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**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
RADIO INTERVIEW - ALAN JONES - RADIO 2UE**

E&OE.....

JONES:

The Prime Minister, with plenty on his plate is sitting absolutely opposite me. Prime Minister, good morning.

PRIME MINISTER:

Good morning Alan, always good to be with you.

JONES:

Don't say that.

PRIME MINISTER:

No, I will.

JONES:

Oh really.

PRIME MINISTER:

It's true!

JONES:

Now look, I thought we would start by listening to the people who are your constituency.

PRIME MINISTER:

Sure.

JONES:

Because this morning I took two calls, one from David and one from Bruce. This is David.

DAVID:

Alan, I'd like you to put something to Mr Howard. I want him to consider that you've worked all week, right up 'til Wednesday afternoon to pay taxes, direct, indirect taxes and government charges. Now I don't want to see one more cent of my tax dollar go to reconciliation. I believe there's enough money allocated for, per head, of indigenous people to make everyone of them well off, provided that it's administered correctly. There's a hell of a lot of waste there and I want to see it stopped. I'm sick of it, and I know a lot of other people are sick of it.

JONES:

Well, just combining that call, the very next call PM - and I just take calls as they come up, there's no manipulation of anything here, these are the first two callers on the line - this is Bruce.

BRUCE:

Alan, when you talk to the Prime Minister there's two things I'd like you to ask him. Alexander Downer said yesterday that Pauline Hanson's policies would cost jobs. I would like to know what have politicians, not just governments and oppositions I'm talking about, done in the last 20 or 30 years to save our industries and save our jobs when we have one and a half million out of work?

JONES:

And then that followed with a caller who said well, when we're talking about jobs we think about Bob Hawke and Malcolm Fraser and Paul Keating and John Howard. We'll just take the first point then, how much money is Wik going to cost the taxpayer?

PRIME MINISTER:

Well, we haven't agreed if it's going to cost anything. I mean, I'm going to sit down no doubt and be presented with requests from the Aboriginal community for an economic empowerment package. Like any other section of the community they can put a view to me. But can I say, I agree with that first caller. There is a lot of anger in the community. There's a feeling that millions of dollars have been wasted in the Aboriginal affairs area. I mean, just remember - and can I say this to that caller and can I say it to you - that I'm the Prime Minister who took money out of the ATSIC budget. I'm the Prime Minister who was attacked by the media of this country for taking money out of the ATSIC budget. I'm the Prime Minister who insisted that when we came into government we should direct money into areas that were really needed in the Aboriginal affairs department. I'm the bloke that's been under constant attack from Aboriginal leaders since the time I became Prime Minister for being insensitive to their situation. Now, I'm the Prime Minister who tried to end the farce of the Hindmarsh Bridge and the secret women's business. I lead the Party that opposed that legislation. I'm also the Prime Minister who belonged to the Party that voted against the *Native Title Act* in 1993. Now, it's all very well, and I can understand why people feel like that but I want to get the record straight, any suggestion that we have perpetuated the Aboriginal industry is wrong. Any suggestion that we have continued the ludicrous practices of Robert Tickner when he was Aboriginal Affairs Minister are wrong. But equally they are Australians like you and me and when you are dealing with matters that affect the Aboriginal people, like native title, they are entitled to be consulted, they are entitled to be treated decently and ordinarily like anybody else.

JONES:

But to what extent then is the Wik issue a fight over money? I mean, the Century Zinc Mine matter...

PRIME MINISTER:

Well I think everything has a financial dimension to it. And you know what the problem with Wik... can I... there are two things about Wik. The Wik mess - and it is a mess - was caused by a very bad *Native Title Act* drafted by Paul Keating, which we opposed, compounded by a highly impractical decision of the High Court of Australia in December last year and I had the responsibility of cleaning up that mess...

JONES:

Paul Keating though put into that native title legislation that pastoral leases would extinguish native title...

PRIME MINISTER:

No he didn't, no he put it in...no he stripped it...no, I'm sorry...

JONES:

Well hang on, you people voted against the native title bill entirely. Had he shoved that thing in...

PRIME MINISTER:

No that is...I'm sorry Alan, that is just nonsense...

JONES:

Did the National Party people cross the floor to support the extinguishment of native title?

PRIME MINISTER:

Look Alan, Alan, Alan look...

JONES:

Well, yes or no?

PRIME MINISTER:

Well, I mean, I'll decide...

JONES:

(Inaudible)

PRIME MINISTER:

Alan look, I'll decide how I...you can decide what questions...

JONES:

Well it's a simple answer.

PRIME MINISTER:

Well I'll simply state my position and that is simply just that I'll decide how I answer the question...

JONES:

It's a pretty simple question.

PRIME MINISTER:

Well, the simple question is this, that Paul Keating refused to put a clause in the *Native Title Act* in 1993 to extinguish pastoral leases because he couldn't secure the agreement of the parties to that and he wasn't willing to so provide in the legislation.

