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TRANSCRIPT OF THE PRIME MINISTER

THE HON JOHN HOWARD MP

RADIO INTERVIEW WITH MIKE GIBSON, RADIO 2GB

E&OE.....

GIBSON:

And we are talking to our Prime Minister in Canberra. John Howard, good morning.

PRIME MINISTER:

Good morning Mike. Nice to be on your program.

GIBSON:

Nice to have you. Hardly a glowing response to your Budget.

PRIME MINISTER:

Depends who you read. That great financial writer Terry McCann thought it was terrific. People are attracted to the fact that for the first time ever a government is offering a real tax break for savings. For a long time governments have lectured Australians about the need to save. For the first time a government has put its tax incentives where its mouth's been. And that is a very good, across the board symbol to attract people to save and it's also a very good incentive. I think the other thing that people appreciate is that we inherited a deficit of \$10.5 billion and we will have turned that into a surplus of \$1.6 billion by the time we end our first term in government.

GIBSON:

We would have turned it into, not you. I mean, you're not giving us much.

PRIME MINISTER:

Well, hang on, we've given you everything we said we would give you. We gave you the one, well I mean, look, the Australian taxpayers have enjoyed... it's not my money, it's our money.

GIBSON:

Did you give us the tax cuts you said you were going to give us?

PRIME MINISTER:

Yes, the \$1 billion family tax break, delivered in full without deduction. On the 1st of July this year there will be a \$600 million tax incentive for private health insurance. There will also be in more generous measure I might say from the 1st of July of this year a \$250 million capital gains tax break for small business. We have delivered our savings commitment more generously than we promised during the election campaign.

GIBSON:

Do you think this is a realistic, I mean Gareth Evans, as you of no doubt would expect, says the rebate for most people wouldn't buy a pair of socks. I mean, how many people have \$60 000 saved, you know, put away in this country? How can you ever save \$60 000?

PRIME MINISTER:

Well it's not only, not only on bank savings Mike, it's on all other forms of investment. If you make a personal contribution to superannuation in respect of which you already haven't received a tax break then that is eligible. If you contribute personally to superannuation out of your after-tax income of a couple thousand dollars a year, you get the 15 per cent tax break on that contribution. If you get a rental return, you get it on that. So it's right across the board and it's uncomplicated and it's non means tested.

GIBSON:

Superannuation, that's a subject that's come up more than anything else in discussions this morning. Where do we stand in Australia? I mean there would be so many workers listening to you this morning, saying what's the point will I ever be able to retire to a similar lifestyle that I've enjoyed when I went to work?

PRIME MINISTER:

Well the answer is under this Budget the superannuation circumstances are better. They're better because you get it, for the first time you'll have 15 per cent tax break on your own contribution. So that has got to be better. And that is enormously beneficial for a lot of women who have previously been poorly treated by superannuation. It's very valuable, the savings aspect of it is very valuable to self-funded retirees. But superannuation is certainly well supported in this Budget because on top of all the other incentives, your own personal contribution will attract the 15 per cent tax break.

GIBSON:

It's not a major issue to me but a lot of listeners have rung in and said why are you guy's exempt from superannuation rules, there's no suggestion that you won't be able to get out when your 60.

PRIME MINISTER:

That's not right. I'm sorry that rule will apply to us as well.

GIBSON:

Good.

PRIME MINISTER:

It's applying across the board, that preservation rule.

GIBSON:

Unemployment. Besides Pauline Hanson, who we won't go into this morning because we've all had enough of her. Your biggest problem is unemployment. How will last night's Budget do anything to ease unemployment?

PRIME MINISTER:

Well it's the nations biggest challenge, I understand that. How will it help? Well to the extent that it has improved the strength of the economy it will encourage more growth. We're repaying \$5 billion of debt this year. That means the Government is repaying debt rather than generating more debt and that will ease pressure on interest rates. The federation fund which involves the expenditure of \$1 billion on major infrastructure projects, that will down the track have a beneficial impact on jobs. Lower interest rates, the confirmation of low rates of inflation and the promise of strong economic growth over the next two or three years. All of those things combined will create a better climate for jobs but I don't and can't promise and I never have that you can get rid of unemployment overnight. We made some changes to industrial laws which will in time help. We are endeavouring right at the moment to further liberalise the unfair dismissal laws so as to encourage small business to take on more staff but it looks as though we may be thwarted in the Senate on that because the Labor Party has said they will oppose it and if as I fear the Democrats and Senator Harradine do the same, then my attempt to allow firms employing fewer than 15 people exemption from the unfair dismissal laws for employees employed for less than a year that, my attempt to do that will be thwarted by the Senate. Now if that happens, I'm going to put that into a Bill and send that Bill straight back to the Senate and see if they reject in the form of a Bill and then we'll see what happens.

