

14 May 1997

**TRANSCRIPT OF THE PRIME MINISTER**

**THE HON. JOHN HOWARD MP**

**RADIO INTERVIEW - NEIL MITCHELL 3AW**

**E & OE.....**



**MITCHELL:**

Mr Howard, good morning.

**PRIME MINISTER:**

Good morning.

**MITCHELL:**

Thanks for your time. You must feel a bit like Father Christmas. You'll run this \$1 billion Federation Fund yourself. What are you going to spend it on?

**PRIME MINISTER:**

Big projects.

**MITCHELL:**

Where?

**PRIME MINISTER:**

All around Australia, things to build for the future. We're not going to fritter it away on a thousand obelisks. We're going to largely make it available for big projects which are about renewing the infrastructure of this country.

**MITCHELL:**

What sort of projects are you...

**MITCHELL:**

I am going to write to the State Premiers and they will have some ideas. I've got a few ideas of my own but they are projects that will generate a lot of jobs in the construction phase and they're projects that are about laying down some infrastructure that will be available to the Australian people for decades into the next century. It's very much about the future of Australia in the new century. It is called the Federation Fund. It will reach its peak at the time we celebrate 100 years of Australia as a nation. Now a billion dollars is a large amount but it's not inelastic and I would like to see a number of major projects. I have no doubt that the states have already worked up a few projects and they will be very happy to submit to me. At the end of the day we will decide where the money is going to be spent.

**MITCHELL:**

Are we talking about monuments or things that can be used by the people?

**PRIME MINISTER:**

No we're talking about things that will be of practical use to people. I mean one of the projects I've already earmarked is the National Museum in Canberra. I have no doubt that the Northern Territory and South Australian Governments will be putting their views to me about the Darwin to Alice Springs railway. I am not saying we are going to support that or reject it. I am just saying that they are the sorts of things that people will be putting up.

**MITCHELL:**

Can you assure us it's not going to embrace the whiteboard style of management, not just marginal electorates?

**PRIME MINISTER:**

Absolutely not. We're talking here about big projects that will be of benefit to the whole of the community or the whole of the region. This will be a very good exercise for the regional areas of Australia. It will generate jobs, it will give new hope, it will give new vision and new enthusiasm to the regional areas of Australia and that is very important because the levels of economic activity in some of those regions do need resuscitation.

**MITCHELL:**

Is it tempting though to use it as a slush fund? You're coming into an election, you've got a billion dollars sitting there, you've got the reason to spend it. It would be very tempting.

**PRIME MINISTER:**

Well I am not going to do that and I am going to run it in a way that people will see that we are spending the money wisely for the future and we're not frittering it away on a thousand little projects of dubious national benefit.

**MITCHELL:**

Will the decision be made by yourself or by an adviser?

**PRIME MINISTER:**

Well we will get advice from our bureaucracy but the final decision will be made by a committee of Ministers. I mean we were elected to make decisions. This idea that you fight an election campaign, you get elected and then you hand over the decision making authority to everybody else. I mean, what's the point of going into politics? It's our job, the people vote for us and if they don't like us, they throw us out but while we are there it's our responsibility to take the decision and people can judge the quality of my decisions on that as they can on any other issue quite fairly and squarely but I can assure you, it's not going to be a rerun of Ros Kelly's whiteboard. It is going to be very much a visionary building for the future, investing for the next millennium approach.

**MITCHELL:**

When would you expect the project to be approved?

**PRIME MINISTER:**

Soon but I'm not going to put a month on it.

**MITCHELL:**

Okay, on something else, unemployment. It's a big....

**PRIME MINISTER:**

I'm sorry I didn't hear that.

**MITCHELL:**

Unemployment.

**PRIME MINISTER:**

No, could you repeat that because there was a cut in from your person speaking and I just didn't hear your question. Could you repeat it?

**MITCHELL:**

I'm sorry. We must have a technical problem. I will address that. Unemployment, you're predicting 8% by next year. It's not very good, is it?

**PRIME MINISTER:**

Unemployment remains bad until you get rid of it altogether and I suppose there is a level of unemployment that is in a personal sense satisfactory but we did inherit an 8.5% rate. It had gone to 11% in the early 1990s and it was deeply entrenched and it will take time to remove and to get down, it will take time. We think that if you have several years of strong economic growth, we believe that as the benefits of our industrial relations reform work through, and remember they only came into operation at the beginning of the year, and I am very disappointed incidentally on that score that the Labor Party has now announced that it is going to oppose the unfair dismissal law changes that we announced a few weeks ago in our small business statement, and that was the proposal whereby every firm employing fewer than 15 people would be exempted from the unfair dismissal laws altogether in relation to people who had been on their payroll for less than 12 months.

