson coming in, he might add some new light to their front bench.

PM: Revitalising. Well, have a look at what has happened over here. Rocher has been tipped out, Filing has been tipped out, Connolly was their superannuation spokesman he has been tipped out. So somebody, Nelson, who was in the Labor Party for 17 years, he resigned because the Labor Party wasn't socialist enough. Look the Liberal Party is like a club, you join at the door. You know some of those business clubs that you see you join at the door. I mean you can join at the door. Say here am I, I am Brendan Nelson, you have been in the Party before. No, no, no. His principal backer is Bruce Shepherd who is not in the Liberal Party and so the Liberals are so moribund, they are so had it that they have given the safest seat in Australia, Bradfield - one of their safest seats - to an opportunist.

RE: So you are not threatened by him?

PM: We had all this with Bronwyn Bishop. And we had it with John Hewson. John Hewson bounded in as a sort of a Bent Street Sydney economist into the Liberal Party. He was going to show us a thing or

two. Out the door. Where is he? He is back in Bent Street or somewhere else. Then it was Bronwyn Bishop. You know an old friend of mine said to me years ago, he said "Paul, I tell you this, never worry about the sky rockets of politics. At first a shower of sparks, but a dead stick falls to earth." And this guy is a shower of sparks and a dead stick if I ever saw one.

RE: Now, you created some sparks earlier this year with your exchange with Kerry Packer. In hindsight do you wish that you hadn't had that exchange?

PM: Well, Kerry is a professional bully.

RE: You don't think he would say that of you?

PM: I am not going to be pushed around by Kerry. Kerry is a fellow that has a lot of good qualities. I mean I have known him a long time and I counted myself as a friend of Kerry's - not a close friend or one I see regularly or anything like that, but somebody who I have liked over the years - and I have been disappointed by his attitude. But that is all I can say about it. I don't wish him any ill.

RE: The Medicare levy is an aspect of the Budget that you had to change, you had to increase. There is a real problem in the world, that is the increase in medical costs, in pharmaceutical costs. Can you see that you are going to cap the Medicare levy or is it going to be one of those taxing measures that you will have to keep looking at depending on medical costs.

PM: Well you see in this Budget, Ron, we lifted the Medicare levy by 0.1 - from 1.4 to 1.5 and that was basically because the Medicare levy proceeds have fallen from providing 30 per cent of the cost of Medicare, to 24 per cent of it. See the levy only brings in 24 per cent of the cost of the system. By putting that 0.1 on, we took it back to 27 per cent of the cost of the system. So we are not even back to the sort of level that the Medicare levy formerly provided - that was 30 per cent. Now, why is this happening? Well, the answer is because the health system is improving in its quality. Diagnostic imaging, pathology, all these referral services of much higher quality than we had when you and I were young men or boys, now there is much better diagnosis and imaging et cetera and surgical procedures. So, the cost of the system is rising then the aim, I think, always in the national health scheme like this is to have that tension between quality service, fee for service, private practice and price. Now, by and large we have kept Medicare, the total cost, running at around eight per cent of the size of the economy; eight per cent of GDP. The American system is running at 16 per cent which is really now unaffordable for them.

So, we are all the time trying to keep the cost down and by and large we have succeeded, but I don't have to tell you anything Ron or your listeners to know that if you have let's say a serious ailment of some kind these days, the likelihood is that you are going to be referred on for further diagnosis which wouldn't have happened 20 years ago or wouldn't have happened as frequently as prevalently. That means higher costs and it is also the same with pharmaceuticals, a very large part of the health scheme is in pharmaceuticals, the drugs are now very effective, but they are also very expensive. Some can be \$60 a pop or \$100 a pop which we are providing for \$2.50, particularly to aged people.

RE: On the weekend President Clinton attacked the Japanese for their intransigence on trade matters. He said that they really weren't coming to the party on questions of tariffs. What is your feeling about that in terms of the Japanese because we have made a great play about opening our economy and we have, in fact, been the good performers here. The Japanese, if you talk to people anecdotally, will say they get up to all sorts of goings, are you in President Clinton's court on this?

PM: Well, you mentioned opening our economy, we have really opened our economy up. We started reducing tariffs in 1988 and they will be at five per cent by 1997, that is two years time. It is one of the reasons why Western Australia, for instance, is growing so rapidly. National economic policy is savoured. This Labor Government's economic policy is savoured in terms of change, the two big primary exporting states of Western Australia and Queensland because by taking the tariff monkey off the back of Western Australia and Queensland they have both grown and that is why now the growth is here so strongly in Western Australia. So, tariff reductions work, you do it in your own best interests. But, the Japanese have made somewhat of a mistake by becoming very heavy savers, but not running the savings down their own standard of living. Their levels of housing and the quality of their housing is, by our standards, poor. The quality of their sewerage system is poor. Their transport system the same and if Japan were to lift its domestic demand and improve the life styles of Japanese people, then there would be an automatic sucking in of imports which would then ease the trade problem. But, it is a case of save, save, save, save, save, and yet not spend on a higher standard of living while in the case of the American community it is a case of spend, spend, spend, spend and not save. So, what is underlying this argument is a savings balance problem. The Japanese are very big savers and the American's aren't.

