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PRIME MINISTER

21 August 1996

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
RADIO NATIONAL WITH PRU GOWARD**

E&OE.....

GOWARD:

Well John Howard, welcome to the programme.

PRIME MINISTER:

Good morning.

GOWARD:

You are well on your way to getting rid of that deficit, but what would you say was your ideology though, for deciding what you would cut and what you wouldn't cut?

PRIME MINISTER:

We wanted to deliver to the people and to the cause as we committed to ourselves to in the election campaign. Families with children, small business...seeing small business, strengthen the small business sector as the true vehicle of reducing unemployment. You won't get unemployment down in this country in a lasting way until you get small business booming and all of our policies are directed towards doing that. That is why the passage of the industrial relations bill, the removal of the anti-employment unfair dismissal law - which is a key element of that industrial relations bill - that is why that legislation is so important. But I am very proud that this first Howard Budget has delivered to low to middle income families. They are the people, they are the heart of the constituency that we spoke to, the mainstream of the Australian community. I'm very proud, beyond belief, that this budget has delivered on our promise to those people.

you went into the hostel when you go into the nursing home. Now, what has happened is the nursing homes have become starved of capital, they are not growing, many of them are becoming quite dilapidated, and unless you get more capital in to them - and this was a very carefully thought through policy, I think it is a very good long range policy change...

GOWARD:

(inaudible)

PRIME MINISTER:

Yes, but there are a lot of people who are in a position to make a contribution to...

GOWARD:

What about somebody who doesn't own their own home, who...?

PRIME MINISTER:

Well, there will obviously continue to be allowance and arrangements for people in necessitous circumstances. It's not going to deny a nursing home bed. In fact, it will increase the capacity of the nursing home system to look after people who can't make any kind of contribution. At the moment they're starved of capital and absent growing government subsidies, the only way you can get a bit of capital into the system is to impose an entry charge. Now, I don't like doing it but it's necessary, it's defensible and it treats people exactly as they are now treated if they go into a hostel and you end this absurd situation where co-located nursing homes and hostels have an entry charge for the hostel but not for the nursing homes.

GOWARD:

I appreciate that. Now, the politics of this. Would you anticipate an interest rate cut? Do you think it's worth it?

PRIME MINISTER:

Well, I hope we get some further cut in interest rates but I don't, nor does the Treasurer direct these things, that's a matter for the monetary authorities. But the budget last night did far more to set up an interest rate cut than the budget that was being urged on us by Kim Beazley and Gareth Evans. I mean if you really don't want an interest rate cut, do what they've been telling us to do over the last couple of months.

GOWARD:

Does Mal Colston's conversion to Independent mean to you that the budget is likely to get through?

GOWARD:

There are hidden hurts for families there, aren't there? I mean, if you're...

PRIME MINISTER:

Well, families are huge winners out of this budget.

GOWARD:

Unless they are in a government subsidised child care centre in which case they lose perhaps the lot.

PRIME MINISTER:

They don't lose the lot, that is ridiculous. They still get the child care subsidy. They still get the...

GOWARD:

No, the subsidies...

PRIME MINISTER:

No, no, no, they themselves still get the free subsidy. The free subsidy's not touched. Let me make that clear. I mean, what we are doing is we are taking away the operational subsidy for community based child care centres, such subsidies don't exist for private centres, we're not taking them away for family day care centres, that operational subsidy stays, we're not taking them away for occasional care or after care centres, but there is a very strong argument coming from the child care sector that to have an operating subsidy for the community based ones, which now include large numbers of people who are quite high income earners, but not have an operational subsidy while there is not operation subsidy for the private centres is quite inequitable, and it's a good policy change to withdraw that. But I emphasise that the fast growing family day care centre network is not affected by this change.

GOWARD:

All right. You've imposed an up-front contribution for people going into nursing homes which last night was reported to be as high as \$26,000, isn't that just impossible for a lot of old people? They have to sell their homes...

PRIME MINISTER:

For a lot of people what we are doing is no more than what occurs now if you're going to a hostel. It's very important for people to understand that at the moment you have the situation that if somebody goes into a hostel there's an up-front charge, but even if it's part of the same complex and you go from a hostel into a nursing home there is a refund of the fee of the unexpended portion of the entry charge you made or paid when

PRIME MINISTER:

Some of them and not all of the programs of the past government are being scuttled, but what we are doing is reducing the number down to about four. We are introducing an apprenticeship and training approach which will be simpler, it will tie the training process to outcomes, it will, through this new privatised case management approach, it will give people an incentive to find work for the people they're looking after. And the way society operates, if you give people an incentive you normally get a better result.

