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PRIME MINISTER

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

E & OE.....

Well Prime Minister thank you for joining us this morning. You've certainly had your successes with policy, sometimes I think even to your own surprise, but is Rupert Murdoch right that we are in danger of becoming a backwater if there's not faster reform?

PRIME MINISTER:

No I think the remarks Rupert made indicate just how disconnected he's becoming with Australia. Anybody who's been in Australia over the past few months, particularly the past couple of months and has really followed things closely could barely say that we haven't achieved some quite fundamental reforms. The industrial relations legislation which won't come into operation until the first of January..

GOWARD:

But a lot of business people say it's quite a serious compromise.

PRIME MINISTER:

Well they should wait and see it operate. If it had compromised fundamentals we wouldn't have accepted the compromise.

GOWARD:

All right. What about tax reform though, Prime Minister?

PRIME MINISTER:

Well we made a commitment that there would be no GST during the first term and I repeat that commitment. I have no intention of dishonouring it but we made a change to the capital gains tax so far as it affects small business which has enormous consequences. Any small business operator with a business valued less than \$5 million can sell that business and move into another business of like value, it doesn't have to be the same kind of business, and could in fact do that three or four times during his working lifetime and it was correctly described by the *Business Review Weekly* as the biggest tax reform in decades. So whilst a GST is not on this term, I've said that, and it's not going to change and I just repeat that, to suggest that there have been no tax changes at all, particularly a change like that that will help literally 70 - 80% of small businesses in Australia in a quite mammoth degree...

GOWARD:

But Rupert Murdoch makes the point that terms here are very short, three years. You say no tax reform this time.

PRIME MINISTER:

No, I said no GST.

GOWARD::

Sorry, no GST this time.

PRIME MINISTER:

No, there's plenty of tax reform and we've fixed the capital gains tax burden for small business. That's a pretty major reform given they employ so many Australians.

GOWARD:

All right but if it is going to be next term and you've got a chorus of business people calling for it, is it time you started indicating your sympathy to it, I mean, where you're going to go with it? We don't really know whether you even want a GST.

PRIME MINISTER:

I haven't said anything about anything being next term. I've only just started this term. The time to talk about next term is when next term is approaching. I haven't finished a year yet. Everybody should just have a holiday at Christmas and I hope they do but we look back on nine months of doing all the things we said we were going to do and anybody who has really followed Australian politics closely would have to acknowledge often to their surprise and against their predictions that my Government has actually delivered on all the essential commitments it made at the last election.

GOWARD:

And a double dissolution for this term is now out of the question.

PRIME MINISTER:

You never say never about anything in politics but I like the idea of governing for three years at a time but I'm not going to say "never" about something like that. I certainly don't have it in contemplation but you can't ever say never in politics.

GOWARD:

Howe Leather was a big issue when President Clinton's visit was upon us. Cabinet was to have decided what to do to help those 500 workers hanging out for Christmas. What did you decide on that this week?

PRIME MINISTER:

Well that matter is still under discussion.

GOWARD:

So it was not raised at Cabinet as Mr Moore indicated.

PRIME MINISTER:

Well I don't normally talk about what was raised or not raised at Cabinet. I simply say to you it's still under discussion.

GOWARD:

Those 500 workers might like to know.

PRIME MINISTER:

I understand that and thank you for taking up their cause and I'm very sensitive to it as well.

GOWARD:

But it is about industry policy isn't it and a complaint that business makes that there isn't one.

PRIME MINISTER:

Well there is. I mean, industry policy is low inflation, low interest rates, industrial relations reform, other microeconomic reform. There is a debate, the debate is about the extent to which governments should specifically intervene or provide specific support to particular industries. I mean let's cut through...

GOWARD:

Like Howe Leather, yes...?

PRIME MINISTER:

...let's cut through the generality, the verbiage. The debate about industry policy is the debate about the extent to which governments should explicitly intervene to give subsidies or incentives...

GOWARD:

Or tariffs.

PRIME MINISTER:

...or tariffs. Although tariffs are really increasingly on the way out in an era of floating exchange rates. I mean, our general tariff rate's down to five per cent apart from the motors and the textiles. So it really is about the extent to which you specifically intervene and give a nudge in a particular direction. That's what the debate about industry policy is about. So it's a pretty limited debate. Nobody surely would contest the proposition that if you have a low inflation, lower interest rate climate is a more benign atmosphere for investment.

GOWARD:

And the waterfront, that is one of your challenges - there are reports this morning that you're prepared to send the troops in. Rupert Murdoch might like to hear that.

PRIME MINISTER:

Well, that didn't come from me or from any of the Ministers I've spoken too unless they had conversations that were totally different from the ones I've had. Sounds as though somebody's been to a Christmas party too many.

GOWARD:

What, a Minister?

PRIME MINISTER:

No, no, it hasn't come from a Minister. My understanding is that when you say a senior source you don't mean a Minister. Anyway...

GOWARD:

But you deny it, you don't think you'll go that far?

PRIME MINISTER:

Oh look, we don't have any plans to use troops. And as far as putting unionists in gaol, the only circumstances unionists would go to gaol would be like you or me, if they or we break the criminal law.

GOWARD:

There is also some concern about the Government's determination to get on top of the deficit, the Government deficit...

PRIME MINISTER:

Really. Most of the commentary this year has been that we've gone too far.

GOWARD:

But I think you'd agree that economic commentators are concerned that there won't be...

