



PRIME MINISTER

TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP INTERVIEW WITH JOHN LAWS, RADIO 2UE, 26 JULY 1995

E&OE PROOF COPY

JL: Good morning Prime Minister.

PM: How are you, John?

JL: Pretty good, how about you?

PM: Going well, thanks?

JL: Have a good break?

PM: Not too bad at all.

JL: Did you pick the right State? It was a pretty hectic time to be in Queensland with Wayne Goss with his worries.

PM: I picked the right weather, I can tell you that, and that is what really matters.

JL: And the right area too from what I hear.

PM: That is right.

JL: Listen, it is interesting when you look at the situation there in Queensland. Now, had ten constituents in the Townsville seat voted for the Opposition and not Labor, Wayne Goss wouldn't be Queensland Premier today. It was pretty close, wasn't it?

PM: Yes, it was and I think, as Wayne said overnight, I mean this is part of the problem of incumbency these days. So much is expected of governments and they can, in a sense, do so much. But it is then a matter of trying to adequately articulate what has been done.

JL: Yes. Looking at some of the questions what we have decided to do here today is, you would be aware that on occasions in the past when

I interview you though, are those people out there who say well you just give him an easy ride, you don't ask him the tough questions.

PM: Well that is only the Tories.

JL: That is right.

PM: When you give Howard an easy ride, the Labor people don't say that.

JL: Yes, but nobody rings up to tell me I have done that.

PM: I know because a lot of the audience supports the Coalition.

JL: Well I suppose that is the way of the country too, at the moment, if you take any notice of the polls. But in order that it could be considered to be all fair, so their friends can ring them up and tell them how easy they were on you, I thought we'd ..

PM: But you have never been easy on me, that is the point.

JL: Well, no, I don't think I have been particularly easy on you.

PM: Well sometimes I get off air saying things under my breath about you.

JL: Sometimes you have said it and not even under your breath. I have had to pick up the phone.

PM: That is right.

JL: Anyway we will do it this way and just see how it looks. Questions, obviously, will be put to you that may well be outside your realm. But if you can go close to the answer we would appreciate this. This one comes from Robert Woods, obviously somewhere in Sydney, "I wish to ask the Prime Minister why he persists with comparatively unimportant issues, such as the republic, and side steps or avoids the most pressing issues of the current account deficit, the balance of payments and Australia's poor performance in controlling its indebtedness? What is the Government doing to address these issues?"

PM: Well it is doing the major things. The current account deficit is a major issue for which we have put in a major change. And, that change is a Budget surplus and a superannuation scheme, the likes of which the nation has never seen. That is, that everybody will be putting away, within seven years from now, 15 per cent - and we are already at 6 per cent, heading for 9 per cent, but will then be 15 per cent of their incomes - which will add to \$2 trillion in savings, that is \$2,000 billion. Now the national debt is about \$160 billion. We are talking about \$2,000 billion and when you look at the Budget deficit change, that is a change of about 4 per cent of GDP, that is about \$20 billion. In other

words, the two changes, John, that matter for savings are the Budget deficit and super. But, look, the real point is this, our friends in the Liberal Party run around saying "Oh, look at the debt and you know the current account deficit". But the fact is this is a big island continent. This is a country which is always going to need capital. It is a bit like people saying "Oh well look at that fellow up the road, he has just bought a house for \$200,000, you know, and he is finished. He is massively in debt." What he is doing is borrowing to make himself stronger in the future and to provide a benefit for himself, a roof over his head and an asset.

JL: Okay.

PM: That is exactly what Australia is doing.

JL: Okay, except that when the fellow up the road buys the \$200,000 house, he does pay it off and the amount that he owes does reduce. Our's doesn't reduce, it keeps climbing.

PM: Oh, yes it does and remember this, our capacity ...

JL: Well why do we have increases?

PM: Let me just make this point. Our capacity to pay it off has doubled. Eight or nine years ago, only about 22 per cent of our exports - 22 per cent of the proceeds of our exports - were spent servicing our international debt. Today, that is 11 per cent. In other words, we are like somebody who has got roughly the same mortgage, but has a doubling of income. It is all about your capacity to service it.

JL: But why do we see it constantly increasing?