Now we've put that up in the form of a regulation and the Labor Party has indicated it will vote against that regulation in the Senate and if, as I fear, the Democrats and Senator Harradine support the Labor Party then that regulation will be disallowed and that will disappoint the job hopes of many people and it will also anger quite rightly the small business community of Australia who sees the unfair dismissal law in its present form as a major barrier to job generation. It's a major disincentive to taking on more staff. We are trying to fix that but we are continually being frustrated in that department by the non-Government parties in the Senate.

**MITCHELL:**

Okay, you're talking about say, the middle of next year, predicting 8%. That means you would have dropped half a percentage point in just over two years in government. Are you saying that that's

(inaudible) or that lies with the Opposition and the minor parties? Is that why, I mean, you must be disappointed by that.

**PRIME MINISTER:**

Well Neil, to the extent that the minor parties and the Labor Party stop this Government through their numbers in the Senate doing sensible things to reduce unemployment then they are partly to blame, I say partly to blame. Neil, I never pretended before the election that I could solve unemployment overnight. Unemployment is always the last thing to come right. We have laid the foundations, we have changed the industrial relations system quite dramatically, not as far as we would have liked. We have seen falls of 1.5% in interest rates, we have sustainably low inflation, we have given massive incentives to small business, the latest of them will start on the first of July with a \$250 million capital gains tax relief. We have done a lot of things that will take time to flow through the economy.

**MITCHELL:**

But I look through the United States and I see them under 5%. I look at New Zealand which is (inaudible) I look at most of Asia.

**PRIME MINISTER:**

Well, but may I say, you look at Germany which is 12.5%, you look at France which is the same. Look, the United States has a significantly lower unemployment rate than Australia and the reason for that is the United States does not have any minimum wage safety net of any consequence. Now this country traditionally has taken the view that there should be a decent minimum wage and it's part of the culture of Australia that there is a decent minimum wage and you have a lot of working poor in the United States and you have a lot of people in the United States who are quite literally begging on the streets because they don't have any welfare assistance.

Now I am as you know a small government man but I will never support an Australian community where quite literally, people are begging on the streets because they have no assistance at all and sadly, much in all as I admire a lot about the United States, sadly that is an element of the United States social welfare system and you have to strike an Australian balance between a freer labour market and having no social security safety net at all and the Coalition has struck that balance. We have a much freer labour market and therefore more conducive to employment growth than our predecessors but we're not prepared to throw people on the scrap heap as occurs in some other countries.

**MITCHELL:**

Where are the initiatives in this budget for jobs, for youth unemployment in particular? Where is the hope for people?

**PRIME MINISTER:**

If you create an economy which is growing more strongly, which has the prospect of perhaps lower interest rates over time, which is going to put aside an investment of a billion dollars in job creating infrastructure projects, if you have savings initiatives which are going to encourage people to save into the future, all of those things create a climate of hope and optimism. Now Neil, we inherited a \$10.5 billion deficit. By year three of our first term of Government we will have turned that into a surplus of \$1.6 billion.

**MITCHELL:**

The markets are not impressed by...

**PRIME MINISTER:**

Neil, Neil, are you saying that we should always be driven by markets?

**MITCHELL:**

No, of course not.

**PRIME MINISTER:**

You're asking me what the hope is. Now the first responsibility of any government is to get the nation's finances right. That's the first responsibility. Now the nation's finances were in a mess when we came to power. We had to do that. People can sit on the sidelines and spin, and tell stories and people can criticise it. That's fair enough but it's our responsibility to fix the nation's finances and I am very proud to say that at the end of our first term in office we will have turned a \$10.5 billion deficit into a \$1.6 billion surplus but by the year 2000, we will have almost cut in half the debts of the Australian people compared to what they were in 1995. Now that is a monumental achievement.

**MITCHELL:**

If that's such a monumental achievement, why aren't the markets doing handstands...

**PRIME MINISTER:**

Well I am sorry the markets, the markets are not the only things that govern our lives. If I was a Prime Minister that was told by the markets what to do I would be failing the great majority of the Australian people. The markets have seen interest rates fall. The markets overall have been very buoyant for the last 18 months and they remain very strong but you can't avoid the fact that we inherited big debts.