JONES:

My information is that there was no one person in 1993 who then lobbied the Government, who argued that native title should co-exist with pastoral leases.

PRIME MINISTER:

Well, my information is quite different and I have spoken to people who were present at the discussions and they deny that.

JONES:

Okay, well we might actually raise that...(inaudible)...not this week...

PRIME MINISTER:

Well can I say, can I say with respect, that was three and a half years ago. It is now May 1997 and what the farmers of Australia want now is the uncertainty removed. And the only plan that is going to remove that uncertainty is my plan, no other plan. An extinguishment option in the wake of the High Court decision is not going to remove the uncertainty and people who run around saying it is don't understand the situation...

JONES:

So what access will Aborigines have to land which is the subject of pastoral activity which you won't specifically say has extinguished native title because that's a one sentence solution?

PRIME MINISTER:

Well, it won't be a one sentence...Alan, no pastoral activity under my plan can be interfered with by a native title claim, none.

JONES:

So pastoral leases do extinguish native title, why don't you say it in one sentence?

PRIME MINISTER:

Well Alan, I've answered that question.

JONES:

But if no pastoral plan can be in anyway interfered with by native title...

PRIME MINISTER:

No pastoral activity, no farming activity can be interfered with by native title.

JONES:

So why don't you just say pastoral leases will extinguish native title...

PRIME MINISTER:

Well I can...I am required to state these things in a manner that is consistent with the law. I mean, you have the luxury of using shorthand terms like that, I don't.

JONES:

So how - I just want to come back to that point - if nothing involved in a pastoral lease can be interfered with...

PRIME MINISTER:

Nothing involved in pastoral, farming or agricultural activity under my plan can be interfered with by a native title claim. It may well be that in the course of that activity being carried out there is some extinguishment or some overriding of a native title right. If that is so then because of the law of this country they are entitled to compensation and so...

JONES:

So how much...?

PRIME MINISTER:

...we're dealing in practical realities. And the practical reality is that my plan will enable every pastoral leaseholder in this country to run his property without interference, without having to get the permission of any native title claimant, and my plan will deliver a greater degree of certainty at less cost and less frustration both to farmers and to the Australian community.

JONES:

So what then are you saying to Aborigines who're meeting with you every second day and arguing that pastoral leases must co-exist with native title? That's what...

PRIME MINISTER:

But what I am saying to them is that they can't have the Wik decision. I have said from day one...

JONES:

And will they take that decision to court then?

PRIME MINISTER:

Well, look Alan, I can't stop anybody taking something to court. If you extinguish native title, if you do what you have been arguing for and what some others have been arguing for, you will end up in court.

Alan Jones

JONES:

Therefore it's going to be tremendous cost...

PRIME MINISTER:

Alan, Alan...

JONES:

...(inaudible) your plan won't (inaudible) the cost.

PRIME MINISTER:

Alan, we are a democracy. You cannot wipe out anybody's right to go to court.

JONES:

So there could be big costs here.

PRIME MINISTER:

Well there will be much bigger costs if you go down the extinguishment route...

JONES:

Well if I'm a farmer and I go about my business...

PRIME MINISTER:

...there will be much bigger costs if you go down the extinguishment route. If people out there are worried about cost, don't support extinguishment because extinguishment will lead to mega cost, extinguishment could lead to constitutional challenge, extinguishment will inflame and already difficult situation.

JONES:

But I thought you just told me that your pastoral lease will extinguish native title.

PRIME MINISTER:

Not blanket extinguishment.

JONES:

How much money - out there, the taxpayer wants to know...

PRIME MINISTER:

Yes I understand that and I am sticking up for the taxpayer by rejecting the option that would lead to a much larger compensation bill. Can I say that again - if you really want a huge compensation bill go down the extinguishment route. Do you understand that blanket extinguishment... whatever you might think of the High Court decision, and I've got to say I thought it was an impractical decision, the fact remains that I as Prime Minister of this country have got to deal with the law of the land as it is, not as we would want it to be. And if you have blanket extinguishment the potential compensation bill is much greater, I repeat, much greater for all of your taxpaying listeners than the alternative that I have proposed.

JONES:

So what are you going to do with the \$1.4 billion land fund which was the trade-off of the Mabo legislation? Is that offer withdrawn? Are the new cards on the table? Does the \$1.4 billion land fund stay in place?

PRIME MINISTER:

Well once again, depending on who you talk to, there are different versions about that land fund. I've spoken to some of the people who were present. Some of them say it was a trade-off for the Aboriginal community agreeing to validation of old titles. Others say it was a trade-off for something else. I have already said that it is something that I will bring into consideration when I am looking at other proposals that are being put to me. If you're asking me to say is there any possibility of that land fund being used for compensation to which native title holders might be entitled in the event that there's any compulsory acquisition of their title or any extinguishment of their title, the answer is, well that's something I'm going to consider.

JONES:

Okay one final question, one final...

PRIME MINISTER:

I can well understand why people would want to see me take that into account.

