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**TRANSCRIPT OF THE PRIME MINISTER**

**THE HON JOHN HOWARD MP**

**INTERVIEW WITH JEREMY CORDEAUX - RADIO 5DN**



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**CORDEAUX:**

On the line I've got the Prime Minister, John Howard. Sir, how are you?

**PRIME MINISTER:**

I'm very well thanks.

**CORDEAUX:**

Now, did you and Peter Costello agree on all of it or was he going to be a little bit tougher than you?

**PRIME MINISTER:**

We agreed on all of it. Of course we agreed on all of it.

**CORDEAUX:**

Sweetness and light all the way through.

**PRIME MINISTER:**

He's done a terrific job and we work very effectively as a team. And you put together a document that is a consolidated economic and political response to the circumstances at the time. And the great message out of this budget is that we are repaying Australia's debts. We inherited a deficit of \$10.5 billion and by year three of our first term we will have turned that into a surplus of \$1.6 billion. We're actually going to repay \$5 billion of debt this coming financial year and by the year 2000 the debt ratio of this nation to its total wealth generation each year will have been cut from 20% to 10%. Now that is a colossal achievement. And it not only delivers great confidence to everybody but it also cuts our annual living expenses. Because if you owe less money, you pay less interest. And the money you save on the interest payments you can use for other very valuable things like taxation breaks for savings. And that's the other great message out of the budget. For the first time since federation you've actually got a government that is giving an across the board tax encouragement for Australians to save. And we're not limiting it to bank savings, it goes right across the board. It includes personal contributions to superannuation on which you've not already achieved a tax break.

**CORDEAUX:**

I know that's been close to your heart for a long time. But when it's all boiled down, \$450 a year, wouldn't it have been a much more daring, dramatic thing to have just wiped taxation on the interest on all savings, just wipe the lot?

**PRIME MINISTER:**

We couldn't afford that. We literally could not afford that. Of course it would have been nice. I mean, Peter and I would have loved to have announced that last night but we simply couldn't afford it. But this is the first time since federation that you've got a government matching its rhetoric on savings with actions. The first time since federation that we're actually saying to people: here's a tax break, here's an incentive, here's an enticement for you to save. And this is very valuable for retired people. It will help young people saving for a deposit on a home. It will assist superannuation contributions. It's not limited to bank savings. It will apply to any return on an investment, any kind of savings. Even the net return on a business activity will benefit from it.

**CORDEAUX:**

And you think it's enough money to get people into the savings habit?

**PRIME MINISTER:**

I think it will bring about a very big change, over time. See, what is important in these things, Jeremy, is not only the actual help you deliver but also the signal you send, the symbol you put down. I mean, we're actually saying for the first time that savings matter, savings count, that we need a savings culture in Australia. We've often been told that we as a government have got to build for the longer term and that's right. You don't just have short term expedience. This is a long term building block to bring about a different culture in Australia.

**CORDEAUX:**

Well, do you foreshadow that if things get better, maybe even very much better, who knows, you would consider not taxing the interest on savings, period?

**PRIME MINISTER:**

I'm not going to foreshadow that now. Obviously if things get better then you have capacity to do a lot of things. But I just don't want to get into the situation of sounding as though I'm promising more when I don't know whether I can deliver it. Because then in a few years time, when I haven't done it, quite rightly you'll say well you told me on the 14th of May that you were going to do it and you haven't, why haven't you. Now, all I can say Jeremy is that this is a huge change in the culture. It's across the board. It's without means test. It's uncomplicated. It's direct. It's simple. It's available to everybody. And it, for the first time, is a tax break. I mean, somebody's who's on a tax rate of 20%, it means that they'll be paying only 5% on their savings. People on a higher tax break, they'll be paying proportionately more because they're earning more money. Now, we are sending a very powerful signal to Australians - six million of them who are savers. We're saying for the first time the Government so values your savings that it is prepared to give it a tax break - very big cultural change.

**CORDEAUX:**

What worries me, I guess, is jobs - three and three quarter percent in a country as potentially rich and as potentially dynamic as Australia. John Prescott, Head of BHP, said, you know, we've tried - you may have even had reports of what he said but it went something like: we've tried the 3% and 4% and it really hasn't made much of an impression on unemployment, why don't we do what our neighbours do, why don't we try to get economic growth in this country of about 7%?

