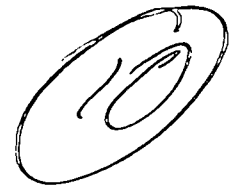


14 May 1997



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

E&OE.....

**JONES:**

Prime Minister good morning.

**PRIME MINISTER:**

Good morning Alan how are you?

**JONES:**

It's one of those days when you've really got... (inaudible)...a hundred times, right?

**PRIME MINISTER:**

Indeed, but it's a good story. I mean, we inherited, my government inherited a \$10.5 billion deficit, \$10.5 billion, and by the end of our first three years in government we will have turned that around to a surplus of \$1.6 billion. Now, the most important and the first responsibility of any government economically is to get the nations books into order and quite rightly I've heard you talk repeatedly about the importance of cutting debt, encouraging savings and building for the future and of all the budgets that I have been associated with, both as Treasurer and as Prime Minister, none has more directly and profoundly addressed that fundamental challenge in this budget. I mean, the turnaround is huge. By the Year 2000 we will have almost cut in half the ratio of our total debt to the amount of wealth that we generate each year as a nation, and we are laying down a brighter future for our children by eliminating all of that debt.

**JONES:**

To be absolutely fair I think you deserve a 1000 out of ...

**PRIME MINISTER:**

It's an enormous turnaround. \$10 billion to \$1.6 billion surplus in the space of three years. Now, that is a colossal achievement by my government.

**JONES:**

Right at some stage down the track that is as I understand it, in the next two years, and going down that far is a bit too far down the track, you will actually be repaying some of that debt...

**PRIME MINISTER:**

We are repaying debt this year. This year we will repay \$5 billion dollars of Mr Keating's debts. \$5 billion. So that means our interest bill will fall very sharply this year. I mean, one of the reasons why the bottom line is better than some people expected it to be is that because we are not repaying such large debts, because we've cut our debt the interest bill is lower. You see the great beauty of paying off your debts is that not only do you clear the burden on your future, but you also reduce the outlay each week, or each month or each year required to service the debt.

**JONES:**

You're going to have \$15 billion in asset sales which over the next two or three years is going to

assist that.

**PRIME MINISTER:**

Enormously.

**JONES:**

Right and to put that into proportion for our listeners, it is anticipated according to documents that I saw that there will be a saving on interest on the national debt of approximately \$2 billion by the Year 2000?

**PRIME MINISTER:**

That's right. Now, this is the direct result of things like the one-third sale of Telstra.

**JONES:**

We've got to make sure you don't spend that mind you...

**PRIME MINISTER:**

Well we're not. I mean, Alan, we've just spent the last minute saying that we are not, because we are using it to repay debt, we are obviously not squandering it. We are putting it to the best of all possible uses. Now of all the privatisations, there are two sums.... one sum - that's the Natural Heritage Trust, where we are putting \$1.2 billion into our environmental future, we told the public about that before the last election, and then we are also generating a one billion dollar Federation fund, and that Federation Fund is going to be used primarily for major infrastructure projects around Australia. The infrastructure of this country does need some attention. We do need a number of sensible large projects in Australia. That one billion dollars is not going to be squandered on a whole list of local monuments and obelisks, and let me make that clear, that is not the purpose of it. The purpose of the infrastructure fund is to create job generating, I repeat, job generating major projects and I'll be writing to the Premiers and the Chief Ministers inviting their comments. We will make the decision of course on what the money is finally spent on but that is all about building for the future.

**JONES:**

Okay well just one question on that before we get onto some of the other issues that listeners have rung about this morning. But some would say what has the Expenditure Review Committee been doing because in fact the spending cuts in the budget only total \$783 million.

**PRIME MINISTER:**

Well, the Economic Review Committee found savings last year which carried over into this year of \$7 billion and of course the economic review committee also has the responsibility of vetting any new spending proposals that Ministers might bring forward which really need to be off-set by reductions in spending in other areas so that they can be afforded. But let there be no argument Alan. We will in our first three years have reduced public spending down to levels that will be close to pre-Whitlam days. According to the budget documentation last night you will have public spending levels by the turn of the century down to levels that they were in 1973. Now, there is a limit sensibly beyond which you oughtn't to go in cutting public spending because there are a lot of legitimate areas of public expenditure and it is a question of getting the balance right, getting rid of the waste but spending on the necessities and that is what I believe that we have achieved over the last two years.

**JONES:**

Well that whole debt thing is a fantastic ...