JONES:

One final point then on the Wik thing. John Howard then puts this 10 Point Plan into a lump of legislation and in that legislation, according to what is said to me, there's going to be no interference with the right of the farmer who has a pastoral lease to pursue pastoral production.

PRIME MINISTER:

That's right. So he won't have to get anybody's permission...

JONES:

Right, but then the second point that John Howard says though is no one can be denied, and rightly so, access to the law.

PRIME MINISTER:

That's right.

JONES:

So suddenly a native title claimant decides well, I'm going to challenge, as did the Wik case, I'm going to challenge John Howard and we're going to go to the courts. How on earth can that create certainty for the farmer or the miner?

PRIME MINISTER:

Well Alan, what you're saying there is that the only way you can create certainty is to take away the rights of one section of the Australian community to go to court.

JONES:

I'm not saying that. I'm saying your plan will provide certainty...

PRIME MINISTER:

But Alan, there is no plan - the Howard plan, the one line extinguishment plan, some other plan - there is no plan that can stop somebody going to court.

JONES:

So we could in fact have this uncertainty about whose right, entitlements, over a lump of land between now and the year 2000.

PRIME MINISTER:

Alan, Alan, this plan of all the plans is more likely to produce certainty than any other. But you're asking me to guarantee that there is a plan that will a) prevent people going to court and b) prevent a decision that is impracticable. I can't do that. We live in a democracy.

JONES:

It's going to be great fun...

PRIME MINISTER:

I am the Prime Minister, I am not the Chief Justice of the...

JONES:

Well, the Chief Justice said that it was an absurdity to say that they could co-exist. ... problem with them.

PRIME MINISTER:

Well he was in the minority. He was in the minority. But look Alan this is an important issue and it is easy to say what you have just said. You know, we are going to have this enormous problem, isn't this terrible etcetera.... Look, I can only deliver a plan that I genuinely believe will guarantee the greatest amount of certainty that is available. I am doing that and I say to your listeners, if you want greater uncertainty, support extinguishment, if you want a bigger bill at the end of the day, support extinguishment, if you want to inflame an already difficult situation support extinguishment, but if you want something that delivers a better prospect of stability and security, support my plan.

JONES:

Okay, in March 1996, John Howard became Prime Minister. He was just an MP and leader of the Opposition. Equally Kim Beazley became Leader of the Opposition having just been a Minister. It was also the month in which a person called Pauline Hanson became an MP. In that brief period of time she apparently commands anything up to 10 -25% of the electorate's support. What mistakes have Howard and Beazley made between them that have enabled that drift of support to go to a person who was unknown 15 months ago.

PRIME MINISTER:

Well being an incurably optimistic person Alan, a positive person, I don't sort of dwell on my own mistakes, I acknowledge I make a lot of them, but plenty of other people dwell on them, but let me explain why I think there is a transitory appeal for Pauline Hanson in the opinion polls. I think Pauline Hanson is tapping into the frustrations of sections of the community. She's not offering any solutions. I mean, for example, she talks about foreign investment, what is she saying? Is she saying that we should cut out foreign investment. If she's saying we should cut out foreign investment what she really wants to do is to destroy the jobs of thousands of Australians because if it weren't for foreign investment, a lot of Australians who now have jobs wouldn't have jobs.

JONES:

All right let me ask you this...

PRIME MINISTER:

So it's very easy, it's very easy at any time in the history of this country...

JONES:

She thinks that you were elected to allay those concerns. The head of the tax office, international tax division, said in October last year this, and I quote exactly from the tax office "the vast majority of local and foreign multinationals pay little or no tax in Australia - 60% ... and this is an official of the tax office - 60% claim to be in loss and pay no tax, the remaining 40% claim to be only marginally profitable". He went on that 7000 multinationals claimed \$30 billion in interest expenses which was 60% of all interest expenses claimed by Australian based companies with transactions of over \$60 billion. Now, what perhaps the people are whingeing about, .. Pauline Hanson, is that if you have the abattoirs 80% owned by foreigners, baby food 100%, beef processing 75%, biscuits 90%, car manufacturers 98%, frozen vegetables 95%...there's a hell of a lot of ...inaudible...

PRIME MINISTER:

...being eroded. The tax avoiders activities... people who try and avoid tax. Just a minute...

JONES:

The only difference is the money that is being repatriated by them is providing jobs for people....

PRIME MINISTER:

... this notion that you somehow or other help Australia by chopping off their foreign investment...

PRIME MINISTER:

Alan, Alan look, what I said and I repeat, this notion that you somehow or other help Australia by chopping off all foreign investment...

JONES:

I don't think anyone is saying that.

PRIME MINISTER:

I don't know, is she..

JONES:

Well hang on, are those levels of foreign investment acceptable?

PRIME MINISTER:

No, no you asked me...

JONES:

No, she's not the leader, you are.

PRIME MINISTER:

No but you just asked me a question about it.

JONES:

No, are you happy...

PRIME MINISTER:

No you asked me a question about...

JONES:

Are you happy with the level of foreign investment?