**PRIME MINISTER:**

I think the idea of going for higher growth is absolutely right and that is what we are trying to do. But

the only way that this country can grow at a faster rate is if we do two very important things. The first thing is that we increase our national savings and that means repaying debt. Because if you don't have a stock of savings, as soon as you increase your economic activity and your economic growth, you go overseas to borrow the savings to fund that growth from foreigners and you have a blowout in your current account deficit. And that is why it's important we don't have budget deficits, why it's important that we reduce debt, and also why it's important we encourage people privately to save. And the other thing we've got to do is free our labour market in particular and we've done that. We've done that in a big way. And those two things together, over time, will take the speed limits off growth in this country. Prescott is right when he says the answer is higher growth. But you can't have higher growth and keep it if you have road blocks along the road to higher growth. And one of the road blocks is that we've been in debt for so damn long. And you can't run and expand a business if you're too deeply in debt. You might have to go into debt a bit to expand the business but in the end the interest bill will kill you if you borrowed too much money. And this has been Australia's problem. It's all very way to say we need higher growth. You've got to create the circumstances that allow that higher growth to develop.

**CORDEAUX:**

Wouldn't it be fair to say though that without - and I know what you mean by workplace reform, but I mean real workplace reform...

**PRIME MINISTER:**

For example what?

**CORDEAUX:**

Well, changing the minimum wage. Scrapping the minimum wage...

**PRIME MINISTER:**

You mean having lower wages.

**CORDEAUX:**

Well, when I say having lower wages I mean giving everyone a crack at a job.

**PRIME MINISTER:**

Well we have tried to strike the Australian balance in this area. We've created the maximum flexibility in the workplace without scrapping the Australian tradition of having a guaranteed minimum wage.

**CORDEAUX:**

But what if that tradition is working against the average Australian worker?

**PRIME MINISTER:**

Well, the average Australian worker, I'm sure, doesn't believe it is because the average Australian worker's got a job and the average Australian worker would argue, would be fearful of a system whereby you had no minimum wage at all.

**CORDEAUX:**

Yeah, but I mean if you compare the growth they've had in America which is not as good as the growth we've had in Australia...

**PRIME MINISTER:**

Look, the Americans don't have a minimum wage.

**CORDEAUX:**

No.

**PRIME MINISTER:**

And they have far more downward flexibility and they have a lower rate of unemployment but they also have a higher incidence of welfare deprivation. They have more people on the streets who are begging for money, literally, and you must have experienced that. It's one of the most depressing things I've experienced in a country that otherwise I admire immensely. And I'm not certain that Australians haven't quite cleverly over the years got the right balance. We don't have the rigidities of the Europeans. I mean, I talked to Chancellor Kohl about this a few weeks ago. They have 12.5% unemployment in Germany. They have over 12% in France. And their labour markets are very rigid. Ours still needs to be more flexible but we've made a very good start. But the idea that we would completely scrap a minimum wage in this country, I don't believe that that would be in sync with the culture of this country. Now, some will argue that the culture ought to be changed. I would say that the idea that there should be some minimum safety net and protection is a good thing but you can, consistent with that, get more flexibility, particularly in areas like unfair dismissal laws. And right at the moment we've got this situation where we are proposing a regulation whereby any firm employing fewer than 15 people will be completely free of any unfair dismissal law of any kind in relation to people who've been employed for less than 12 months.

**CORDEAUX:**

Will that happen?

**PRIME MINISTER:**

No, because the Labor Party has said it's going to vote in the Senate to disallow the regulation. And if the Democrats and Senator Harradine, as I fear they will, support the Labor Party we will be denied the opportunity of doing that. And we're going to, if that occurs, we're going to put that regulation in the form of a bill and we're going to roll it up to the Senate again and see what it does to the bill. Because I think it is outrageous when you've got 8.5% of the population out of work. You've got a universal cry from the small business community across the nation that these unfair dismissal laws are actually scaring them out of taking on young people in particular. And all we are proposing is that firms under 15, that's the great bulk of the small businesses of Australia, if they put somebody on, for the first 12 months they ought to be able to let that person go if it doesn't work out.

**CORDEAUX:**

Absolutely right.

**PRIME MINISTER:**

And that's a simple proposition and any small businessman or woman listening to this interview would

know intuitively that what I'm saying is right. I mean, say after a year, well, different matter. I'm not saying then it should be difficult to get rid of a person if they're not performing but you should have a slightly tighter situation. But in that first year it's often the case that it just doesn't work out. And in a small firm, if it doesn't work out it's ludicrous to say to the proprietor, well you've got to put up with the person. That is crazy. And what is happening is that people just aren't taking on staff.

**CORDEAUX:**

Well, to reform a system and to implement something as commonsense and as fundamental as that and you not being able to or allowed to do it...