**MITCHELL:**

But do you think this will now bring interest rates down?

**PRIME MINISTER:**

That is a matter ultimately to be determined, if I may say so, by market forces.

**MITCHELL:**

Of course.

**PRIME MINISTER:**

Exactly, exactly. Of course it's going to be determined by market forces but I tell you this, Neil, that cutting debt further, producing a surplus in year two of this budgetary cycle, that's 98/99, that means that there is downward, and not upward pressure on interest rates. In other words when the monetary authorities next look at interest rates and I'm not telling them what they ought to do, that's a matter for the monetary authority, but when they next look at interest rates they will know that the Government has done its bit. The Government has not added to interest rate pressure. The Government this year will repay \$5 billion of the debts of the Australian people. Now..

**MITCHELL:**

At least the Government has set the climate for lower interest rates...

**PRIME MINISTER:**

Of course we have set the climate. Now you ask any small businessman what has bugged them most over the last ten years and they will say high interest rates. There is nothing that helps small business more than a continued climate of lower or falling interest rates.

**MITCHELL:**

Mr Howard if we can just move away from what you think or the big picture, look at the average, the battler if you like. Now the rebate on savings is of concern, isn't going to help most people, is it?

**PRIME MINISTER:**

Well people who don't have...

**MITCHELL:**

.. sort of figures which, the reasonable benefit. \$60 000 in the bank to get \$450 back. Most people are lucky if they've got a couple of grand in the bank.

**PRIME MINISTER:**

Yes but it's not only available for interest on bank deposits. It's available for personal contributions towards superannuation. It's available for all of the returns on investments you make right across the board. It's not limited to bank savings, that's a mistake. Now I know that some people won't benefit from this just in the same way that people who don't have children don't benefit from family payments. People who aren't retired don't benefit from measures that help self funded retirees. You've got to look at all of the measures that we have brought in since we came to power.

**MITCHELL:**

Superannuation. Let's look at that. Am I right that it requires \$3000, you put \$3000 into super and you get \$450 back as rebates.

**PRIME MINISTER:**

The maximum you can get is \$450 and because it's capped at \$3000, that is right but if you put in \$2000 you get proportionately less. I mean, you don't have to put in the \$3000. Well Neil...

**MITCHELL:**

Not many people have got the money to put in...Have you got \$60 000 in the bank?

**MITCHELL:**

No I haven't got \$60 000 but leave me out of it, leave me out of it. I don't want to get into personal analysis. But you say what have we done for savings? I mean, this is a 15% tax break for all savings. For years and years and years people have said to me you've got to give the community an incentive to

save. Young people have said what is the point in saving for a home. There's no incentive to do so. This 15% tax break will be available for savings towards the deposit on a home. This 15% tax break will be available for a rental stream from an investment income. This 15% will be available for personal contributions to super. It is the first time since federation that any Government in this country has given a general tax break to savings. Now of course you can say to me, why isn't it more? I'll tell you why it's not more, because we still have big debts, because we did inherit a deficit of \$10.5 billion and we had to use a lot of money to repay that debt, the debts of our predecessors. That's why it's not more. I'd like it to be more, I'd like it to be far more generous but it can't be because we can't afford it. Now it's easy for anybody to say, well, why isn't it more? It's not enough. Some people won't benefit. Of course that's true. That is always the case.

**MITCHELL:**

I can understand why... I think it's being oversold a bit, that's all as being this marvellous carrot in the Budget.

**PRIME MINISTER:**

Yes but this represents a psychological shift towards savings, the like of which we haven't seen before. You know as well as I do, Neil, it's not only the reality of the measure but also the perception of a measure and the psychological impact of a measure, the symbolism of a measure. Now for the first time ever, an Australian Government has unambiguously said, we will favour savings. Politicians in years past have preached to the community about the value of thrift, the need to save, the desirability of putting away a nest egg, of building for the future but they've done damn all through the tax system to encourage it to happen and for the first time ever we are giving a general break to savings and that..

**MITCHELL:**

Isn't this just the beginning though?

**PRIME MINISTER:**

Well Neil, I don't want on the run to say something that will come back to some kind of promise about further action. All Prime Ministers and all Treasurers always like to do more to assist people. This is a very powerful measure. It's a very, very strong indication of the preference that this Government gives to savings.