PRIME MINISTER:

Hang on, don't change the subject. You asked me to react to why there was some kind of opinion poll rating by her and I gave you my response to that. I mean, what she is doing is mouthing slogans. She is mouthing slogans...

JONES:

So all these people you are talking to who actually support her are racist or sloganeers or something, are they?

PRIME MINISTER:

No, I haven't said that.

JONES:

Well what do you say about these people who actually think she's got a bit going for her?

PRIME MINISTER:

You asked me to express a view. I am expressing a view and you're now trying to get onto something else. I mean, you asked me about Pauline Hanson. I gave you a response and now we're getting onto something else.

JONES:

No, you challenged me about foreign ownership. Are you happy with the levels of foreign ownership?

PRIME MINISTER:

No I'm actually challenging her nostrums on foreign ownership. I mean, what she is in effect saying is we shouldn't have any foreign ownership and the point I'm simply making is that is simplistic nonsense.

JONES:

No, she's not saying there should be any foreign ownership.

PRIME MINISTER:

Well what is she saying?

JONES:

She is saying that the levels are too high.

PRIME MINISTER:

Is she? I haven't heard her say that.

JONES:

Do you think they are too high?

PRIME MINISTER:

I think in some areas they are. I mean, for example in..

JONES: So what are you doing about it?

PRIME MINISTER:

Well for example, in the media for example, which is in the news at the moment, we've made it clear we don't want foreign investment to go any higher, haven't we.

JONES:

Abattoirs in this country have been closed because the meat industry, just take one example, is predominantly owned by American interests. The same American interests are now signing on to large export orders from Japan. They are being denied by Australia.

PRIME MINISTER:

Yes that's true and unhappily, very unhappily we've had the situation in the last few days where the largest Australian company is going to close its operation in Newcastle and jobs are going to be lost. Now I think both of those developments, both of those developments are very unfortunate and quite tragic for the people involved. The point I simply make is that don't assume that if everything is Australian owned, you will automatically prevent all ...

JONES:

We're not expecting them all to be Australian owned.

PRIME MINISTER:

It is a question of balance and the only way that you can build up, you can build up Australian ownership in this country is to generate greater savings.

JONES:

Okay, let's take that point. Before I come back to savings and let's just write that down because I will come back to you.

PRIME MINISTER:

I hope you do, I hope you come back to it.

JONES:

I will. We're a member of the World Trade Organisation, aren't we?

PRIME MINISTER:

Yes.

JONES:

We are. Every country which is a member of the World Trade Organisation is bound to accord foreign companies full rights to establish themselves in all sectors of the economy of that particular country, that's Australia. That is, you are required under the WTO arrangements to adjust domestic laws which might favour local industries at the expense of foreign companies. they are the rules of being a member of the WTO.

PRIME MINISTER:

They're one of the rules, yes.

JONES:

Do you think that's sensible, that you are required, if a foreign country comes, if a foreign company comes in here to take charge of an Australian industry that we are required to adjust domestic laws if those domestic laws create an imbalance or a favoured position to an Australian company in the same business. Is that sense?

PRIME MINISTER:

Well, let me put it this way, in practice it's not the sort of rule that I would allow my Government to follow.

JONES:

Well, you're a member of the World Trade Organisation. Are we making representations to repair that?

PRIME MINISTER:

Look Alan, that is a gross, may I say so, is a gross oversimplification of the rule.

JONES:

It's not, it's not. Just come back to savings, what is your attitude towards savings?

PRIME MINISTER:

I think what we have to do increasingly in this community is to encourage all forms of public and private savings. I mean, it's no good railing against the level of foreign investment unless you provide an alternative that increases Australian ownership and the only way that you can increase Australian ownership is to increase savings. It's the only way, otherwise you have to put up with a lower standard of living. I understand why people don't like high levels of foreign ownership but if you want to get rid of them, what you have to do is to provide Australians with a greater investment stock so that more Australian companies can afford to retain their positions and to buy other assets. Now there's no alternative to that ..

JONES:

None what ever, none what ever...

PRIME MINISTER:

And we are tackling that problem in a number of ways. I mean, one of the reasons why, dull though it sounds, one of the reasons why we are reducing the budget deficit is that the more you reduce the deficit the more you increase national savings because when you go into deficit you've got to borrow and by borrowing you crowd out the capacity of companies to use the money thereby borrowed to do productive things in Australia.

JONES:

Let me take it simpler than that, can I.

PRIME MINISTER:

Yes.

JONES:

There are thousands of people, hundreds of thousands of people listening to you now. They get \$300, \$400, \$500 bucks a week. They're taxed on that.

PRIME MINISTER:

Yes, they are.

JONES:

They then take what's left and they deposit it into a bank account. they pay one of your taxes on that deposit, a federal financial instruments duty bill.

PRIME MINISTER:

They pay income tax.

JONES:

They've paid income tax and they pay a financial institutions duty...

PRIME MINISTER:

That's now a state tax.