RE: And, we are a bit more like the Americans if you look at our current account deficit.

PM: That is why we have introduced this great change in the Budget with superannuation. You see, our current account deficit problem is two per cent of GDP, it is about \$10,000 billion, GDP this year is \$500 billion, that is the total economy, two per cent of it is about \$10,000 billion, that is the problem that we have for the year. In the Budget we have done two things to deal with that. We have taken the Budget from deficit to surplus with a turn around of around three to four per cent of GDP and by buying the tax cuts into superannuation accounts and getting employees to contribute to it, we will build on top of the nine per cent we already have there to 15 per cent. So, every person in Australia will have a 15 per cent mature superannuation contribution. What this will do is two things. It will add four per cent of GDP to savings so if we have got four per cent from the Budget and four per cent from superannuation that is eight per cent, but the problem we have in the current account is two per cent. So, we have got an eight percentage points fix for a two percentage point problem. If that four per cent happens in 2020, if we take the year 2000 as a benchmark, we add two percentage points from superannuation and let's say three to four from the Budget. So what we did last Tuesday night in the Budget is put a six percentage point saving change in for a two percentage point current account problem.

Now, that is why this Government has given Australia the sort of leadership it needs in these things. It hasn't happened in America. They don't have such a policy in America. Americans are not saving while the Japanese are and we will be able to fuel our growth and prosperity in employment through investment because we will have the savings to pay for it where many countries like Australia won't. That is why I say, Governments like this come along only very rarely to do these sorts of things and it is the point you asked me earlier about people taking the Liberal party free of policies, without policies, I mean, who is going to walk away from a savings change of this quality which is going to underwrite Australia's future and not only that, underwrite our incomes. What it means is someone on average weekly earnings - \$33,000 - will, at the end of their working life, have a pension or an income of \$30,000.

RE: Provided we can secure the funds, the superannuation funds and then managed properly, I mean, that still must be a worry for you.

PM: That is a challenge I think. I think we are now building a very big system of savings, we now have to build a superannuation management system as good as our savings themselves. I think we can do that, I mean, they have had a rough time in the last year with the long term bonds because that was a world wide problem, but by and large their savings performance has been pretty good. Anyway, on the Treasury's estimates we have got very moderate savings returns in there, compound returns.

RE: Can I just close on a couple of matters. Senator Noel Crichton-Browne was subject to attacks upon his private life and he made those feelings known in the Senate last week. How do you feel about this move into the private lives of public figures?

PM: Well, I have no time for it what so ever. I have been in Parliament for 26 years and I have never ever supported, much less been involved in, attacking someone's private life. I mean, I think it is the last card in the pack. There are enough things to talk about, there are enough ... differentiation points in policy without going to these private attacks. So, I don't see any value in that and, I think, it is a very bad development in Australian politics.

RE: Does it worry you that with the Royal Commission announced by Premier Richard Court that the timing of that Royal Commission is about October and if the findings, in relation to Carmen Lawrence, were adverse, that would make it difficult for you in terms of election timing and also given Carmen's significant role in the Federal Government.

PM: I have made my position clear about that in the past, even if it is found against Carmen Lawrence, so what? I mean, it is a political matter. The thing is there is no question here about any serious illegality or misappropriation or maladministration of public duties, this is really about an inquiry into what was going on politically in the former Cabinet. It is like me saying well look, we will have a public inquiry today into the Asia dairy scandal of the former Coalition government and we will get Malcolm Fraser and John Howard and Ian Sinclair and Peter Nixon, we'll get them over there and say 'what really happened then? What did you say to him that night you met before the Cabinet meeting?' It is a nonsense. So even if the thing "found against Carmen" it doesn't matter a tinkers cuss. It is just, in a sense, an inappropriate inquiry into not public administration or illegality or maladministration of any kind, it is an inquiry into the politics of Cabinet discussions.

RE: Did you get to talk to Richard Court, the Premier, at the football yesterday?

PM: I did, yes.

RE: What was the exchange like?

PM: Good, but not about this. I mean, if he had got onto this I would have told him exactly what I thought of it. He was talking about some other issues that affect the economy and the state in general, we had a discussion about the native title and some of those problems. I mean, I keep a dialogue with him and we can progress matters. But, things would be helped if he wasn't, I mean look, can I just say this, there is a

sort of a snakiness and nastiness about it all. He was the Premier who defeated Carmen Lawrence, but there is not grace in victory with him. He has not only defeated her at an election and she has gone off to make a career in public life, he has now got to run an inquiry into what was going on inside her Cabinet. I mean, it is very bad behaviour and it does nothing for the place. It does nothing for getting along with life and dealing with the public, the real public is its problems and I think that is why Hendy Cowan and Colin Barnett and others have made their views known about this, they are not very happy with it.

RE: Well, Paul it is good to have you here in Perth. The weather is beautiful, the economy is moving and it is good to have you visit.

PM: It couldn't be nicer, Ron. I had a lovely day yesterday, as I said, the grounds at Subiaco look like a bowling green, it was great football and I have had a very pleasant couple of days. Thank you very much.

RE: Thanks for joining us today.

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