GOWARD:

But if, as you say, at the end of the year the unemployment is only marginally increased it means for the whole year there are no labour market programs, nothing to do, no retraining, they sit around. I mean, it's a waste of peoples' lives.

PRIME MINISTER:

But Pru, is a waste of a persons life to say to them : look, we'll kid you that something will be better after we've put you through this training program, when in reality it's not. The thing that those people want is the opportunity of a real job. If you have a more practical training and apprenticeship system you're more likely to provide that.

GOWARD:

Do you think you'll keep the youth vote? You've made it very hard for them and their families, whether they're going into a job, maybe, and they don't become independent until they're 25 or whether they're going to paid...

PRIME MINISTER:

That is in relation to Austudy - the 25.

GOWARD:

But it also applies to new staff for job start.

PRIME MINISTER:

Yes, but look the...

GOWARD:

Do you think you'll keep the youth vote?

PRIME MINISTER:

I think the youth vote, like any other vote, will be a vote that will make its mind up at the end of our first term. I don't take it for granted. I don't take the family vote for granted. I don't take anybody for granted.

GOWARD:

But do you agree that the tragedy for the budget and for all of us really, is that for all these cuts there isn't a cut in the unemployment rate this year?

PRIME MINISTER:

Well Pru, the forecast is for a modest improvement. But you know, we all know, that improvement on the unemployment front occurs but gradually. And the main determinant of unemployment improvement in this country will be the structures of the labour market, the incentives that are there because of an improved structure for employers to take on more staff. And until you fix those structures...I mean, while ever we have an unfair dismissal law that literally frightens small businessmen out of taking on more staff - and that is not an exaggeration, it is a truth which has been confirmed to me as recently as the last couple of weeks as I've gone around Australia - until we get rid of that - and we can't get rid of it until the Senate passes the law - you're going to have a constraint on small business employment. And it can't be dismissed. It's no good people saying, oh well, you know, let's get back to the budget. But you asked me why aren't we having faster gains on the unemployment front, that's one of the reasons.

GOWARD:

All right. ACOSS is concerned about the unemployed. Now the labour market programs have taken a very big hit. But for a middle-aged guy with poor English there is nothing now for him to retrain with.

PRIME MINISTER:

But if you look at all of the labour market programs Pru, all of them, you will see that many of them are a great waste of money. The former government established...

GOWARD:

Well that's just economics.

PRIME MINISTER:

Well no, it's not just economics and if you are spending hundreds and millions of dollars and you're getting eight out of ten people passing through certain programs ending back on the unemployment list as soon as the program is over, that's not just bad economics, it's plain...a failure of commonsense. You don't continue to devote resources to that.

GOWARD:

But some of those programs...

PRIME MINISTER:

Well, I hope that there's real meaning in what he said yesterday when he said that he accepts that the Government has an electoral mandate in certain areas. I hope it does and we'll just have to wait and see. He's become an Independent, we certainly hope that he'll support us on some things. I don't expect him to support us on everything.

GOWARD:

It was tricky politics wasn't it. I mean, you've broken a sort of an arrangement...

PRIME MINISTER:

Well, hang on, hang on. You know what happened in 1990. In 1990, we having agreed to re-elect unopposed the Labor Party Senate President, Kerry Sibraa, right at the last minute the Labor Party came to us and said the deal is off chum, we don't like your nominee as Deputy President - that nominee was Noel Crichton-Brown - we're going to install our nominee. And do you know who their nominee was, Mal Colston. So don't anybody lecture us about broken arrangements in the Senate.

GOWARD:

A lot of Liberals here didn't like the Noel Crichton-Brown...

PRIME MINISTER:

Yeah, but it doesn't alter the fact he was the nominated person. If there's a principle, it was torn up by Evans and Faulkner in 1990.

GOWARD:

John Howard, thank you for your time this morning. It's quite a selling job.

PRIME MINISTER:

Thank you.

GOWARD:

John Howard, Prime Minister of Australia.