**MITCHELL:**

Mr Howard, the medical area. I will be talking to Dr Wooldridge later in the morning about this. It's one very general area that concerns me is where you're addressing drugs in a pretty sensitive area, blood pressure, hypertension, depression, those sort of drugs and saying to people they might have to change the sort of drugs they take or pay more. That could affect people who have been taking certain drugs for a long period of time and their comfort I suppose. You've got vulnerable people with these sort of illnesses and you could be put in the position of having to make a decision to change which will unsettle them.

**PRIME MINISTER:**

Neil, this is a hard area and it's hard because the pharmaceutical benefits scheme is very expensive, very expensive indeed and it's growing at a faster rate, the cost of it is growing at a faster rate than most items in the health and welfare side of the budget and what we're going to do is take the advice of an expert group about what is in effect a benchmark generic drug. It is the case that there is some

overprescribing, or how shall I put it, relaxed prescribing in these areas and it's very easy of course for a fear campaign to be run on it but equally we have a responsibility to see that taxpayers' money is intelligently spent, and in the nature of things you have a new drug discovery and then for a long period of time that drug is very widely used, and then there is a cheaper generic drug developed in the same area that has the same capability. We're simply saying that if on the advice of an expert group that generic, equally effective drug does the job then it's not unreasonable to say that if people want to use a more expensive drug they should have to pay a small premium for it.

**MITCHELL:**

Most of the drugs, it must do the job rather because side effects can vary from brand to brand.

**PRIME MINISTER:**

That is why we're going to get the advice of expert people. Now I acknowledge this is a sensitive area but the fact that something is sensitive doesn't relieve a Government of the obligation to try and work at it. I note with interest that the President of the Australian Council of Social Services, the main spokesman for the needy in the community has said that in principle he supports the proposal although he is worried about how it might be implemented and I also understand that cautious support has been expressed by the pharmacists. Now Dr Wooldridge will discuss the matter at length with the doctors. It will involve some discipline on doctors and some of them will criticise it but I just say to your listeners, Neil that this is an area which is very expensive and we can't ignore it. I mean, from a political point of view the easiest thing is to say, walk away from it, leave it but that wouldn't be a particularly good use of taxpayers' money.

**MITCHELL:**

Tax avoidance. Now there are indications that it is serious. How, or more serious?

**PRIME MINISTER:**

There are a whole raft of measures that we are introducing there. I have no time at all for people who avoid their tax liabilities and I say to them in whatever strata of society they are, they can expect no sympathy from my Government, none whatsoever. If everybody paid their proper share of tax we'd all be paying less and we'd have a lot more money to spend in desirable areas of need and it really makes me sick when I hear stories of people who have very high income streams who try to organise their affairs in a way to avoid tax and they can't expect any sympathy at all from me.

**MITCHELL:**

The child care areas. Now as I understand it 7000 places capped per year. Is that right?

**PRIME MINISTER:**

The 7000 cap next year and the year after.

**MITCHELL:**

Now how far short will that fall? Your own Department was saying demand would be about 20 000.

**PRIME MINISTER:**

Yes it could fall that far short. It's very, very hard to estimate. It depends on the take up rate, it



depends on a whole range of things. We have not cut the entitlements in any way. We have introduced that measure and the other measure is that for parents using child care for non work related purposes we're putting a quite generous limit of 20 hours a week on that. The former Government proposed a limit of 13 hours a week. We thought that was a bit too limited and we've put it at 20. We understand that the average usage is about 13 hours a week for people who want child care for non work related purposes. That's a very fair balance.

**MITCHELL:**

Mr Howard, if I could ask you something else and it does sort of lead you back to the budget area. Is it correct that the Liberal Party will give preferences to Pauline Hanson at the next election?

**PRIME MINISTER:**

No, to my knowledge and can I say at the outset that this is a matter that will be decided by the Liberal Party organisation close to the next election, but no decision as I understand it has been taken and I was asked a question about this in the Parliament yesterday and I simply refused to sort of play Mr Beazley's political game. We will decide how we allocate preferences when we get closer to the election.

**MITCHELL:**

Would you be involved in such a decision in such a contentious area?

**PRIME MINISTER:**

I guess I will get consulted but the organisation decides these things at the end of the day but I'm not going to get drawn into a talk about preferences. We're two years away from an election and a lot can happen over that two year period, and can I remind your listeners in case they think there's anything odd about this, at the last Federal election in my own electorate of Bennelong the Labor Party gave its preferences to Australians Against Further Immigration ahead of me. Now I didn't complain about that. I understood why they did it but let's not have any preaching about...

