



4

PRIME MINISTER

12 June 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
INTERVIEW WITH KERRY O'BRIEN - THE 7.30 REPORT**

E & OE

O'BRIEN:

John Howard do you take responsibility for today's figures?

PRIME MINISTER:

Oh, the Government always has to take responsibility but you've got to understand that the unemployment we have today is partly influenced by the slowdown in the economy that occurred last year. Equally, the pick up in the economy which is now evident, investment figures, lower interest rates, greater housing starts, that will ultimately feed through into the labour market and I believe that next year we will have a much stronger employment figure. Now, I wish it were otherwise and I care very much about the concern in the community about job security. The decision we took on the motor vehicle industry last week was significantly influenced by our desire to secure a \$4 - \$6 billion investment in the motor vehicle industry. The preservation of existing jobs and the creation of potentially another 5000 or 10 000 jobs in that industry. There are many things coming on stream in the next few months that will help the employment outlook. This afternoon I spoke to Bob Mansfield, my Major Projects Facilitator, about the literally 10s of billions of dollars of investment that is waiting to go in the resource sector. Much of that will flow through to the manufacturing and service sector. On the first of July more incentives start for the small business sector. The Workplace Relations Act that will boost employment over time has only been running for 6 months, so what I am saying is yes, today's figure is not good and as Prime Minister I am very unhappy about it and I want the Australian community to understand that and it remains my strongest commitment and my top priority but I also say to the Australian people that it will take time for many of the measures that we've implemented that we've done a lot and I ask that the flow-through benefits of those measures be seen before judgments are made.

O'BRIEN:

So you are asking us to be patient. The fact that you haven't on this occasion blamed Labor's past record, does that mean that you do acknowledge, you do recognise now that the time has come politically for this Government to be seen to stand on its own feet and say from here on in it is our responsibility, we cop it if we fail?

PRIME MINISTER:

Kerry, I just recognise the political realities that the government in power is seen as responsible for what happened when it is in power. I don't absolve the former government from the fact that it left us with a \$10.5 billion deficit. And I take the opportunity to remind the Australian people that Mr Beazley as Employment Minister in the former government took employment (sic) to 11.2%, and they left us with 8.5%. But that has happened...

O'BRIEN:

As we've said in the past...

PRIME MINISTER:

I know but I mean, you raised the question of the former government...

O'BRIEN:

But the question, I think you are acknowledging the point politically....

PRIME MINISTER:

But I am the Prime Minister now, and I have to answer to the Australian people and I have to look them in the eye and say what I am endeavouring to do to improve the situation and I've outlined some of those measures and I believe they will have a beneficial effect and next year we will see a much stronger employment situation. The impact of falling interest rates has yet to be really felt...

O'BRIEN:

Just on the issue of interest rates. It seems that the pressure is really building and all of the commentators today are talking about the fact that the pressure on the Reserve Bank to drop interest rates yet again is now almost intolerable and that the market has moved so far ahead of the bank that the bank is almost forced to follow. Would it concern you that the bank react in that way and give us another cut in interest rates before we've had a chance to see what's going to flow-through from the last set of cuts, the last couple of sets of cuts.

PRIME MINISTER:

I think the bank will be very sensible about interest rates. They've called it well, if I may say so, over the last few months. I think they got the last cut right and I believe that they will get the next cut or non movement right as well.

O'BRIEN:

It must worry you that in terms of consumer sentiment and I am sure that you'd acknowledge that one remaining significant hurdle in terms of getting growth going to a point where you do make serious inroads to unemployment is this issue of consumer spending. It must concern you..

PRIME MINISTER:

It's a circular thung.

O'BRIEN:

Of course it is, but you've got to break the cycle and part of that is breaking the psychological cycle and the public does not seem to be responding in that sense to interest rates. They're not showing any sign of confidence.

PRIME MINISTER:

Kerry, part of the problem is the gap between when you adjust interest rates and the reaction. Part of the slow down in '96 was a consequence of the interest rate rises of late 1994. Equally the benefits of the interest rate cuts over the last 15 months will be most strongly felt and therefore the benefits enjoyed next year.

O'BRIEN:

Do you agree with Senator Amanda Vanstone, your Employment Minister, that we live in a Nescafe society that wants an instant everything and we just can't have an instant everything on these unemployment figures?

PRIME MINISTER:

I think it's fair to say that we do live in a society that wants instant responses and I understand the point she was making..