PM: Because there is more investment in Australia coming through because more Australian companies want to invest more in this country. That is where the jobs came from. See, John, this questioner says I don't concentrate on the big issues, on things like the republic, I mean the republic actually is a big issue. But I will leave that to one side.

JL: Apart from that, I think everybody has got to be aware that governments have got to be able to, and are capable of, doing more than one thing at a time.

PM: Exactly, exactly. But what was the big commitment that I made at the election? What was the issue of the 1993 election? Employment. The right to a job. And even though, perhaps, it is now ... I mean we had these dreadful headlines last week. We had 50,000 job growth and the headline in one newspaper - national newspaper - was "Jobs surge dashes hopes for rate cut". In other words, isn't it terrible we have got all these jobs, it is bad for rate cuts. And then the next

one, another one said, "Dollar surges as jobless rate falls to pre-recession level". John, what in the biggest commitment that the Government has made and I made at the 1993 election was to restore employment to Australia. We have had, since the election, 630,000 jobs. Now let me just put that in some sort of context. When I became the Treasurer a decade ago, we had 6 million in the workforce. It took us 200 years to get to 6 million. It has taken us 2 1/2 years to put 10 per cent more on that - 600,000. I mean it is the most phenomenal level of employment growth. But you see any opponent I have, and the questioner you can bet is not a Labor voter, will say, "Well look 2 1/2 years ago employment was all the go, but now we don't want to hear about it. The next test for you is the current account deficit."

JL: Okay, just back to this employment, the jobs that have been created. Are they jobs that have been created on credit, from money borrowed overseas?

PM: No, I mean they are jobs created by investment and the pick up in demand in Australia. You see, John, you have got to understand this. This is not Singapore, this is not a city State, this is not Hong Kong. This is a country, this is an island continent. It has got long railway systems, it has got power, it has got water, it has got ports, it has got all sorts of things.

JL: Why do you mention Singapore? Do many people mention Singapore?

PM: I mention it because some countries run surpluses because they don't have the need for that continuing demand for investment. For instance, I mean you have just seen BHP announce a new iron plant for Western Australia. Another company announced the same. That wouldn't happen in a country that doesn't have iron ore reserves. Now what do we say, that we are better off with that billion and a half investment, or we are not better off with it?

JL: But how does that billion and a half investment affect the people listening to this radio program?

PM: It lifts their employment and it lifts their real wealth.

JL: And does it lift their debt?

PM: Well it may do, it may do but it really just depends. I mean it depends whether we can add to our national savings. In other words, what I am trying to say is we have a level of domestic investment, bigger than our national savings, do you understand? In other words, we have got a country which is now investing strongly and though it is bigger than our national savings. Just as you have somebody who buys their home down the road for \$250,000, which is bigger than their personal

savings. But are they massively in debt and are they ruined? Of course not, they are just building an asset.

JL: That is right.

PM: And we are building an asset.

JL: Yes, but we would be better if we built it with our own money, instead of borrowing it from overseas and we don't have enough of our own money because your Government doesn't encourage saving.

PM: Oh, well that is completely wrong.

JL: It is not.

PM: It is completely wrong.

JL: It is not. You tax people on savings.

PM: Oh come on, John, come on. But, listen, there are two sorts of savings. There are public savings.

JL: But you do tax people on savings.

PM: Well, of course, we tax people. We tax people on income, mate.

JL: Well why is it ...

PM: Hang on.

JL: Hang on, well why is it wrong?

PM: Well, okay, let me tell you. You said, you know, we discourage savings. Look, the biggest saver is the public sector if it wishes to be. By pushing the Budget into surplus, we have pushed up the big generator of savings, that is the public savings. So we are talking about a national savings pot. So we are talking about public savings. Then we are talking about superannuation. Do you think my dull opponents could ever get the workforce to put 15 per cent of their income away as savings and give them a retirement income equal to the one they retire on at average weekly earnings?

JL: But when will all this come to fruition and another question from, I have got to give credit to the questioners, B and J Rathborne of North Sydney "will the foreign debt drop permanently, permanently underlined, this financial year?"

PM: What was your first question, sorry?

JL: Will the foreign debt.