JONES:

Hang on, you've got the capacity to address savings. Then when they save, earn anything on the savings, that's taxed as well and you're expecting them to believe that you're on the side of the bloke that wants to save.

PRIME MINISTER:

I think the present taxation system does operate harshly on personal savings. I think it does.

JONES:

Don't you think we need more income, more profit and more savings and therefore the tax system should be changed to encourage all of those and we need less expenditure and the tax system ought to be changed to actually tax expenditure. Isn't that a powerful case for a GST?

PRIME MINISTER:

We certainly need less expenditure and we need lower tax.

JONES:

Is there a powerful case for a GST?

PRIME MINISTER:

Well I supported a GST in the past, you know that and you also know that I made a solemn promise to the Australian people on your programme and on numerous other programmes that we wouldn't introduce a GST in our first term.

JONES:

But aren't you flexible enough to recognise that out there they are desperate for changes to the tax system?

PRIME MINISTER:

Flexibility equals in this case a blatantly broken promise?

JONES:

Well, if that is the right thing to do, break the promise.

PRIME MINISTER:

To break promises?

JONES:

If it's the right thing for the country...

PRIME MINISTER:

Well I'd never think it is the right thing for a Prime Minister who has looked people in the eye and made a solemn promise and on that basis helped to get elected. To cynically say...

JONES:

No matter what damage it's doing to the community?

PRIME MINISTER:

Alan, I don't believe that the damage that is being done as you put it, is anywhere near as great as the damage...

JONES:

Well you've told me we've got a problem with our savings.

PRIME MINISTER:

Alan can I please just, you've asked me a question and please let me finish. I don't think the damage that would be done would be nearly as great as the damage that would be done to the integrity and the system of government if I were to break such a solemn promise and I'm not going to do it. I mean, you can criticise me and people can attack me but when I have looked people in the eye and said I will not in my first term introduce a GST, I have repeated that during the campaign, for you to come along and say, I should just chuck that out the window, that would do immense damage for the respect people have for the system, and God knows, that system, that respect is not as high as it might be.

JONES:

Even if out there the taxation system is screaming for overhaul, veritably yelling out. You told me there was an absence of savings and the tax system penalises savings.

PRIME MINISTER:

Can I tell you, if I could have a moment, can I tell you some of the things that we have done to improve the tax system but do you know from the first of July this year, any small business man in Australia will be able to sell a business and invest up to \$5 million of the proceeds of the sale of that business in the purchase of another business without paying any capital gains, without paying any capital gains tax.

JONES:

He wants to hang onto his business, Prime Minister, not sell it.

PRIME MINISTER:

No, a lot of them want to sell one business and get into a better business. I mean, this is called progress. It's called making a profit in one business and going into another. Now that is an enormous boost, it's an enormous boost to people in small business and that will lead to more jobs.

JONES:

Okay, well on that basis since Wallis was brought down, can you tell me one businessman you know who is paying cheaper interest rates?

PRIME MINISTER:

Since Wallis was brought down? Well I know a lot of businessmen who are paying cheaper interest rates since we came into power. I know business men who are paying one to one and a half percent interest rates since we came into power. The interest

rates are still too high but I know lots of business people who are paying lower interest rates since we came to power. They're still too high but they are lower than what they were in March of 1996.

JONES:

When Peter Costello tells us that we've killed inflation and we've got inflation below 2% or whatever, isn't that an admission that real interest rates are amongst the highest in the industrialised world?

PRIME MINISTER:

Our real interest rates are too high and I have said and I will say it again on your programme now that we still don't have enough competition for small business finance within the banking system and one of the objectives of the Wallis inquiry was to inject more competition into the small business area. We have lower, much lower housing interest rates in Australia now than small business rates. In fact the housing rates are the lowest we've had for almost 40 years and the reason you've got much lower housing rates is you've got people like John Symons and RAMS and Aussie Home Loans and all those tremendous outfits that have come into the market and provided more competition. I mean, the reason you've got low housing rates is that you've got more competition. That is what you need in the small business area. Now you're right in saying that small business rates are too high. You are wrong to suggest that they haven't come down at all since we've been in power. I mean, let's get the facts correct.

JONES:

What I am suggesting is that we did have a small business bank once. It was called the Commonwealth Bank. They actually didn't make profit the bottom line, it was the people's bank. Why wouldn't John Howard say to big banks, you've had your chance to lend money to small business at affordable rate, we will direct the Reserve Bank to lend money to what will be called a small business bank.

PRIME MINISTER:

You can't generate credit out of thin air.

JONES:

Hang on, Japan do this every time they get into problems with unemployment. They direct the Bank of Japan to lend money...

PRIME MINISTER:

Japan's low unemployment is a product of a completely different culture in that country, a culture of lifetime employment and it's an utterly different culture and to suggest that you can just pick one...

JONES:

Prime Minister, that's what they do. They direct the Bank of Japan to lend money at an affordable rate, they do it.

