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**TRANSCRIPT OF THE PRIME MINISTER  
THE HON JOHN HOWARD MP  
RADIO INTERVIEW WITH FRAN KELLY - AM PROGRAMME**

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

**KELLY:**

Prime Minister, the \$1 billion federation fund, what kind of projects do you have in mind for that?

**PRIME MINISTER:**

Big projects that involve jobs, projects that will strengthen the national infrastructure of Australia. I don't intend to have the money frittered away on a hundred obelisks commemorating federation - they're nice but somebody else can raise the money for them. This is a big project fund and I'll be talking to the State Premiers and the Chief Ministers to get their views. We are using some of the money for the National Museum in Canberra. Now, that's an important national project and that will help the people of Canberra. I'll be writing to all the Premiers in the next few days seeking their views. No doubt they'll have plenty of views and I understand that and I'll be happy to talk to them. At the end of the day of course I and my colleagues will decide on the projects on which the money is spent.

**KELLY:**

Well the Democrats and others have immediately labelled it a slush fund.

**PRIME MINISTER:**

Gee, they are really clever aren't they? They are saying all the time that we've got to do things to generate jobs. Nothing generates jobs more than activity. And this is about infrastructure activity and they're bellyaching about it. I mean you can't please them can you.

**KELLY:**

It's described in one paper as the Government describing it as being available for one major, one significant project in each State supported by smaller projects in regional areas. I mean that does ring 'whiteboard' bells, doesn't it?.

**PRIME MINISTER:**

Well, I tell you what - it won't be that. It will primarily be about big projects, big projects involve small amounts of work in different areas. And that's what that statement had in mind. This should be seen very much as providing opportunities for job generation in the regions of Australia. Not everything will be in the regions but there'll certainly be a lot in the region and it is about job generation. It is about major projects that will be valuable for decades into the future and it is appropriate that it be called a federation fund and it's appropriate that it reach its peak when we celebrate the Centenary of Federation.

**KELLY:**

If it's about job creation, why not get it going now? Why wait a year or so before projects are even announced?

**PRIME MINISTER:**

Well there are other measures in the Budget that are helping job generation., and it's a question...

**KELLY:**

What are those measures?

**PRIME MINISTER:**

Well, the very fact that we have turned around a \$10.8 billion deficit and by year 3 of our first term, at the end of our first term we will have created a surplus of \$1.6 billion. Now that is a magnificent achievement by any measure. We inherited a \$10.5 billion deficit, all the work of our predecessors and we're going to have a surplus of \$1.6 billion. This year, this coming financial year, we will repay more than \$5 billion of Mr Keating's debt, \$5 billion will be repaid. We will not be a net borrower. All of that exerts further downward pressure on the conditions that affect interest rates. Now I make no prediction about interest rates. I make no calls about what should happen. That is a matter for the monetary authorities. But what the Government has done is deliver on its side of the monetary equation, the Government has taken pressure off interest rates by cutting the deficit. The Government has repaid massive amounts of the debts of the Australian people accumulated by the previous government. Nothing can I say to you Fran is more calculated to lay the foundation of a very sound future. And don't let our opponents come along and say it would have happened if they'd been in office. They opposed the sale of Telstra which is one of the methods whereby we have brought about this massive debt reduction. So this is very much a Budget that lays the foundation for a sound 21st century for Australia because what it has done is to tackle this cycle of deficit and debt. I'm able to say to you this morning that in 1995 our debt to GDP ratio was just under 20 per cent. By the year 2000 it will be 10 per cent. Amongst the OECD countries in 1996 we have a debt level now which is lower than the average of the OECD. Now that is a huge turnaround.

**KELLY:**

With respect though Prime Minister, there has been the Coalition's strategy, debt reduction strategy has worked on a massive scale but much of that was in last year's Budget. This Budget only makes a small contribution to cuts, \$330 million.

**PRIME MINISTER:**

No, no, that is, that is not true. But the important thing is whether you do the job. Now the first job of a new government is to fix the nation's finances and they were in a mess when we came into power. \$10.5 billion of deficit and by the end of our first term, and people sneered at us when we said we'd do it, the Opposition has variously sneered at us or said it was unnecessary. I don't know they're going to say now. It'll be very interesting. The fact is we have turned it around and we have done it in a fair way. We have done it at the same time that we have kept our promises. We gave a \$1 billion tax package. We're giving \$600 million of tax relief for people who take out private health insurance.

**KELLY:**

But that was last year's Budget?

**PRIME MINISTER:**

Why do you say last year? I'm sorry, it comes into operation on the 1st of July. I mean the important thing is whether you get to your, to the place on the hill. It is whether you get to your goal. It's not whether you do two-thirds of it in the first year and a third in the second year. With great respect, that is a silly argument. The important thing is whether you do the job, whether you get there. And the combination of our budgets in our first term will be that we have turned the

finances of this country around from a \$10.5 billion deficit to a \$1.6 billion surplus. We've kept our promises. We have delivered our family tax initiative. We're delivering capital gains tax relief to small business. We've seen interest rates fall by 1.5%. We've seen inflation kept at a very low level. And we are building for the future with a federation fund that is going to renew the important infrastructure of this country. Now, that is building for the future on a massive scale.

**KELLY:**

Are you disappointed then that media commentators and others have welcomed this...or described this budget today as cautious, that the financial markets haven't welcomed it - they say that it's dampened expectations of a ratings upgrade - that business hasn't exactly sort of embraced it?

**PRIME MINISTER:**

Well I don't know who you're reading. I mean, you know...

**KELLY:**

Well, I've read all the papers and I've read a wad of press releases.