- PM: No, no, but you asked me something before that. Sorry, I was concentrating on that. But, look, understand this point, John. Superannuation is already at 6 per cent. On 1 July ...
- JL: The question was when will we see this come to fruition.
- PM: Yes, that is right, that is what you said. On 1 July it was at 6 per cent and then it goes up by 1 percentage point over the next three years, to which the Government is then paying 3 per cent by way of the tax cuts into superannuation accounts and then employees are paying 3 per cent themselves. So it is 9 per cent, plus 3 per cent, plus 3 per cent - that is 15 per cent. That 15 per cent will give us, by the turn of this century, \$1 trillion in savings and by 2020 \$2 trillion. Now, John, that is a level of savings, private savings, this country has never seen, has never seen. And not only are we doing it, if someone retires on average weekly earnings, which is now about \$33,000, in other words their working income at the week they retired was \$33,000, they will actually have a retirement income of about \$33,000. In other words, we are giving people, through our superannuation changes - ours - an income in retirement comparable to the one they have been on at work and we have built up a pile of national savings. What does John Howard want to do to that, put the slipper into it. He said he wants to abolish award superannuation, he wants to go back to tax concessions.
- JL: Okay, well now let me just get to this other question because I have to, I owe it to the listeners. Will the foreign debt drop permanently this year?
- PM: No. No, but the thing is it depends whether you are talking about absolutes, or our capacity to pay it. The fact of the matter is what was required of the Government was two things. Look, in 1993 people said get the economy restarted. We got the economy restarted. We have had strong rates of growth since that time.
- JL: Okay, but ...
- PM: The main requirement was employment. We got the employment there and that comes only from investment. We got the strong investment there and the other requirement was to put a medium term fix into the savings problem, which we have done with a Budget surplus and long term superannuation. I mean that is the answer.
- JL: We won't be seeing the effect of it in this year, or next year?
- PM: Well, of course, we won't be seeing the effect this year because we have still got a flood of investment. But see, John, look, you get all these sort of Jeremiahs. Let me just take the last week.

- JL: Okay, listen I have got to hurry you up a little bit because we have got a bundle of people who want to talk to you, a very popular man.
- PM: Alright, but let me just take the last week. On Saturday I launched a ship with Jim Bolger, the New Zealand Prime Minister.
- JL: His dollar is good.
- PM: That is a world ranking, state-of-the-art frigate, an Anzac class frigate. On the previous day, Rupert Murdoch announced the establishment of the Fox studios, the Fox movie company 20th Century Fox, the largest set of studios in the world, outside of Hollywood. Earlier that week, the Ford Motor Company announced a \$1 billion investment in a new Ford Falcon and a new paint facility. Two weeks before that, American Express announced that Australia would be the headquarters of its whole East Asian operation. The same week we had 50,000 jobs and the stock market hit its high for a year. I mean what are people going on about?
- JL: I don't know, but they are.
- PM: Well, maybe they are going on about it because they hear all the time this sort of morbid Tory stuff about we are all ruined and the fact is ...
- JL: We are not.
- PM: ... the economy is at a sustainable rate, we have got low inflation, we have just had an Accord which is going to run wages to produce a 2 to 3 per cent inflation rate, you have got huge endorsements by major American and international corporations.
- JL: And we tell people about it all the time. But it doesn't alter the fact that they still want to have these sorts of questions answered. Let me just take
- PM: I am happy to answer the questions, as long as people understand when I focus on them, this is not the whole scene. The whole scene, the scene we have at the moment, of sustainable growth and low inflation is probably as good as we have had in 20 years.
- JL: Okay, we will take a caller. Hello.
- C: Hello.
- JL: Yes, you want to talk to the Prime Minister?
- C: I certainly do.
- JL: Here he is.