PRIME MINISTER:

Alan, the reason why unemployment in Japan is much lower than Australia is that Japan has a different culture from this country and to suggest that you can transplant that culture holus bolus and graft it onto a different society, that just doesn't work.

JONES:

So in other words we just can't send someone up to Japan, arguably the most successful economy in the world and say, how is it that they can lend money to business and one and a half and two percent?

PRIME MINISTER:

Alan, to be fair, that wasn't the point I was making. What I am saying and what I know to be a fact is that the principle reason why unemployment is much lower in Japan than in Australia is that companies in Japan have a culture of lifetime employment and they never had it in this country. Now there are many features of the Japanese economy I would like to see adopted in this country but to suggest that overnight you can transplant a ... there are a lot of things about Japanese society I admire. There are also a lot of things about Japanese society that I wouldn't like to come here. It's not as free and open a society, it's not as equal a society as Australia is.

JONES:

How can you argue then that Japanese business are paying one and a half and two and a half percent for their money and our blokes here are paying twelve and a half and thirteen yet we still expect our business to compete with Japan.

PRIME MINISTER:

One of the reasons that we are paying much higher, real interest rates in this country is that over the years we've run a huge budget deficits and when you run up huge budget deficits, people who lend you money from abroad charge a premium and that's one of the reasons why Peter Costello and I are cutting the budget deficit. We get criticised for being bean counters, we get criticised for being obsessed with the bottom line but if the bottom line hadn't been so bad for so long small business men in this country wouldn't be paying high interest rates. Now that is an economic fact, it's an unavoidable fact of life and in the long run, if you want to get interest rates down you get rid of budget deficits. People who criticise the removal of budget deficits are really arguing for much higher interest rates.

JONES:

34 000 full time jobs were lost in this country in April, that's the last month. Banks are getting rid of them, Telstra is getting rid of them, BHP is getting rid of them, Jeff Kennett's public service are getting rid of them. Well there's an outfit, a text called Divided Nation, put together by not a ratbag outfit but the Institute of Public Affairs and the Melbourne University Institute of Applied Economic and Social Research and they are saying this - unless fundamental policy changes are made speedily, the proportion of Australians in work could be reduced to 80% leaving 20% or one in five to be poor outsiders. What policy changes are going to be made urgently to provide jobs for that 20% that could be unemployed?

PRIME MINISTER:

Well the first thing you've got to do is you've got to get the economy right. Now that's the first thing you've got to do and that means balancing the budget, dull though that sounds but it does mean that because if you don't have a balanced budget in times of reasonably high economically growth you will go hopelessly into the red when there's a slow down. So that's the first thing you've got to do. Now I know that sounds unexciting and I know you can take pot shots at it and say we're obsessed with the bottom line but unless you get the budget right you can't get anything right. Now that's the first thing and every household in Australia knows that. The second thing you've got to do is you've got to keep inflation down and you've got to try and get interest rates down. Now we are doing both of those things. The third thing you've

got to do is fix the industrial relations system and we have begun the job of doing that, and the fourth thing you've got to do is to remove all of the other impediments to economic growth by having much greater competition and we're in the process of doing that.

JONES:

So you won't create a small business bank to lend money...

PRIME MINISTER:

Look, I don't think creating a special small business bank quite frankly is going to..

JONES:

That's what the Commonwealth Bank was for.

PRIME MINISTER:

No the Commonwealth Bank had a more...

JONES:

The Commonwealth Bank was... so was the Rural Bank.

PRIME MINISTER:

The Commonwealth Bank was formed in 1912 to provide a Government alternative savings...

JONES:

1% to build railway lines and all the rest of it.

PRIME MINISTER:

But everybody charged 1% in those days.

JONES:

Do you think your Government is in touch or out of touch with the people?

PRIME MINISTER:

I think on most issues very in touch and I know quite, Alan, look I know... what happened was this. You had 13 years of another Government. We get elected to power with a very big majority. There are very high expectations. I knew that we would enter this period. I knew when we were elected that for the first year or so there would be a honeymoon period and then after a while because there hadn't been dramatic changes, and no governments can achieve dramatic changes, change by Government is always incremental. It is never as great as people expect. It is never as great as the supporters of that government hoped for. Now we are going through a period right now that I knew that we would enter, where people would say, hang on, things haven't changed a lot, have they. They've changed a bit but we've still got reasonably high unemployment. Alan, I knew when I became Prime Minister that I couldn't get rid of unemployment in the space of a year. I can't and I'm not saying to the people now I can get rid of it over the next two years. I will be disappointed if I haven't brought it down a bit by the date of the next election.

JONES:

But David Kemp introduced a bill into the parliament in relation to unemployment or education and how it might help employment. That was debated for about two-and-a-half minutes. And there was a debate on palliative care which went for 14 hours on

euthanasia. The Parliament got rid of the euthanasia provisions of the Northern Territory when 75% of the electorate are in favour of euthanasia. Is the dog wagging the tail. Who are you meant to be responding to?