**PRIME MINISTER:**

We can't. I mean, I've got a majority of 44 in the House of Representatives and I can't do that. And the Labor Party, stupidly in my view and against the advice of their small business spokesman, Stephen Martin, have said they're going to vote against it. Now, if the Democrats and Brian Harradine, as I fear they will, join the Labor Party in voting against it, that regulation will go down. Well, let me say that if it does go down we will immediately incorporate it into a bill and we'll put the bill up and we'll then see what the Senate does with that bill. Because I am not going to allow the small business people of Australia, who invested a lot of confidence and faith in us at the time of the last election, to feel for a moment that we are not taking the maximum steps possible to help them because they hold the key to job generation in Australia. If we are ever to cut unemployment down to a more acceptable level then you've got to get small business going again. And I'm trying to take the load off their backs in a simple area like this and at every turn my political opponents, who command the numbers in the Senate, are fouling us up.

**CORDEAUX:**

Well there's absolutely no point in being in government if you can't get something as fundamental as that through.

**PRIME MINISTER:**

It is fundamental. And even Bob Carr, who's the only elected Labor leader in Australia at the present time so he perhaps ought to be listened to more than some of the others, even he said that the unfair dismissal law that the former Labor Government had was stupid. Now, we were able to make some changes to it but we wanted to take it this step further in the small business statement. I mean, you're talking here about hundreds of thousands of small businesses employing in twos and threes and they're being prevented from making that a three and a four because of this stupid law.

**CORDEAUX:**

Prime Minister, if you put a few of these things together like Wik, like immigration, like this particular innovation you're talking to me about now, and you put them all into a referendum and let the people democratically decide what they want I'm sure you'd get a positive answer.

**PRIME MINISTER:**

Well that may well be the case, it may or may not be. I mean, I have no doubt that each of these measures is fair and defensible in its own right. Getting something carried at a referendum or a plebiscite doesn't automatically make it law incidentally, you still might have to have a law passed. Look, I haven't thought about that but I have thought about the desirability of changing the unfair dismissal laws. I do think my Wik plan is fair. It does deliver all the security and all the guarantees that

the Pastoralists fairly want without the down side of blanket extinguishment. And there is down side to blanket extinguishment. It would be more costly. It would be more divisive and it could be constitutionally overthrown. And the beauty of my approach is that it gives the security the pastoralists want. I mean under our plan there will not be one pastoralist who will be denied the capacity to run his property or to have his holding on that property put at risk.

**CORDEAUX:**

A couple of questions off air Prime Minister. One small business owner asks the way to boost small business is to bring down lending interest rates to home loan levels, that is the rate the business people are paying, has that ever, is that ever likely to happen?

**PRIME MINISTER:**

Yes, if you get more competition. And I agree with him. We've had some cuts in small business rates, probably 1 to 1 1/2 per cent but they're not as big as the cuts in housing rates. You've had big cuts in housing rates because you've more competition in the housing sector. Now, you do need, I think he's absolutely right. We had the Wallis Inquiry and one of the purposes of that was to see ways of getting more competition into the banking system. And that I believe is coming because what has happened in the housing area, in a more limited way could be emulated in the small business area. I think it would take longer and I have to say again that the major banks have got to understand the small business community feels it isn't being as effectively catered for as they would like and the example of the competition in the housing area has thrown the spotlight even more on the small business area.

**CORDEAUX:**

Is the bonus for over 65 year olds working, that is to keep them working, or to give them that option, is that pro rata?

**PRIME MINISTER:**

Pro rata, yes.

**CORDEAUX:**

Okay. Okay. Peter Costello, another question, Peter Costello promises...

**PRIME MINISTER:**

You mean if they only work for an extra year that they still get the benefit, yes.

**CORDEAUX:**

Well I guess that would be the meaning of it, yes.

**PRIME MINISTER:**

That's what I meant by pro rata and the answer is yes.

**CORDEAUX:**

Yes.

**PRIME MINISTER:**

What happens is you just don't get the pension and the saving is returned.

**CORDEAUX:**

I think it is a great idea.

**PRIME MINISTER:**

Well I think it's a terrific idea. It recognises the value of older citizens in our community.

**CORDEAUX:**

Yeah.

**PRIME MINISTER:**

We're living longer, we're living healthier for longer and why on earth should you have this statutory senility. It's crazy.

**CORDEAUX:**

Peter Costello promised that nothing that increased last budget would be increased this budget but for example prescriptions are going up again.

**PRIME MINISTER:**

Well they're not going up again in a general sense. And what he said was that areas that had taken huge cuts wouldn't be revisited. And that wasn't quite how the listener put it? But what we've done in the drugs area is to say that if you've got two drugs in a particular area and they're both doing the same job, well going to subsidise the cheaper one.