- C: Hello Mr Keating.
- PM: How are you doing?
- C: I am doing well it is a great privilege to be able to speak to you.
- PM: Well you sound nice.
- C: Mr Keating, first of all I would like to say that I have a great admiration for your political skills. I think you are a mastermind political strategist and certainly without ...
- JL: Hey listen, you had better lay off this, or it will sound like some people will be ringing up and saying it is a set up. Come on, get on with the question. If you have got a question to ask, ask the question.
- C: I am trying to be nice before I stick the knife in. Mr Keating my question is I am an average man with a wife, paying off a mortgage, and I am becoming quite disillusioned with the state of the economy in our country in that you have been in power now, your Party has been in power, since 1983 and I am wondering whether we have seen another decade of lost opportunities? I have spent a lot of time doing business with people in countries like Singapore where they have next to no inflation, full employment, zero debt and all they hear from yourself and your colleagues over the past ten years is rhetoric that just isn't matched with performance in the broad macro-economic indicators?
- PM: Well let me put it to you as politely as you gave me the introduction, that is simply not true. Ten years ago, this was an industrial ruin. Ten years ago, Australia was just a lump of industrial archaeology with an old secondary industry that was completely uncompetitive, which had a managed exchange rate which was massively overvalued, which had a tariff wall which had no international competitiveness whatsoever. Do you realise in that time we have added to a labour market of 6 million, we have now added over 2 million jobs? We have got the highest rate of employment in this country we have seen.
- C: We have also got one of the highest rates of unemployment.
- PM: No we haven't. We have got unemployment now at around 8 1/2 per cent against a massive participation rate, particularly amongst women in the workforce, and we have got an inflation rate for the last four years under 2 per cent. So when John Howard left office, the inflation rate was just on 11 per cent. After the 1981/82 recession, he left us an 11 per cent inflation rate. Ours has been, for the last four years, 1.9 per cent and as I have just said earlier in the program, we have had 630,000 jobs. Now let me also tell you this. Exports, which is basically the meat and drink of our future, ten years ago we exported 14 per cent of all we produce. Today that is 22 per cent of

GDP. Let me just give you a simple number. GDP is a total economy. This year GDP is at \$500 billion. We have taken exports from 14 per cent to 22 per cent. So we have gone up by 8 per cent of GDP. We have gone up by \$40 billion in exports - \$40,000 million in exports. Where do you reckon we would be if the Labor Government hadn't been able to regenerate and modernise Australian industry, restore our competitiveness and get all that export growth? What do you reckon the current account would be now? And what do you reckon interest rates would be? And where do you reckon you would be?

C: Well interest rates really aren't anything to be boasting about at the moment.

PM: Well they are a lot lower than they used to be when Mr Howard was around by a very large margin.

C: Yes, but I think you know I can understand you need to make comparisons with them.

PM: Well you're making them, why shouldn't I? You have made the claim that nothing has happened in ten years, why can't I respond?

C: Well I think in terms of foreign debt a lot has happened.

PM: Oh, you are back to the debt. You see you have asked me about growth in employment and basically I have given you the answer there. We have had just about, next to the United States, the fastest employment growth in the western world in the last decade. We have had a huge, complete, change to our industrial base. We have had a revolution in the labour market. The lowest level of industrial disputes now since we have been keeping records back to the 1940s. We have got an inflation rate under 2 per cent and now after my commitments at the last election to get employment back, the most solemn commitment a Government can give to employment which has been more than matched by any objective the Government had, you are back now to the only other argument which is about the current account deficit and the debt. To which I said, as I said earlier, we now have twice the capacity to service our debt that we had ten years ago.

JL: Okay, Prime Minister and caller I think we have got to call it a day there in light of the fact that we have got a heap of other calls there and a whole lot of faxes. Thank you, Prime Minister. Dear Ralph (that's me, when they fax me) please ask Paul Keating if he is serious about creating more jobs why the Government punishes the small business employer by making us pay employee superannuation contributions and for heavens sake ask him to get rid of that stupid 17.5 per cent holiday loading. Just removing those two burdens would immediately create new jobs. At least, I know I would employ more people.

- PM: Well, the world is not made for, simply, employers to make the profit share in the economy higher than it now is. John, I mentioned to you earlier ...
- JL: But, it is pretty important to have people wanting to employ others.
- PM: We have just had 630,000 job growth. We are neck and neck with the United States as the fastest employing country in the western world.
- JL: But, we have still got 8 per cent unemployment, so we have got to take care of the 8 per cent.
- PM: OK, so we need to get more, but the way to do it is not to basically hop into ordinary people again. During my break, John Howard had his headland speech.
- JL: But listen, aren't small business people ordinary people?
- PM: Yes, but the people they employ are ordinary people too. So, you talk about the holiday leave loading. You take someone who is on \$20,000 or \$22,000 a year, they are just making ends meet. They have got a couple of kids and they have their holidays. Without the leave loading, in other words without the normal overtime and the various penalty rates they enjoy in work across the year, when they go on holiday they take a big reduction. That is where the holiday leave loading comes from - to protect their income during this period.
- JL: Yes, but even the man who introduced it says that it was a mistake.
- PM: John, it was not a mistake and let me just make this clear to you. That is all taken care of in the overall wages system because this small business person, if he wasn't paying the holiday leave loading he would be paying more in aggregate wages. That is where the Accord comes in. How do you reckon we have got an inflation rate of 2 to 3 per cent if we have got a tear-away wages system?
- JL: Russell from Albury - Why is it the harder you work the more the Government wants to take off you. If I was unemployed and not working the Government gives you everything - all the benefits - instead of me working three jobs seven days a week to try to stay ahead, I'd be better off on the dole. It is very hard to keep the dream alive. How do you feel about that sort of attitude?
- PM: I can only say that we have given Australians a growth economy now for over a decade, apart from 18 months of the recession. You know that in Ralph Willis' Budget the Treasury are forecasting, not only growth this year, but for the next three years. So, from 1998 back to 1983 which is 16 years, we have had an 18 months dip in growth in the recession, we have had growth as high as and around the highest