PRIME MINISTER:

Euthanasia was a conscience vote. I voted in favour of the anti-euthanasia bill. Now, I know that was out of step with what the polls say...

JONES:

It was in step with the Parliament.

PRIME MINISTER:

No well..

JONES:

Well the parliament voted for it on your side..

PRIME MINISTER:

Alan it was an individual conscience vote.

JONES:

... parliament vote...

PRIME MINISTER:

Well so what, so what?

JONES:

Well, I'm saying that they are out of step. If 75% of the electorate think euthanasia is...

PRIME MINISTER:

... in other words on every single issue what you do is you run an opinion poll before...

JONES:

I didn't say that.

PRIME MINISTER:

Well that's the implication.

JONES:

I'm just saying that ... out of step.

PRIME MINISTER:

Well one minute people are saying to me "you are poll driven". The next minute they are saying that you mustn't take a decision which is out of step with public opinion. But euthanasia was an atypical non-Party issue. It wasn't conducted on party lines. It was conducted on non-party lines and I voted against euthanasia. Now, that's a conscience view that I have. I accept that the majority of people listening to this interview didn't agree with me on that but I owe my conscience and I owe them the honesty of a personal view. If it is out of step I acknowledge it, if people don't like that, I accept it, but I can do no more than say what I believe and act according to my beliefs. If you want a Prime Minister who is going to be driven by an opinion poll on

every issue you get somebody other than John Howard. Get somebody else. I'm not going to conduct myself like that on any issue.

JONES:

Just on the previous point then about budgets and reducing costs and getting the deficit and everything down. Health care is one area where surely there is very significant waste. Where you and I today can go one hundred times to any doctor in Sydney and pay nothing for those visits. Is that a sensible way...

PRIME MINISTER:

Well, we're not paying nothing. We are paying a Medicare levy and in my case, I'm paying more than \$2000 a year for private health insurance cover for my entire family and from the first of July this year the federal government will be providing a \$600 million tax incentive. Now this is the unreformed tax system that we were talking about a few minutes ago. We will be paying \$600 million to your listeners who have private health insurance to subsidise the purchase of that private health insurance. Now, we are a long way behind the 8 ball on health because we inherited after 13 years a health system where the former government in defiance incidentally of Graham Richardson's advice had deliberately run down private health insurance. The former Labor government sabotaged, stabbed in the back private health insurance in this country. It was 61% when they came into power. It was 35% of the population when they left office and if something had been done five years ago, then we wouldn't now have this drain on public hospitals.

JONES:

But a government in trouble. Can a government in trouble, can't find money, has never got enough money, the public are always wanting money. Is bulk-billing a legitimate policy initiative?

PRIME MINISTER:

The community, particularly the poorer section of the community needs bulk-billing.

JONES:

You're not poll driven you just told me?

PRIME MINISTER:

No, I'm making a social value judgment.

JONES:

But you must know the community want that because of a poll.

PRIME MINISTER:

No no no. I think it is right to provide to poor people in the community the sort of support that bulk-billing affords.

JONES:

The community were in favour of euthanasia too. The community...

PRIME MINISTER:

No, that is a social judgment Alan. I'm making a social judgment that it is fair to have...

JONES:

So you are in favour of bulk-billing because the community are in favour of it?

PRIME MINISTER:

No, I'm in favour of bulk-billing because it is fair for the poor in the community. That's why I'm in favour of it.

JONES:

Means test it. Make sure that the people who aren't poor don't get bulk-billing, can't use bulk-billing.

PRIME MINISTER:

Well, that's an alternative, it's not part of our policy and I'm certainly not suggesting that we are going to do it.

JONES:

Okay I've got a young man here on our staff who's married and whose wife has just had a baby and they investigated yesterday the health care reforms in relation to incentives to take out private health insurance. They are going to be entitled to the full \$450 rebate incentive. The only problem is his private health insurance premiums have increased by more than that. So there's no benefit to him.

PRIME MINISTER:

Well, he's a lot better off than if he weren't getting a tax subsidy because those health insurance premiums would still have increased, so he's \$450 a year better off. You're not seriously arguing that if we hadn't promised the tax subsidy the premiums still wouldn't have gone up. I mean, the premiums... I'll tell you what...

JONES:

I'm just wondering whether the private health insurance isn't using the tax subsidy as an opportunity to ...

PRIME MINISTER:

Can I tell you why private health insurance premiums have gone up. They've gone up because more and more people have drifted out of private health insurance. It becomes a self-perpetuating process. The more people who drop out the worse it becomes, they have to put their premiums up and if you increase the premiums you force more people out. Now something should have been done to staunch the flow of blood, pardon the analogy, a few years ago but it wasn't. Now, at long last you've got a government that recognises that people need tax incentives for private health insurance and they are going to start on the first of July. Now, it is five minutes to midnight on private health insurance but at least we are trying to do something about it, and I would say to the young man in your office, he's still going to be \$450 bucks a year better off under the Howard government. If it hadn't been for us, he'd have been \$450 a year worse off and he might in fact be facing the possibility of having to drop private health insurance. And I know lots of people in that situation who can no longer afford it. I mean, I understand why. I mean it's more than \$2000 a year. It's very expensive.