GIBSON:

On the subject of unemployment though, there's been a lot of discussion again. You want people to work longer. You're telling them they can't retire till 60 at the earliest. You're offering them a sort of sugarcoated \$20 000 to stay on until they're 70. They stay on, you get more income tax, you don't have to pay out the pension but they're in filling jobs so there must be fewer jobs for young people.

PRIME MINISTER:

No, no, well it never works like that Mike. The only way to create jobs for young people is to generate new jobs through more activity particularly in the small business sector. I think you'd know, we all know from our own work experience that somebody who's been with an organisation for a long period of time, that person is not mutually, is not interchangeable with somebody who's been there for a short period of time. They do different things. The idea that a pensioner's retirement is Howard's opportunity if we're at different ends of the age spectrum - it never works like that.

GIBSON:

But it's the opportunity of the bloke who's underneath me to move up and the bloke who's underneath him to move up and when you down the ladder there's the bloke at the bottom who says 'hello, I've got a job'.

PRIME MINISTER:

Yes, but why shouldn't the bloke who's doing a perfectly good job and who's in perfectly good health and who wants to remain full-time or part-time in the workforce beyond a certain age, why shouldn't that person be encouraged to do so?

GIBSON:

I don't have a problem with that but there would be a lot of younger people saying 'Well, why shouldn't I, in the bloom of my youth, be able to get a job?'.

PRIME MINISTER:

But there are other ways in which you assist that to happen. You reduce the cost of employing those people, like getting rid of stupid unfair dismissal laws. That's a greater barrier to young people getting jobs than anything else. I see no merit in the false belief that by penalising older people, you're helping younger people, you're not. The only way to help younger people is to remove the impediments that employers now find against employing them. I get employer after employer saying to me 'Look, I'd be happy to take on young kids if I knew I wasn't going to land up in court on some unfair dismissal charge. I'd be happy if I could be free of some of red tape in employing them.' They are the things that we are endeavouring to address. And not having the pension bonus scheme, if we had not proceeded with that, that wouldn't have created one new job for a young person, but what it would have done was to have sent a signal to older Australians that we really don't have much concern for them, don't have enough concern for them. Now it's about expanding choice. I mean I believe in choice. I think if somebody can do the job, doesn't matter what age they are. And this idea that you are sort of on the scrap heap once you reach a certain age is ridiculous.

GIBSON:

It's nineteen minutes to ten. Our guest is the Prime Minister, John Howard. Medicine. I mean surely it's every Australian's right to be able to afford to go the chemist, get a prescription filled so you can enjoy decent health. Years ago we could all afford it. Today it would cost me \$50 a month for blood pressure tablets, what with Pauline Hanson and following the North Sydney football team, Mr Howard, I'd probably need more of them.

PRIME MINISTER:

I won't make any gratuitous comments about your sporting preference.

GIBSON:

Okay, but now it's going to cost me even more and people who can't afford it...

PRIME MINISTER:

Not necessarily. All I've done. Can I tell you what we've done?

GIBSON:

Yeah.

PRIME MINISTER:

We're saying that in a particular area if you've got two drugs that both do the same job, and one of them is cheaper than the other, then we're only going to subsidise the cheaper one. The criterion is that they've got to be doing the same job. Now what's wrong with that? And it's not going to, according to my advice it's going to result on average if people do choose the dearer drug, going on average, involve a premium payment by the patient or the customer of \$2 per prescription. But you've got to understand this Pharmaceutical Benefits Scheme is growing, the cost of it growing, the cost of it's growing hugely. It's growing at a faster rate than other areas of health. Unless you have some kind of additional discipline we are going to get into trouble about the cost of it. It really is a simple as that and the benchmark drugs are going to be established by the experts, not by the Health Minister although he's quite an expert in this area, he's a doctor. He's going to have an independent group to do it and that essentially is what it involves. You've got two drugs doing the same job. One is cheaper

than the other, the generic one's cheaper, then we'll subsidise that. What's wrong with that? Nothing wrong with that.