levels of the western world for 16 years, we have had huge employment growth and we have had reasonable income growth.

JL: But how do we keep Russell of Albury happy because I imagine that there are hundreds of thousands of Russells listening to us. If he feels and he is working three jobs seven days a week - that he would be better off on the dole. How do we accommodate the fears of Russell?

PM: When I came to government, again let me talk about Mr Howard who is always talking about me. His top marginal rate was 60 per cent. It is now 47 per cent. The middle rate was in the high thirties per cent. It is now much lower and the bottom rate was 30 per cent and it is now 20 per cent.

JL: So, all you are saying to Russell is it could be a lot worse?

PM: No, I am saying to Russell we have had huge tax cuts through the 1980s for people like him and they have stayed there. Those rates have stayed there. The bottom rate was 30 per cent it is now 20 per cent. The middle rates in their high thirties have declined. The top rate has gone from 60 to 47 per cent. The company rate has gone down from 46 per cent under John Howard to 36 per cent under us and we provide full dividend relief for share holders as well. So, whether you are in small business or you are an employee, John, this is second lowest taxed country in the western world. Our tax revenue to GDP is the second lowest in the western world - than is an OECD statistic.

JL: I understand all this, but it still doesn't placate the Russells of the world who feel that they are getting a raw deal and he would be better off on the dole. Not a healthy feeling to have is it?

PM: But, I mean, that is not the majority view obviously, otherwise we wouldn't have a workforce of eight million people. It is a view, but I'm telling Russell that revenue, that is all the revenue of the Commonwealth under this Government has fallen sharply and that the tax rates themselves have fallen, including the ones that most affect him - that is the tax free threshold which has gone up from \$4500 to around, from memory, \$5400. The bottom rate from 30 per cent down to 20 per cent, and substantial tax relief in the middle ranges which affects him.

JL: So, you are saying it could be worse? I mean, that probably is the only retort - it is not a bad one, I am not criticising it - but that is what you are saying?

PM: I'm not saying it could be worse, I'm saying it is much better than it was. Much better than it was.

- C: I have three children and we are expecting our fourth child in January. That means we will miss out on the maternity leave that will be coming in in February, is that right?
- PM: I'm not sure, I'd need to go and check that one. Let me just say I was very pleased to be able to announce the new maternity allowance in the Budget.
- C: I'm just wondering how the country can afford to pay that and where is the money coming from?
- PM: We are not only paying it, but we are actually in surplus as well. I am very proud of the fact that we have supported families.
- C: But, wasn't this brought in before in the 1970s?
- PM: No, we have never had ever in this country, ever, a maternity allowance. This is to help families through the period when a child is born, when a woman has that time away from the labour market, from work, in that period afterwards. It is for six weeks and our objective over time is to move it up to 12. But, that fits in with a broader set of policies to support families like yours. That is, the Family Allowance Supplement or additional family payment, the general family allowance and, of course, if you have a child in child care for instance, the generalised child care rebate or the fee relief. Can I say to you, I have seen much of my mission as a Federal Minister and as Prime Minister of being out there on the front foot to help families, to help people on low to middle incomes. Because the people on high incomes can help themselves. I am talking about people on low to middle incomes. Giving them a right to medical protection through Medicare, having that income support when they need it, giving them support now when they have a child and we are doing all that with government spending to GDP - that is government spending in the whole economy - at really, in an underlying sense now, at early 1970s levels. On the forward estimates of this Government's budget in two years time, we will have government spending back to the level that existed before the Whitlam government came into office and yet we have got that targeted to help the people who really most need it.
- JL: Are you getting the answer you want here?
- C: Not really.
- PM: What would you like? What would you like me to say? We can't afford it, it is a shocking thing to pay money to families?
- C: Well, we decided to have this child because we think we can afford it.
- PM: Good.