JONES:

Just one final thing. You've had a tough innings here.

PRIME MINISTER:

I always do.

JONES:

You always do. I asked a question about Newcastle just finally. BHP, the big Australian, there's 2300 people up there looking as though they are out of work. Do you call the board or the chairman in and say 5232 look this is a bit rich. You've taken profits out of the joint for 82 years, now when the going gets a little bit tough you are going to knock the workers off. Do you actually read a riot act to these people? I mean, is that something that you support, or does business just take all the good times and then ditch the workers when the bad times come?

PRIME MINISTER:

Well, I've had two discussions with the Managing Director of BHP about this issue. The first one was some months ago when he said they wouldn't be able to continue steel making in Newcastle indefinitely and he gave me a lot of reasons as to why that was the case. Governments only have taxpayers' money. If I say to the Managing Director of BHP, well, you know, I want you to invest over there and not where you decide to invest, I'm in effect appropriating the money of his shareholders in saying where it should be spent. And I don't think anybody suggests that a government should do that. The second thing, I saw him the other night. I have to say that I was disappointed and I express my strong disappointment that I was not told about the precise timing of the announcement until the day before the announcement was made. And I made it very plain to him then and I make it plain to you this morning, I think that is unacceptable that companies have obligations, particularly companies of that size, to keep governments informed. I mean, if we had known precisely when they were going to make the announcement, it wouldn't have meant that I could have told him not to make the announcement because I don't own BHP, BHP's owned by the shareholders...

JONES:

But if you've got the best iron ore mines in the world and some of the best coal mines in the world, and you can't make competitors steel, isn't there something wrong with the way the joint is run?

PRIME MINISTER:

Yeah, well of course the argument that BHP have is that the steel making process, which is now operating in Newcastle, is an outdated steel making process and that modern technology means that it is no longer profitable for the company to maintain that type of steel making in Newcastle. Now, that is a technical commercial judgement. If it can be demonstrated that in a technical commercial sense that is utterly wrong then fine. But I mean, I don't own BHP. BHP is owned by the shareholders. It's owned by your listeners. And if you get to a situation where Prime Ministers are saying to companies...

JONES:

Not my listeners at \$18.50 a share, I can assure you...

PRIME MINISTER:

Well, hang on, if they have superannuation...

JONES:

They don't know that, they don't know where the super's going.

PRIME MINISTER:

Well, a lot of it goes into BHP.

JONES:

They don't know that.

PRIME MINISTER:

Well it's true. And when you, you know, when people talk glibly about BHP shares and so forth just remember that most of the superannuation funds of this country that have the superannuation contributions of your listeners have shares in companies like BHP. So it ill-behoves John Howard to sort of say well, look, I'll set myself up as the supreme economic tsar of Australia and I will say you should invest there but not over there. A lot of the share holders would get pretty unhappy pretty quickly.

JONES:

Okay, well I said that was the last but I will come back to a point I raised before because I just must ask you this question again. Foreign ownership in this country is at enormous levels. It's stretching our credibility surely that believe that all these people, foreign companies, are so poor that they actually have to borrow for that investment. In other words, everyone is so much in debt that they stack up the levels of debt to the extent that the interest on their debt is \$30 billion a year and that's the level of interest deduction. Do you think they're taking us for a ride? Do you think that there are foreign companies investing in here with a strategy that says load up the investment with debt so that we get a tax concession for the interest on our debt and therefore we won't have to pay tax on profits?

PRIME MINISTER:

I don't think any companies invest in this country to sort of do us a favour, I'm not that stupid, any more than there are a lot of Australian companies that do things to do particular favours for people either. But if you're suggesting...

JONES:

(Inaudible)...provide jobs for Australia.

PRIME MINISTER:

Well, a lot of foreign companies provide jobs for Australia...

JONES:

(Inaudible).. profits they...(inaudible)...

PRIME MINISTER:

Well, I know, yes, but I mean, you can't avoid the fact Alan, if you are Mitsubishi Motors, for example, in South Australia, which is a foreign country...

JONES:

The Prime Minister of Japan (inaudible) gave you a lesson on tariffs did he?

PRIME MINISTER:

No he didn't actually.

JONES:

I thought he did.

PRIME MINISTER:

Well he didn't, because I was there. He didn't. All he said was that it was a matter for the Australian Government to decide.

JONES:

He said that Prime Minister but:- I'd like you to realise that this tariff regime will affect my two companies.

PRIME MINISTER:

Yes, he also said that he believed in trade liberalisation. He was having, if I may say so, both sides of the argument and I don't blame him.

JONES:

Something that oppositions never do.

PRIME MINISTER:

Well, it depends, it depends. You've got responsibilities. Because often there are many sides of the argument.

JONES:

Absolutely. Prime Minister, thank you for your time. Have some breakfast, you've earned one.