**CORDEAUX:**

The Prime Minister's my guest. Five minutes to nine is the time. 5DN is the station. We're talking about unemployment. It was a big thing when you came into office that you would certainly stand judged by what you could do about unemployment. It brings me to ask you about tariffs, a subject that's very important here in South Australia at the moment. The general feeling was that the tariffs would come down along with microeconomic reform, tax reform, real workplace reform all that sort of stuff. Now we seem to be getting the rough end of the pineapple which is very serious for us in South Australia.

**PRIME MINISTER:**

Well, nothing has happened on that front yet. No we will have a report very soon.

**CORDEAUX:**

Well where do you stand on it personally Prime Minister?

**PRIME MINISTER:**

Well, I don't, I can't, you know I can't say that on air. I've got a view and ...

**CORDEAUX:**

But why can't you?

**PRIME MINISTER:**

Well because I haven't consulted by Cabinet colleagues and you can't, it's not fair of a Prime Minister to constantly pre-empt his Cabinet colleagues by stating a personal view which his colleagues may not agree with. And what's the point of having a Cabinet if you never talk to it.

**CORDEAUX:**

Well it just seems like as plain as the nose on one's face in South Australia that the Japanese...

**PRIME MINISTER:**

Well it is in South Australia, it is not quite the same intensity in other parts of Australia and it's one of those issues where depending on where you are in Australia there's a different point of view.

**CORDEAUX:**

But it 's about jobs here?

**PRIME MINISTER:**

Yes it is. I understand that. I am very conscious of the feeling in South Australia on this. I have meetings with the industry. I've met the Premier and I know their views and we will take them very carefully into account and I have said all along that I will never take a decision that reduces the capacity of this country to have sustainable motor manufacturing industry. And I've also said that I understand the regional significance of the motor vehicle industry in South Australia. I am very well aware of that and I've been conscious of it all the time I've been in public life and I know the economic importance of the motor manufacturing industry in the state of South Australia.

**CORDEAUX:**

Generally you must be pretty happy with the way the budget's been received. I think some of the financial people are saying the deficit was a bit big.

**PRIME MINISTER:**

Well some of them always say that. We're going to have a surplus of \$1.6 billion at the end of our first term after inheriting a deficit of \$10.5 billion. Not a bad turnaround.

**CORDEAUX:**

Yep, yep. Here in South Australia we're concerned about this Alice Springs to Darwin railroad. The infrastructure bond tax incentive I'm told won't be big enough to the job. That leaves the Centenary Foundation. Would you think the construction of that railway line would fit in with the money, the billion dollars you put aside to celebrate the Centenary of Federation?

**PRIME MINISTER:**



Well let me put it this way Jeremy I wouldn't be at all surprised if the Premier of South Australia and Chief Minister of the Northern Territory put to me the Darwin to Alice Springs railway as the sort of project that should be considered. Now I obviously not going to even attempt to indicate a response if that were to occur but it is the sort of proposal that I would imagine the two governments would want us to look at in the context of that fund.

**CORDEAUX:**

And just quickly...

**PRIME MINISTER:**

Bear in mind that fund is not meant to pay for a thousand obelisks in a thousand towns.

**CORDEAUX:**

It's not a pork barrel fund?

**PRIME MINISTER:**

No, it's meant to support major projects of lasting value which involve job generation.

**CORDEAUX:**

Well that's how it'll be seen. They'll look at it as a pork barrel.

**PRIME MINISTER:**

Well let them, just wait and see what we do with it. I'm not going to have a situation where you've got a few million here and a few million there. I want a situation where you are able out of this fund to support or to fund either independently or in cooperation with state and territory governments some major projects that people will see the benefit of, that build Australia's infrastructure. There is a natural identification of all Australians whether they live in the cities or the regions or the bush with developing the infrastructure of this country. And it does mean that you need to support certain projects.

**CORDEAUX:**

Prime Minister, just quickly, the Liberal Party is reportedly planning to direct its preferences to Pauline Hanson at the next federal election.

**PRIME MINISTER:**

There's been no decision made about that.

**CORDEAUX:**

Have you thought about it?

**PRIME MINISTER:**

No not really. I was asked a question about it yesterday by the Opposition Leader and he said would I

join him in something or other, well I said no. That doesn't mean any view as to where our preferences will ultimately be directed. Look, we're two years off an election. And to start talking about the allocation of preferences in Oxley, or indeed anywhere else, two years out from an election is ridiculous. That will be decided by the party organisation. Anyway for the record in case anybody thought Mr Beazley was taking the moral highground, at the last federal election the Labor Party in my electorate of Bennelong put the Australians Against Further Immigration ahead of me. Now I don't mind that, that was their decision but let's not have any moral lectures on the subject.

**CORDEAUX:**

Prime Minister great to talk to you. Thank you for your time.

**PRIME MINISTER:**

Pleasure.

**CORDEAUX:**

All the best.

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