O'BRIEN:

They've been waiting a long time. In fact, they've been waiting for many years.

PRIME MINISTER:

Kerry, I am trying to deal with reality. I am pointing to the measures that we have taken and I am communicating to the Australian people my concern, my commitment,

my understanding and my desire to see a very big turn around in this area but you can't produce miracles. It does take time and I'm not going to pretend to the Australian people that I can snap my fingers and it can alter...

O'BRIEN:

No, no but do you have any confidence that we will at least begin to see a clear downward trend before the end of this year?

PRIME MINISTER:

I believe that without trying to put a month on it. I believe that all the indicators now are that the economy is strengthening and that will flow through to a much better employment outlook in 1998. Now, don't ask me to say what week or what month, that's impossible but if you look at the investment figures, if you look at the lower interest rates, the very stable low inflation rate, the latest manufacturing survey from ACCI and Westpac, very strong manufacturing outlook in the last quarter.

O'BRIEN:

Except, at the same time that they say confidence is increasing in the business sector they're saying that manufacturing is going to continue to sack people in the next three months.

PRIME MINISTER:

Some of that, once again, this is conjunction of economic circumstances last year having an effect now on employment decisions. The real key I believe to higher employment levels in this country is still the small business sector and that's why lower interest rates, the tax incentive starting in July, much freer unfair dismissal laws..

O'BRIEN:

But even the small business sector hasn't been doing what it's supposed to be.

PRIME MINISTER:

No but it once again is a question of time and I know this is frustrating, I know that and I understand that but it's no good my sort of just saying well, tomorrow it's going to dramatically turn around when I know it's not. I have to deal in truth and I have to deal in reality and the truth is at the moment the unemployment we see is a consequence of a slack economy last year. The employment we see next year will be a product of what I believe to be strong growth, strong investment and very good economic signals at the present time but it will take some months to flow through to the employment situation.

O'BRIEN:

Okay. Speaking of manufacturing, you said on April 30 as I think the Opposition

pointed out to you in the Parliament, after BHP had announced its Newcastle retrenchments that you would visit Newcastle in the very near future. On May 13 you said : "I will be visiting the Hunter shortly". This is June 11 and you still haven't got there. Given the national impact of those retrenchments and the view that is coming through in polls again, that people are deeply disturbed about what is happening in manufacturing, is that good politics that you haven't yet found the time yet to visit the Hunter?

PRIME MINISTER:

Look Kerry, a photograph on the front page of the Newcastle Herald doesn't create any jobs. I have said...

O'BRIEN:

You did say you'd go there.

PRIME MINISTER:

No, hang on. I will be going to Newcastle in July. I have already sent three or four Ministers there. Two weeks ago I met a delegation of steel workers who came from the Hunter to talk to me in Canberra and one of the messages that I got from them was that the last thing that the steel workers of Newcastle wanted was a political slanging match between the Liberal Party and the Labor Party on their future. I want to say to the people of Newcastle when I am there, things that can be of practical help to them. My opponents have been there several times and engaged in windy rhetoric. When I go to Newcastle..

O'BRIEN:

I guess they can't actually do many things. They're not in Government

PRIME MINISTER:

I will have something practical and useful to say but at the end of the day it's not the words, it's the substance of what you have to offer a group of people.

O'BRIEN:

Okay. If we can look internationally for a moment, your trip comes up next week and also we see the hand-over of Hong Kong to mainland China at the end of the month. Britain and the United States are boycotting the opening of the new provisional council. Is it true that Australia is now likely to attend?

PRIME MINISTER:

We won't be following the American and British decision on that. Mr Downer and I have decided that we will attend the whole ceremony, all the ceremonies. We believe in Australia's national interests that's the sensible thing to do. We believe that the

birth, if you like, of the new relationship between China and Hong Kong should be attended by as little controversy as possible. It would be a rather awkward gesture apart from anything else to be present for part then leave, then come back for the swearing in of the judiciary.

O'BRIEN:

And yet the best minds, one assumes, in the United States and Britain have persuaded them and I presume they haven't done it lightly, that on a matter of principle they should not attend, to send a message to China.

PRIME MINISTER:

It's a question of the national interest. I mean, we have close relations with the British and the Americans and I will be emphasising that in my visit in the next couple of weeks, very close relations but we don't always agree with them. The days are long gone when an Australian Prime Minister waited for London or Washington to decide what he did and I would hope that all Australians would applaud that.