**PRIME MINISTER:**

It's a terrific story because it is about the future Alan, it is about repairing the disasters of the past. It is about repaying our debts, it is about freeing our children from the burden of debt obligations into the future.

**JONES:**

Well, let's then have a look at getting, you say, getting the priorities right. Now, this whole question which has created an awful lot of consternation today and headlines everywhere about a tax rebate. Are you saying that this rebate will be available on \$3000 that has been saved or is it available on \$3000 of interest in which case you'd need \$60 000 sitting around to get \$3000 of interest, and who the hell's got that?

**PRIME MINISTER:**

Alan, it was always the latter.

**JONES:**

But who's got \$60 000 - not the battler?

**PRIME MINISTER:**

Well, it is a very generous tax break. You have quite rightly called for tax incentives for savings. What you have called for is to exempt all savings from taxation. Now that is very very expensive. This when it is up and running, will cost between one and \$1.5 billion a year.

**JONES:**

\$2 billion by the Year 2000?

**PRIME MINISTER:**

That's right....

**JONES:**

You won't qualify.

**PRIME MINISTER:**

Me? No, I'm not interested in it. I'm not...

**JONES:**

I'm simply saying...

**PRIME MINISTER:**

When you say I won't qualify... just leave me out of it. It is not only in relation to interest on bank savings, it is also in relation to a personal contribution to a superannuation fund.

**JONES:**

So if you put \$3000 ...

**PRIME MINISTER:**

If you put a thousand in you get a 15% tax rebate but the cap, the total amount on which the rebate can be claimed in any one year is \$3000 and that will yield you a maximum amount of \$450. Now, if people put... If they put a \$1000 into Superannuation yes they will get the 15% tax rebate providing that is their own personal contribution and you haven't already claimed a tax deduction on that.

**JONES:**

All right, what about rental property. If we could just go ... because this is important to people...the net income..

**PRIME MINISTER:**

The net income up to a total of \$3000...

**JONES:**

From rental property...

**PRIME MINISTER:**

From rental property, from any kind of investment..

**JONES:**

So the toughest way of getting it actually is to have the \$60 000 in the bank account..

**PRIME MINISTER:**

It's not the toughest way Alan, be fair, what we are doing is to say that any kind of investment on which you get a return or a savings up to a total return on savings of \$3000 a year will be eligible for the 15% rebate. It is right across the board, it does not have a means test. It is available in relation to self contributions to superannuation. Now of course you can say to me well why isn't it more generous - but I'm not Santa Claus. If you don't have the resources, if we are to repay the debts and lay a secure foundation for our children then we can't go overboard with this, but this is the first government since federation that has given a direct and comprehensive, across the board without strings attached, incentives for Australians to save.

**JONES:**

Right, fair enough, but without nitpicking, do you concede that there is about 40% of households out there today to whom this means nothing.

**PRIME MINISTER:**

Well, Alan, a household that can't afford to save obviously can't take advantage of any savings measure, whether it is this measure or the most generous measure in the world. Of course you need savings in the first place but we have other measures to help those households. We've delivered reductions in housing interest rates of 1.5%. We gave a one billion family tax package last year, we are giving \$600 million in health insurance tax incentives on the first of July. We are doing other things in relation to household support....

**JONES:**

A bloke faxed me this morning, he said I've just been listening to Peter Costello extolling the wonderful advantages of the budget, I'll read you exactly what he said, especially the part about 'this budget will make people want to get out there and save'. "How out of touch and stupid are these bastards? Don't they know that after the cost of living is covered on the average wage, that there is no money left to save?"

**PRIME MINISTER:**

Alan, I understand that. And I say again that no matter what savings measure you have, there is a large section of the population that doesn't qualify for it, but it is the nature of budgets that not every measure is of equal relevance to every person. Not every person in the Australian community has children but that doesn't mean to say you don't try and provide family benefits. Not every person in the community is retired, that doesn't mean you don't try and provide benefits to self funded retirees or to people on the pension.

**JONES:**

Just a final one on that savings question. You do say also which many people would applaud, but all superannuation contributions and earnings after mid 1999 will be locked into super funds to prevent early withdrawals, you can't take it out.

**PRIME MINISTER:**

That's right.

**JONES:**

What about Mps?

**PRIME MINISTER:**

MPs are going to be affected in exactly the same way.

**JONES:**

So they won't be able to take it...

**PRIME MINISTER:**

MPs will be affected in exactly the same way, let me repeat, MPs will be affected in exactly the same way.

**JONES:**

So they won't be able to take their superannuation until retirement?