GIBSON:

Michael Lee, who's your opposition health spokesman says some doctors are already predicting patients lives will be at risk because...

PRIME MINISTER:

Can I say, that is just, that is just so silly.

GIBSON:

What you're saying is, you know, that you cop the cheap jobs, if you want the better stuff, well....

PRIME MINISTER:

No it's not better. No, no, no a very important thing it's got to do the same job. It's just that in the nature of drug development you have breakthroughs in certain areas and then for years you have an expensive drug and then greater technology produces a generic drug that does the same job but you continue to subsidise the whole range. And all we're saying is that you subsidise the generic one. But the criterion has got to be that it does the same job.

GIBSON:

We have a question from one listener, and there are many thousands of them in Australia today as you know Prime Minister. She cares for her husband, he's very ill. She gets an allowance of \$29.00 a week.

PRIME MINISTER:

Is that the domiciliary care allowance?

GIBSON:

Yes, that's right. There are 34,000 people like her. They save you \$850 million a year. She says you did nothing for them.

PRIME MINISTER:

We are increasing the domiciliary care allowance in this Budget by about \$16 a fortnight. Now if the lady is in receipt of that, I don't know whether she is or she isn't, then we would certainly be assisting her. This is the second budget in a row where we have lifted the assistance for carers and I don't think, having got the opportunity go by without making that point that this is a Budget that once again has improved the benefits for carers. Now if she's in receipt of that, then, that allowance, then there will be an increase, then if she's not then there won't be, but I don't know her precise circumstances.

GIBSON:

Income tax cuts. I know we got the rebate on savings, for those of us who do have savings, but are we ever going to get any tax cuts, I mean the top rate is as we all know 48.5 cents, company tax still only 36 cents, no matter what tax rate you're on, when will you eventually give us a break?

PRIME MINISTER:

Well families got significant income tax cuts on the first of January this year, families earning less than \$70,000 a year. Now they were targeted. And they were in relation to the number of children you had and if you were a single income family you got quite a bit more. Now as to the future it depends entirely on financial circumstances. I can't say anymore than that because I don't want speculation to run about something that we may not be able to deliver on. The only way though in the long term you can ever get tax down is to repay your debts and control your spending. And that is precisely what we did in our first budget and is what we've done in the second budget. One of the great values of repaying debt is that you no longer have to pay the interest on debt you've repaid. And our interest bill has been cut by almost a billion dollars in this budget and that's a tremendous turnaround. We're repaying \$5 billion of debt this year. And all of that is laying the groundwork for the future because if you've repaid your debts and you've controlled your spending, it stands to reason that your capacity in the future to do something in other areas on the revenue side is much greater. But I can't and won't make any promises on that front because I don't want to be in a situation of being told that I haven't delivered on something.

GIBSON:

All right before you go, already your critics this morning are saying that you are preparing to give us something next time round. That this budget is really one in which you're cashing up for the next election.

PRIME MINISTER:

Well I suppose they would say that wouldn't they? This budget should be judged on its own merits. It builds on the very big savings we made last year. It contains a very important savings tax initiative. Certainly in year three we will be in surplus but we need a surplus for the benefit of the country and I don't see surplus as things that should be squandered. As to what happens in next year's budget, well we've only just finished this year's and I think, we're a long way off speculating about a budget that's going to be brought down in a years time. I think this budget will be seen as getting the balance right. It will reinforce the growth in the economy. It will turn around a \$10.5 billion deficit into a \$1.6 billion surplus and that's a huge turnaround. And it will set this country up, it will sustain economic growth and low inflation and low interest rates for years into the future and that is a very valuable contribution to all of the Australian people.

GIBSON:

All right thanks for your time this morning. It's a gorgeous day in Sydney. I hope you have a nice day down in Canberra.

PRIME MINISTER:

It's a great day here to Mike. Great to talk to you.

GIBSON:

You too. The Prime Minister of Australia, John Howard.

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