- C: And I don't expect any money from the Government just because we are having this baby, well we won't be getting it anyway.
- PM: Do you class yourselves as a high income earner?
- C: No. We are just an average family, we are paying a mortgage.
- JL: Can I ask how old you are?
- C: 32.
- JL: OK and you husband is working and you don't expect any money from the Government, so what you are saying in essence is you have decided to have this child because you believe you could afford it and why don't other people wait until they can afford to have children?
- PM: Well, your husbands income must be such that you can believe that. But lets say ...
- C: He works very hard, and he pays a lot of taxes.
- PM: OK, but where our policies ...
- C: We are paying for it anyway in the long run aren't we.
- PM: Our policies are directed, but it is a matter of who pays. It is a matter of whether the tax treatment and the benefits of tax payers with children are more advantageous than the tax treatment and payments to tax payers without children. It is called horizontal equity. On this question of horizontal equity, we believe that tax payers with children or people that have children through direct benefits from the government get supported. Our policies are directed towards one, two, three and four children - it is paid per child. The Family Allowance Supplement or additional family payment is paid per child. The policy of the Government is to look after the children, but in doing that, of course, we buttress the income of the family. I am surprised you don't think it is worth doing.
- JL: I'm not sure that she doesn't think it is worth doing, you are just asking can we afford it.
- PM: No, the lady said to me that she doesn't think that the Government should pay for it.
- C: Well, the national deficit is so bad ...
- PM: No, but it isn't so bad.
- C: ... on all these things and, I mean, if it is a great thing why can't we introduce it later and why does it have ...

PM: Let me just say, the national deficit isn't so bad. That is the Budget is in surplus and government debt to GDP is amongst the lowest in the western world.

C: Well, don't you think that money would go better towards unemployment programs.

PM: We are already doing those and we have had this year a very big underspend on government programs because we have got so many more people back to work. You realise that in Working Nation which is the big program I introduced when I said we wouldn't leave the unemployed behind, particularly the long term unemployed, we have just in this Budget yielded substantial savings from the forward estimates because of the underspends here because so many people have gone back to work. So, I don't think we should worry about the state of the Budget. The Budget is in surplus and these are affordable. Can I just say this to you, when John Howard said a week ago in his headland speech he was going to have deep cuts in government spending, he means on these programs. He won't pay for payments to families, he'll cut payments of pharmaceutical payments for pensioners which is the big burgeoning growth area of the health scheme. He'll cut payments to schools because they are the only places you can now cut government spending without really ... to raise money and where there is the room to raise some money.

JL: There would be a lot of people who would think that you could cut government spending in the area of welfare.

PM: Well, we are now delivering John ...

JL: Are you still there?

C: Yes.

JL: OK.

PM: You could have said that and made that stick in 1983 or 1984, but after the 1980s reforms and the targeting of the social security system. Remember the big fight we had over the assets test.

JL: Yes.

PM: After the introduction of those things, and the fact that we now have a targeted system, for instance, just take the additional family payment. We pay it from about \$17000 and it cuts out at about \$26000 or \$27000. In other words it is targeted. We don't pay it to people who are getting \$37000 or \$40000.