**PRIME MINISTER:**

That provision is going to apply to them as well as to the rest of the community.

**JONES:**

Do they know that?

**PRIME MINISTER:**

Well, they were told about it, so I am advised, about three or four months ago but whether they are all conscious of it or not now let me make it clear they are going to be equally affected.

**JONES:**

Right, so that whole business about taking lump sums and then going into another job, another employment and all the rest of that...

**PRIME MINISTER:**

Look, all I'm saying Alan is that the rules are going to be the same, it is going to be across the board that preservation rule.

**JONES:**

And the age at which the Super benefits...

**PRIME MINISTER:**

That is a preservation rule. That's going to be the same across the board.

**JONES:**

But the age at which Superannuation benefits can be taken is going to be raised to 60 for those born after July 1960...

**PRIME MINISTER:**

A very very long lead time.

**JONES:**

Now, another caller rang and said well now look pharmaceutical benefits. For the people out there who ... a pharmaceutical, a prescription is something that someone else decides you need, a professional person has decided you need it. They have to actually pay more for that pharmaceutical benefit. They are saying to me well now what about the costs of MPs - now I know you people are under siege, but they get free travel for spouses, or a nominated parent, child, or sibling each year, nine return visits to Canberra, three return visits interstate, travel to official functions, free round the world trips for members and spouses per term per term etc... Shouldn't some of those things be cut back rather than pharmaceutical benefits?

**PRIME MINISTER:**

Well, look, can I just say that in relation to MP's benefits generally, their incomes despite the popular view has risen at no faster rate than those in the rest of the community. I mean really this constant... it's an easy hit. You can hit me, you can hit Beazley, it is a very very easy hit. But the truth is Alan that they have risen at no faster rate than the rest of the community. You were talking a moment ago about superannuation. For all that is said about the generosity of MPs' superannuation scheme, your after tax compulsory contribution to a superannuation scheme as an MP is 11%. Now, I don't think any of your listeners would be in a superannuation fund where they are compelled to pay 11% after tax out of their income. So, when you are talking about MPs and you can criticise the perks that we allegedly have, I don't know that having to travel to an official function is such a perk.

**JONES:**

No, I'm talking about non-MP functions, non-MP benefits.

**PRIME MINISTER:**

Well non-MP benefits functions, you are not meant to be subsidised ...

**JONES:**

No, I mean, non-MP benefits, nine return trips to Canberra for spouses and for...

**PRIME MINISTER:**

Well there are a lot of organisations Alan, including private businesses that provide their employees with family reunion facilities when they are required to work lengthy periods of time away from home. Now, we can spend valuable time talking about...

**JONES:**

But not now... they just made the point that you ...

**PRIME MINISTER:**

I understand that. It is an easy thing to make....

**JONES:**

Just back to the prescriptions and on that question. I mean, that is a cost that you obviously feel you must embrace a saving. Against that, there is this deferred pension bonus of \$21 251 for a single person and \$35 450 for a couple where they defer taking their pension. Why would we be spending \$21 million a year keeping people at 62 in employment when people at 22 can't get jobs?

**PRIME MINISTER:**

Well, my understanding is that in the early stages of this there is actually a saving because there is a lower pension bill as people remain in the workplace longer. So in the short term there is a saving, over a longer period of time it has a cost. The principle is very good, the principle recognises that people aren't on the scrap heap at the age of 65. The principle recognises that if... that we now live in an age where people thankfully are living longer, they are healthy for longer, and why shouldn't they have some encouragement? Why shouldn't they been given an incentive? I mean we are often told that one of the great driving forces in a free enterprise society is the provision of an incentive and I believe that and I'm sure you do. I'm sure most of your listeners do. And why shouldn't they be given some kind of incentive, some kind of recognition that they are able beyond the age of 65 to remain in the workforce. We should value the contribution of our older citizens to this community rather than imposing some kind of statutory senility on them.

**JONES:**

Righto, well then.

**PRIME MINISTER:**

There's a very sound philosophy behind this.

**JONES:**

One and half million unemployed though aren't there? They've already got jobs.

**PRIME MINISTER:**

Alan, I understand that. But you won't, but this idea that somebody at the age of 65 who stays on for another year is denying a person at the age of 19 a job completely misunderstands the character of the labour market. We don't need a job replacement policy in this country. We need a job creation approach. And the only way you create jobs is to generate more growth and this Budget forecasts very solid growth into the future. And by getting rid of debt we are laying the foundation of that very solid growth.

**JONES:**

Right, just back to the battlers though. I can go to the doctor today and get a consultation for nothing and you've heard me on this before.