O'BRIEN:

So was it an element that the Chinese leadership is going to be there, that it is so high powered from China's point of view?

PRIME MINISTER:

There are a lot of elements in it. I mean, we are building a good relationship with China. I don't disguise the fact that China is a very illiberal, undemocratic country. Of course it is but I, my responsibility is to look to the national interest and it's in Australia's national interest to build a sound relationship with China. We are a different country from the United States. We are much smaller. Symbolic gestures mean different things for different countries according to their size. I think what we have done over the last few months is build a relationship with China which is to our advantage. It is to the advantage of Australia that we have a close economic relationship. It is to the advantage of Australia that we have an honest political relationship. I haven't gone overboard about some special relationship with China but equally I think you get more on the human rights front if you have a dialogue between the two countries than for example voting for resolutions in the United Nations which have been voted for on six earlier occasions without any evident return.

O'BRIEN:

But that's exactly the approach that Australia has taken over years with Indonesia. Where is the evidence that Indonesia is more tolerant on human rights today than it was say three years ago, when you look at the deaths in the recent election, when you look at the ongoing deaths in East Timor?

PRIME MINISTER:

Well, I think you've got to ask yourself that if Australia had adopted an attitude of public stridency would the situation have been any different. I don't believe it would have. I think you always have to at the end of the day make a judgment on what you think is in Australia's national interest. Now, having an understanding with our nearest neighbour which is a very big country, the largest Muslim country in the world, is very important to this country. It is not a question of giving up our own principles. We defend essential Australian values, we defend values in Australia such as press freedom and the democratic rights within our own nation. We do not accept any lectures from neighbours about what happens inside Australia but equally we have to live in a world that is less than perfect in domestic eyes and we have to do it in a way that promotes the interests of Australian citizens and that is my ultimate responsibility.

O'BRIEN:

Okay, briefly, you are seeing Britain's new Labour Prime Minister Tony Blair. He's still basking in the afterglow of his victory. Yours' has faded slightly. How do you feel the dynamics are going to be for that meeting?

PRIME MINISTER:

Oh I think very good. I mean, I'll be carrying a message to him that I see the relationship between our two countries in modern contemporary terms. I mean we have a lot of history together but I am more interested in the future. Britain now of course is the strongest economy in Europe. It is the destination of an enormous amount of Australian investment and there is a lot of British investment in Australia. Mathematically speaking I think Tony Blair and I have precisely the same majorities in our respective Houses and although we come from different sides of the political fence I think we'll be able to get on very well together. I'll also be looking up Margaret Thatcher and John Major and I think both of them...

O'BRIEN:

I don't think you'll be seeing them both at the same time...

PRIME MINISTER:

No, I don't think I'll be seeing the three of them at the same time. It would be a very interesting gathering. But I think both of them deserve enormous credit for the changes that they brought about in British society and the British economy but I think I'll get on very well with Tony Blair and I think it is very important for me early in his Government to get to know him and his Ministers.

O'BRIEN:

And before we go that's enough of my questions. Have you got any questions for me?

PRIME MINISTER:

What do you mean? About the 7.30 Report?

O'BRIEN:

Any questions you might like to ask on behalf of your staff or anyone else in the Government?

PRIME MINISTER:

Well Kerry I don't think there is anything wrong with people wanting to know things about a current affairs programme which is run by the ABC....

O'BRIEN:

My salary...

PRIME MINISTER:

... which is a taxpayer organisation. I don't think there is anything wrong with that at all.

O'BRIEN:

So you endorse those questions?

PRIME MINISTER:

Well look, I endorse the right of any person to ask legitimate questions about the ABC and I understand that this afternoon the Managing Director of the ABC expressed no objection to those questions. I mean, people know my ratings from week to week don't they?

O'BRIEN:

Oh, I think they were more than questions about ratings.

PRIME MINISTER:

I think they do... I mean, let's not...

O'BRIEN:

And ratings are a matter of record.

PRIME MINISTER:

Of course they are, and so are a lot of other things about me aren't they? And I'm a taxpayer funded person, so what's wrong?

O'BRIEN:

You are an elected official.

PRIME MINISTER:

I am, that's right, and I am accountable, and I think any taxpayer organisation in this country is accountable and I don't think people should take exception to that.

O'BRIEN:

John Howard, thanks very much for talking with us.

PRIME MINISTER:

It's a pleasure.