- JL: OK, would you just explain to our caller, my listener there, again what you mean and if you could do it briefly because we have got a bundle of calls, but I think it would interest her and it would clarify it, when you talked about tax payers with children as opposed to tax payers without children?
- PM: It is this notion of horizontal equity. Do you provide the same level of assistance in tax and direct payments to a tax payer without children or do you recognise the burden of a family having children?
- JL: Ok, is that clear to you?
- C: I don't think it could help the people that are unemployed if they had more children.
- PM: No, that is a different argument again. Let me just assure you of this, we have got an increase in unemployment benefits now which has been a massive improvement over what it was when John Howard and company left office. We have now got these labour market programs which he says he will cut, these are the ones that are directed towards pulling the long term unemployed back into the labour market. In fact, we are having so much success with them, a quarter of all the jobs this year have gone to long term unemployed people. That is, people unemployed for 12 months or more.
- C: Well, you haven't bought my vote, Mr Keating.
- PM: No, but I don't think I'm going to am I?
- C: No.
- PM: That is the point. I don't mind having discussions with people of the conservative bias, but understand this, there are families out there that need support and we are giving it to them.
- C: Yes.
- PM: Thank you.
- JL: A fax from Queensland. Mr Keating, why does your government contrive to discriminate against the white working class man in regard to a number of issues, but not in the least Aboriginal legal aid, particularly in civil cases such as the one at the moment regarding the poker machine fiasco. Are you aware of the poker machine fiasco?
- PM: No, I'm not John.
- JL: Two Aboriginal women having a fight over who put the 10 cent piece in the slot and who is entitled to the \$48000. It is now in front of the Supreme Court, both of them are in front of the Supreme Court

because of Aboriginal legal aid. He finds that offensive when he couldn't get the same thing.

PM: Legal aid is generally available. It is set up on a criteria, we have added financially to the budget of legal aids dramatically through the 1980s and 1990s. It is there for people when they really need it, there are tests of course.

JL: Yes, but it is not there for civil cases such as this, but Aboriginal legal aid is. That is the point he is making. If he wanted to have a fight about who put the money in the poker machine, he would be paying his own way whereas both these Aboriginal women in front of the Supreme Court, which doesn't come cheap, are being supported by Aboriginal legal aid and Aboriginal legal aid is supported by the tax payers of Australia.

PM: I must have missed that one, but the fact of the matter is that, of course, there are Aboriginal legal aid services there and they are there because as a class of individuals they suffer more discrimination than is the case with the rest of the community and so the Aboriginal legal aid services have mattered enormously to improving the equity of to the lot of Aboriginal people. But, I mean, there is not much profit on this program going to every case and who has got what.

JL: No, there isn't but you understand the point he is making.

PM: I'd have to know the details to understand the point. John, I understand the broad point he is making and whether it is right or not I don't know.

JL: Yes, it is right, but to another fax. Can the Government assist private health fund members through tax rebates. We are forced to withdraw because of increasing fees, the cost of Medicare will increase dramatically anyway.

PM: Tax rebates will only do two things. It will lift the cost of private hospital services and lift the incomes of medical practitioners practising privately in those hospitals. It will not improve the overall tone of the health system and that is the key issue. What will happen, people will pay, they think they get a tax deduction, it will simply just be paid away in higher premiums. This is the point we have been arguing with the Coalition now for a decade.

JL: I understand the point he is making however. If people are in a position to be able to afford their own health care, if they were encouraged to take out their own health insurance, wouldn't that then be for the betterment of the people who can't afford their own health care, wouldn't it improve the quality of their treatment.

PM: We have got a proportion of the community, a substantial proportion taking private health insurance.

JL: Yes, but again, like saving they are not given much incentive to do it.

PM: A lot of this comes back to the whole principle of community rating. You have heard of this expression - community rating - and that is whether Australia should have a private market in private insurance. That really means whether young, healthy people pay less for their insurance than older less well people. In other words, there is a market. Now, this community has generally taken the view that the private insurance rates should be the same for everybody and that older people in the system were once younger people who have paid for 30 or 40 years and now expect the system to support them in their old age and where they have health problems. But, while ever that situation remains the young and healthy people will say, 'well, what's the point of me paying this premium when I'm not likely to be using the system'. So, what happens is the system generally gravitates towards older, less well people. So, it has more costs.

C: I'd just like to say to Paul that he is doing a great job. I have been all over Australia with my job.

JL: Where are you now?

C: Emerald, Queensland. I've been up to the Territory and down to NSW. I've seen what his money has done and where it has been, but a point for the people is that what would they rather - a government that does the work with a bit of irritation or a government that bows to all of the do-gooders and all the righteous groups? If they done that there would be no progress, there would be no jobs, there would be no wealth for the country, they would just be bowing to all the do-gooders.

JL: So you are happy with the Prime Minister?

C: Yes

PM: Well thank you for the compliment. I mean I am not sure there is such a great body of Labor voters out there in John's audience. But you are one. Thank you, indeed.