**PRIME MINISTER:**

I have heard you on this before.

**JONES:**

And yet the poor bloke who's depressed and goes to the doctor and he gives him a prescription for an anti-depressant drug or a blood pressure drug or a cholesterol drug, from today or from July he's going to pay more. Is it fair that he pays more and yet I pay nothing except the Medicare levy?

**PRIME MINISTER:**

Well let's just address the drug thing. The Pharmaceutical Benefits Scheme is going at an alarming rate and we can't ignore that. It is in fact, the growth in the Pharmaceutical Benefits Scheme is faster than the growth in many of the Medicare areas. So if you're worried about the blow-out in

health costs, you ought to be concerned about the Pharmaceutical Benefits Scheme. And what we have done with this measure I believe is to impose a very defensible and valuable discipline on doctors in relation to the prescriptions they make. It's going to be monitored and the drugs are going to be selected and the bench marks are going to be established, not by the Government, not by the politicians, but by medical experts.

**JONES:**

But the patients ...

**PRIME MINISTER:**

And I notice your great interest, you talk about the battlers, but Robert Fitzgerald, the president of the Australian Council of Social Services who's normally - he can be quite critical of my government and of our measures in the social welfare area, he said that in principle what we were proposing was quite defensible. He then of course to be fair went on to say that he worried about the implementation of it but he didn't argue about the principle. Now, this is a difficult area but there is plenty of evidence that money is being wasted and what we are trying to do is not play around with the quality of health care but what we are trying to do is get a much needed discipline in this area. Dr Wooldridge is meeting the Australian Medical Association in half an hour to discuss the details of the scheme. I understand that the Pharmacy Guild has given tentative support or expressed tentative understanding of what the government intends to do in the area. It is not easy this area, because it is very very simple to generate some kind of fear campaign about it but there is a lot of money that it can be saved without in anyway impairing the quality of health care and we have an obligation to the battlers you speak of, we have an obligation to all Australian taxpayers to try and do something about that.

**JONES:**

Earlier this year in January you announced \$41.6 million or Amanda Vanstone did, to a Green Corps over the next three years to employ and give job training to young people. Where's that?

**PRIME MINISTER:**

Where is it? Well it is in operation.

**JONES:**

It's already started?

**PRIME MINISTER:**

Oh yes.

**JONES:**

And it is employing people?

**PRIME MINISTER:**

It is. I in fact launched it on the outskirts of Brisbane a few weeks ago. But it is up and running.

**JONES:**

So that's in place. Just a few quick ones before we go. What provision have you put in the budget for Wik compensation?



**PRIME MINISTER:**

We haven't put a specific amount because at this stage it is absolutely impossible to calculate what it will be.

**JONES:**

Could knock the bottom line around.

**PRIME MINISTER:**

On the other hand it could be quite minor.

**JONES:**

Okay.

**PRIME MINISTER:**

And this is one of the ridiculous things about this whole native title issue which I am very pleased to say we have a good effective plan to deal with, it's been overwhelmingly endorsed by the partyroom. It is very very difficult to determine precisely what the final outcome will be and in any event it will be some years into the future.

**JONES:**

Okay just one final thing which we haven't got time to canvass entirely - public housing. Do you think that you've addressed that issue or there is to be a new commonwealth-state housing arrangement for again - battlers out there who are in public housing?

**PRIME MINISTER:**

Well I've heard some suggestions - there was some suggestion that we were going to cut \$200 million out of it because that fear campaign by the New South Wales Labor Government...

**JONES:**

We might get some details... then I can actually tell people...

**PRIME MINISTER:**

Can I say to public housing tenants ignore any fear campaign about us imposing some kind of compulsory increase in your rent, that's not happened. We have imposed what I would regard as a modest efficiency dividend of \$50 million out of about a billion on the federal payments to the states and there is plenty of room for efficiencies in the system at a state level to absorb that without effecting a dollar of the income security of any of the housing commission tenants.

**JONES:**

Okay, well thank you for your time. I mean, at the end of the day I just wonder do you think in the light of the polls last week and all the rest of it, that the battlers who came to you, you must be worried that you might have lost them?