PRIME MINISTER:

No, no. And most of them...there are one or two...there will always be one or two who, for the purpose of as they see it, keeping everybody honest, they want to push it a bit further. I mean, they operate on the principle that it's DR plus one - deficit reduction plus a bit more. And even if you put the thing into surplus they say you've got to have a bigger surplus. That's all right, I accept that. But nobody seriously says we squibbed fiscal consolidation. We did a terrific job.

GOWARD:

But is that the end of it?

PRIME MINISTER:

Well, we're having a mid-year review. What I said on a sister programme to yours last week was that we didn't have in mind a repeat of the magnitude of last year. But as to precisely what we do in the budget, we have a parameter of getting it into underlying balance if we can in year three, we want to hang on to the \$7.2 billion of savings over a two year period.

GOWARD:

And the 'if we can' is not a proviso?

PRIME MINISTER:

No, no, look...stop...you people, with great respect, do spend too much time sort of grabbing on to something. We've set ourselves a goal and we're working towards that

goal. But the thing I said was not sort of going through an exercise similar to last year. But that doesn't mean to say there won't be further savings sought and particularly if people want to spend more money in their portfolios they will need to find offsetting savings.

GOWARD:

Now, the social issue debate of the year - Rupert Murdoch, amongst others, says you've been distracted by others.

PRIME MINISTER:

Well, he said...I was fascinated with his comment that we were distracted by the guns debate. Well, yes I was. I plead guilty to that. I think the Australian public wanted me to be distracted by that. They, in fact, didn't regard it as a distraction. And safety in the streets and in public places and in the home is a mainstream social issue in this country, as it is in the country of Mr Murdoch's residence, the United States. I'm surprised that anybody, anybody would see concern about that as being nothing better than a distraction.

GOWARD:

You might have considered the race debate an initially a distraction, but would you agree now that it is feeding into real things like university students not wanting to enrol here?

PRIME MINISTER:

Whenever anything...I mean, if people, either before or after Pauline Hanson made her speech, are the subject of any kind of racial insult, I mean, I find that absolutely repulsive. And I want to take the opportunity of saying that students from Malaysia, indeed foreign students generally, are very welcome, very welcome indeed in this country...

GOWARD:

He's talking about bringing them home.

PRIME MINISTER:

Well, we'll wait and see...

GOWARD:

But it is feeding in, isn't it...?

PRIME MINISTER:

Well, can I just finish. They are very, very welcome in this country. We've not had a race debate. We've had a debate about responses to a speech and nobody in the Government, nobody in the Opposition, nobody is seriously arguing that we should go back to the White Australia policy. I've made that very clear - under no circumstances is that going to happen. We have a non-discriminatory immigration policy and we always will. The level of that immigration intake is something for very legitimate debate. We're really having a debate about responses to a speech and I've expressed the view before that I think if a lot of people, including many in the media, had followed my example on that you probably wouldn't be asking me that question this morning.

GOWARD:

And the Republic, Prime Minister, you've promised a Peoples' Convention - half elected - will you deliver that?

PRIME MINISTER:

We are looking at all of that at the moment. What we will deliver is a process that will fully involve the Australian people.

GOWARD:

But it might not be that half elected Peoples' Convention.

PRIME MINISTER:

Well, we are looking quite honestly at whether there's a different way. You can have half appointed, half fully elected. You could have half appointed, half elected in an indirect fashion involving local government and State governments. You could have some kind of indicative plebiscite first and then have some kind of convention. We are looking at a whole range of ways...

GOWARD:

The word 'Convention' will appear eventually?

PRIME MINISTER:

I would be quite surprised if at the end of our deliberations the process does not involve 'Convention'. But what's important in this is that we don't wrap it under - push it under the carpet but equally we don't push it with unnecessary haste and also that we have a process that involves everybody fully and I can assure the Australian people that will happen. But I'm not going to be, sort of - I'm not going to have a timetable forced on me by visiting commentators.

GOWARD:

All right. Just two quick ones Prime Minister. Health reforms - do you consider there might be a need to change the community rating principle?

PRIME MINISTER:

Well, it's a central element of our policy and I'm going to obviously look at the Productivity Commission Report. I'm going to read it over the holiday break and see what it's got to say. But I haven't read it yet, I've only read the newspaper reports and a brief summary provided by my Department. So all I can say is that until further notice the current policy stands.

GOWARD:

And finally - and I guess in a way this is a curiosity item, it's an insight into you - why won't you send a good will message to that gay Mardi Gras rally in Sydney? Just why not?

PRIME MINISTER:

Well, I don't send messages to everybody who asks me for one. I've actually got...it's not a question of a view about homosexuality but there are certain groups in the community who are sort of subject to ridicule in that parade. And some of those groups, I mean they've had a bit of a shot at Catholic nuns for example, they've had a bit of a shot at other public figures who I've had sort of cordial relations with. I just choose for those and other reasons. But it's really got nothing to do with a view about homosexual conduct. I think people who know me and know me well know that the last thing that I am is in any way hostile towards individuals who are homosexual - quite the reverse. But I choose for those I've stated and other reasons not to. And the fact that I'm apparently alone doesn't trouble me. I haven't sought out to be - I haven't sought out to do that but if that's the situation, that's the situation, so be it.

GOWARD:

Prime Minister thank you and happy Christmas.

PRIME MINISTER:

And you too.