C: I have seen with the Aboriginal funding, I have been up to the Territory, I have seen all the new houses in places like Elliott and Katherine and Darwin and all that and there is a lot of funding there. But if you bow to all the do-gooders, there would be no money for the houses and the builders who build them well they wouldn't have any jobs because there would be no houses to build.

JL: Okay.

PM: Thank you for the compliment, but the main thing is that this is economy has grown at a clip for now 12 or 13 years, bar 18 months, and it is going to grow for the next 3 years and we are now at a sustainable rate of economic growth. You see how John Howard got into the Governor of the Reserve Bank for having the temerity to ping his cynical lie that we had five minutes of sunshine. Of course, we have had years of high economic growth. We have had, now, nearly 3 and 1/2 years of economic growth since the recession and we have got 3 years in the forward estimates ahead of us and we have now, I think, succeeded with the policy changes this year of actually getting the economy back to a sustainable growth rate, taking the pressure off interest rates and getting the Budget back into surplus and seeing low inflation pinned into place, of course, through productivity rising in the economy and through the Accord with the unions. I mean, we have got a most stable economic situation, growth situation, the likes of which we have rarely seen.

JL: Okay, our caller in Emerald, thank you very much. It was good to hear from you and I am sure the Prime Minister was delighted to hear from you too. Just back to your statement about you wouldn't find too many Labor voters out there in John Laws' audience. If you wouldn't, you have got a big problem because this is a big audience, 70 stations across Australia. What makes you think that there aren't going to be too many of your supporters?

PM: I think there probably are, but they are not as noisy as some of the others. They don't ring in and make faxes and needle you after the program.

JL: Well I don't know that I am entitled to be needled today. I didn't ask the questions, they did. This one comes from Michael Tyres, "A number of years ago you wanted to introduce", and we are going to have to be very quick we have got about a minute to answer this "a GST package into our country. You failed to do so with your Party. Why don't you bite the bullet, introduce a GST package into Australia and fix the overseas debt problem?"

PM: Because that wouldn't fix the overseas debt problem. Rather than simply put more revenue into the system, what I did then - after that policy change failed - was to actually cut the size of Government spending. So, now we don't need a large second base in the tax system to fund the Government sector. It is now much smaller, it is much smaller and doesn't need a second tax base. So, when I was refused a GST-type tax in the middle 1980s, I took the hard way out and that was actually go root and branch through the Commonwealth spending and outlays and cut it back.

JL: Okay.

PM: And now we don't need it.

- JL: When will you be available to do this again, I know you can't wait?
- PM: Well I don't mind doing it, as long as you make all the others do it too.
- JL: What, John Howard?
- PM: Well no soft rides for others.
- JL: No, no, well I don't give anybody a soft ride.
- PM: Okay, I will keep you up to that.
- JL: Okay, well it would be good because there is a bundle of questions here.
- PM: Well I mean, look, ...
- JL: There is a board full of questions.
- PM: I mean let me just repeat one of the things I started and just say, John, you have just got to look at the last week, you know. A ship we couldn't have hoped to produce 20 years ago; a world ranking set of studios, the largest in an English language country outside of America; \$1 billion from the Ford Motor Company; American Express, the largest credit card company in the world, basing its whole East Asian operation in Australia; 50,000 jobs for the month; and, the stock market hitting a high for the year. I mean it is not a bad week.
- JL: No, it was a terrific week and I think the people should be aware of it and proud of Australia too in these instances. But they still, obviously, have a lot of concerns and it would appear that the main concern is the overseas debt.
- PM: But that again, like we say, you move up in this country by getting a bit of debt and buying a house and you move up as a country by getting a bit of debt and buying some investment.
- JL: Interesting analogy and I hope the people take it to heart and Prime Minister good to talk to you.
- PM: Thank you, John.
- JL: Are you coming to my party?
- PM: It's your party and you'll cry if I don't. Won't you and I wouldn't like to see you in tears. I think there is somebody else who used to cry all the time and I just couldn't stand it.
- JL: So does that mean yes?

PM: I think it does.

JL: Good on you.

PM: Okay.

JL: Thanks for your time.

PM: But you have got to be choosy about the other people who are coming.

JL: Oh well, do you want to check the list, do you?

PM: Well if you offer it to me.

JL: Okay. Bye.

ends