**PRIME MINISTER:**

Alan, I will never take any of the Australian people who supported me in March of last year for granted, and I know that in a political journey and a national partnership between the government and the people who elected it, there will be periods when the people who elected it scratch their head and say oh gee he's not quite doing this the way I'd like him to do it. You go through those periods, I understand that, I'm sensitive enough both as a person and as a politician to understand that and I say to your listeners that I will keep faith with your fundamental needs. This budget, the second budget of my government has addressed the fundamental debt and deficit problems of the Australian economy. It is a magnificent story that in three years, we have turned a deficit of \$10.5 billion into a

surplus of \$1.6 billion, without increasing taxation. We've provided a family tax initiative of a billion dollars, we are giving \$600 million in tax incentives for private health insurance, we are giving almost a \$300 million capital gains tax relief for small business starting on the first of July. It is a fine story, I know there will be some bumps along that national journey between myself and the people who supported us but at the end of the road I believe overwhelmingly they'll see that I kept faith with the promises I made and I'm very proud to say that of all the promises that your listeners will remember from the last election : the capital gains tax promise, the family tax promise, the health insurance promise, the savings promise, the Natural Heritage Trust promise, all of those promises have been delivered and in some cases they have been over-delivered.

**JONES:**

Well, just on that, and I said we'd make this this last but there are 700 000 people we now know went to John Howard and left Paul Keating in droves because of disaffection. Do you think the disaffection was so great that they expected immediate change of a very significant nature and there's a disillusionment that that change may not have been fast enough. Alan it is always the case that when you have a big shift after another government has been in power for a long time, but there are very high expectations. Expectations that the greatest government in the world can't match. Now, I accept that there's an element in that in what's occurring at the present time. People thought that just because there was a change of government, that and that alone would deliver miracles. Now, that doesn't happen and after that is realised some people aren't quite as enthusiastic as they might originally have been but then you go into another phase where people say well okay maybe my expectations were a bit unreasonable - I'll really have a serious look at what these blokes are doing. Now, I think we're now going into that phase and they will judge us on our merits and if you look at the record, I mean, we have got the fundamentals really coming into place. When you are getting massive cuts in our debt, we are getting interest rates down, we've got low inflation and that's laying the foundation for an improvement on the jobs front which is a continued concern and pre-occupation of my government. Now, can I just say to people, I understand that there were very high expectations. In a sense they could never be totally realised but I also say to you that all of those great promises you remember from the campaign, they have been delivered in full on time without deduction and in some cases they have been over-delivered but I'm not complacent, I don't take you for granted, I never will. I will never get out of touch.

**JONES:**

So when will you give us an indication of when you embrace upon this awful job of tax reform. When will we hear from ...

**PRIME MINISTER:**

You can always rely on one thing about me and that is that in the course of being in government there will always be a few surprises.

**JONES:**

Okay we look forward to that one. Can you surprise us also on the gap on medical insurance because it would save me a million and one letters which come in and say ...

**PRIME MINISTER:**

Can I say we look very hard at that when we are making some of the other health insurance changes and the overwhelming view that is continually put to me that if you allow gap insurance you would produce very significant increases in doctors charges.

**JONES:**

Yes but against that if you keep the gap insurance you are not going to get people back into private health care and the public health budget...

**PRIME MINISTER:**

... Look I understand that argument, it's a fine balance and I talk to a lot of people about this, and I talked extensively to the AMA and the overwhelming view was that the trade off wasn't worth it because okay people would find it a little more attractive to insure but the premiums would be higher because the doctors' bills would be higher and nobody would be any better off. Now, we have chosen the path of giving people tax incentives, and we have also altered the community rating arrangements - we're still keeping the principle of community rating so it is a lot more attractive to go into private health insurance and I think you will find as the products begin to be advertised around the first of July many young people for the first time will have a look and say gee this mightn't be a bad deal after all and I encourage them to do so because when you combine the changes with the tax incentive, it really is a lot more attractive deal.

**JONES:**

Okay and before you go, a word to the sick and the disabled and the people who have to look after

...

**PRIME MINISTER:**

This budget is a magnificent budget for carers. The last budget was good for carers and this budget increases the domiciliary nursing care benefit by a very significant amount, by about 25% and Robert Fitzgerald, once again if I can quote him, the head of ACOSS congratulated me yesterday on the fact that for the second budget in a row this had been a very compassionate one for people in care and can I say in relation to nursing homes that the reforms that were introduced last year will result in more capital going into nursing homes. They are fair, they will not surprise people who have no support of the opportunity of a nursing home bed. They will not, contrary to the scare campaign, introduce an unfair income test. What they simply do is to invite people, require people who can afford to make a contribution to their care, according to their means to do so. Now, what on earth is unfair about that?

**JONES:**

No, fair enough. Good to talk to you and thanks for your time. We'll talk again.

**PRIME MINISTER:**

Thanks Alan.