**MITCHELL:**

No but if you're going to take the moral high ground..

**PRIME MINISTER:**

I'm not endeavouring to, I'm not criticising, they're the people who are trying to take the moral high ground and I am pointing out how hypocritical it was and I also point out that on this issue it took Mr Beazley a hell of a long time to expel Graham Campbell from the Labor Party, he having expressed views on certain issues which he is now criticising as being expressed by the Member for Oxley. I am not endeavouring to preach to the Labor Party about this. It is endeavouring to do that to me and I am pointing out that it has feet of clay on the issue of preferences.

**MITCHELL:**

I take your point it's a long time off but...

**PRIME MINISTER:**

It's just silly.

**MITCHELL:**

The situation is you would be involved in one way or another in the decision...

**PRIME MINISTER:**

I would be surprised at some stage if I were not consulted but ultimately, can I assure you ultimately these things are determined close to an election campaign by the state organisation. I mean, quite literally that does happen because as leader you are involved in an election campaign and you're racing around the country but I don't rule out the possibility that they would consult me. I'm not going to say that. I am just saying that it's two years off. I am not going to get into a talk now about how preferences are going to be allocated. A lot of things can happen over the next two years in relation to the juxtaposition and the sensitivity of political parties towards Independents.

**MITCHELL:**

The next question and that will lead me back to the budget. Media policy - I interviewed James Packer on Monday. When will there be a decision?

**PRIME MINISTER:**

We will take a decision soon. We have had other things on our plate this week and we will take a decision that I believe will be consistent with good media policy. I know the views of Mr Packer but of course the Parliament and nobody else will decide whether we are going to change the law. Everybody has got a point of view on this and can I tell you, most people talk from self interest.

**PRIME MINISTER:**

Do you have a view on the breaking up of the Fairfax empire?

**PRIME MINISTER:**

I've got quite a number of views but I think my colleagues are entitled to know those views, much in all as I respect your programme, my colleagues are entitled to know all of those views before anybody else. We haven't taken a decision yet. Everybody under the sun has put a view to us. All the proprietors have. The journalists have. The community has. I understand and all I've got to say is that nobody has a monopoly of high minded policy on this. I've got to say that everybody talks from self interest, including the journalists. They will tell you they don't but of course they do. I mean, they believe in absolute, they have an absolute view in one particular area. They see all evil in newspaper proprietors. Newspaper proprietors have views, the public has views and we've got to take them all into account. There's a balance between foreign investment and domestic ownership and there's also a strong view about diversity and I think I made the comment on your programme the other day that I thought that people on talkback radio had more influence now than many print journalists.

Now that may have offended some of the print journalists but it does remain the case. I have spent 25 minutes talking to you about the budget, it reaches thousands of people. I spent a lot of time earlier today talking to Alan Jones. Now the comments of yourself and Alan on the budget and the way in which your listeners hear what I say about the budget I believe has a very significant influence in conditioning public attitudes. Now that is just a fact of media life and I think it's got to be recognised.

**MITCHELL:**

I guess, just finally and quickly, that the point of those two questions, leading back to the budget, do you think the budget will cut through what's been described as the fog?

**PRIME MINISTER:**

That was my description. That's the trouble, you make these comments and they keep being used. Look I think the budget will be seen as addressing the fundamentals. I think people will be grateful that my Government in its first term will have wiped out that huge deficit and repaid so much debt. I think they will like the savings initiative. They will see it as a powerful symbol that savings are favoured in this country and that it is not just mere rhetoric that we want savings. I also think they will appreciate the Federation fund as investment in Australia's infrastructure needs.

**MITCHELL:**

The budget is a (inaudible)

**PRIME MINISTER:**

No I think it's just, it stands in its own right and it's own merit. Neil, every Government goes through some difficult periods. It was inevitable after a year that people would start to raise questions and be a touch critical in certain areas. I accept that. When you are elected after 13 years of another government and you have a big majority, people understandably think everything is going to change overnight. Now that can never happen and there is some lowering of expectations. Now I think we've gone into that phase. It doesn't trouble me and let me say I'm aware of it and I don't want anybody ever to think that I take their support for granted and that I don't listen to what they have to say.

**MITCHELL:**

Mr Howard, thanks for your time.

**PRIME MINISTER:**

Okay.

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