**PRIME MINISTER:**

Well, you couldn't have read Terry McCrann for example.

**KELLY:**

No, but I did read...I didn't read Terry McCrann's article but I read a lot of others.

**PRIME MINISTER:**

Oh, well I think you should. I mean, he's got more readers than, he's got more readers than most of the other financial writers might...

**KELLY:**

You've got to perceive there's a lot of front page articles describing you as cautious.

**PRIME MINISTER:**

No, well hang on, hang on Fran, I mean, you made the point. Let me say, Peter Costello has decisively buried the Keating legacy in more ways than one with a very good budget. It consolidates our nation's finances around a smaller government dynamic. Importantly, not a slash and burn and bash the small or smaller government, but one that seeks to make government work better, delivering the same services more efficiently or cheaply. Now, I think that is a very accurate description of this budget and you will find across the board there is a recognition of a job well done. Of course some people will always argue that you should go further. There are always people who are, no matter how high you jump, they will put the high jump bar up a little higher and say you've failed unless you jump that extra distance. Now, I know that, that's always happened. It's my job and the job of the Treasurer to set the balance, to make the judgement of what is the right trade-off between the economic demands of the country and our concern about the impact of economic measures on different sections of the community and we have got that balance right. We are giving massive incentives for people to save. For the first time in federation a government has given a genuine tax break for savings. It's not a mealy-mouth, restricted, limited, hamstrung break. It's right across the board, all forms of savings from all forms of investment including, I might say, personal contributions to superannuation on which no prior tax break has been received by the contributor. Now, that is a very valuable incentive. We're not discriminating against one form of saving in favour of another. This is the first time anybody has done anything comprehensive about that and I think that will be seen particularly by self-funded retirees as a very long overdue reform.

**KELLY:**

Indeed obviously it is a big boost for self-funded retirees. It's a big boost for people who are able to make big superannuation contributions...

**PRIME MINISTER:**

And may I say Fran that self-funded retirees are the one section of the population who, if I can put it this way, are the poor relations of lower interest rates. The rest of the community think lower interest rates are a great idea. People who are on fixed incomes, the retired section of the community, sometimes wonder because it directly affects their income. And therefore some recognition of the particular position of self-funded retirees and of retired people generally was needed because the Keating L-A-W law plan completely ignored them. Keating's plan was to reward only the people who were in the workforce and that was particularly discriminatory against many women and particularly discriminatory against retired people. The Howard-Costello plan is a 15% tax break right across the board, all forms of saving, all forms of investment including superannuation, a contribution to the individual. In that sense it's a more balanced, fair measure that doesn't discriminate against different sections of the Australian community.

**KELLY:**

Prime Minister we're going to run out of time but I must come to jobs. Jobs was always going to be the big test for this budget. But the Treasurer described the predicted growth in this budget, three and three quarter percent, as exceptional growth. Now, is it exceptional growth? It's not that much more than forecast last time and in the last 12 months you didn't manage to shift unemployment at all...

**PRIME MINISTER:**

Well unemployment is predicted, at the financial year starting the 1st of July, is predicted to have fallen to around 8%...

**KELLY:**

(Inaudible)

**PRIME MINISTER:**

Hang on, hang on, just remember that we inherited a level which had been deep seated around 8.5% and had gone to 11% when Mr Beazley was the Minister for Employment in the former government. So let us just understand one fundamental thing. Our critics, the Opposition, had 13 years. They pushed unemployment to 11%. They left us with 8.5%. It was deeply embedded in the Australian economy and it will take time to remove. And everybody who understands anything about the economy of this country knows that employment is the last indicator to come right when things get better. Now we have laid the foundation. We've freed the labour market. I'm very disappointed that the Labor Party is going to oppose our unfair dismissal provisions. And in doing so, they are actually destroying the job prospects of thousands of young Australians and they are maintaining an unreasonable burden on those thousands of small businessmen and women who are the main vehicles through which job generation will occur. The Labor Party has no credibility to criticise us on unemployment while it continues to stop us getting rid of Laurie Brereton's stupid job destroying unfair dismissal law, no credibility at all. Because that...even the Labor Premier of New South Wales, Bob Carr, admits that that particular measure has damaged the job prospects of thousands of young Australians and it's sheer hypocrisy of Labor to talk about unemployment when they won't even support that attempt by us to help small business employ young Australians.

**KELLY:**

Well, Mr Howard, one final question. I mean, a week ago you said that this budget would help lift the fog, the fog that is enveloping your backbench and others in some kind of criticism of your leadership. Is there enough, or what is it here that will lift the fog in terms of jobs, instead of spending boost for regional Australia, that will promise the job security to counter the attraction of Pauline Hanson, persuade them to forget about Wik - where is it?

**PRIME MINISTER:**

That's an extraordinary interpretation of what I actually said Fran. What I said, that any stage of a government's life, when you get preoccupied with budgets and other things, you tend to appear off the central message of concern to the electorate. I have no doubt at all that this budget will be seen as a budget that addressed the future. It's a budget that has got the fundamentals of the economy right after the \$10.5 billion blackhole that we inherited from the former Finance Minister, Mr Beazley and the former government. We've now turned that into a surplus in year three of \$1.6 billion. I think people will applaud that. I think people will be attracted to the savings initiative because it's uncomplicated and generously across the board and I think they will see the federation fund as a very valuable future investment in renewing the important infrastructure of Australia, particularly regional Australia. I think they'll give it a big tick.

**KELLY:**

Prime Minister thank you very much.

**PRIME MINISTER:**

A pleasure always.