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**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
ABC RADIO INTERVIEW - AM PROGRAMME**

E & OE.....

JOB:

Good morning Prime Minister.

PRIME MINISTER:

Good morning Catherine.

JOB:

Prime Minister, the last thing you will deal with tonight before your trip is the joint party room meeting on tax reform but that's not something you can act on, that is tax reform, until after the next election, at least 18 months away. With unemployment up to 8.8% and last month's employment having actually fallen by 40 000 jobs, don't you actually have to do something about it before then?

PRIME MINISTER:

Catherine, getting the tax system right and reforming the tax system is one of the biggest long term reforms that any government can make. I can't think of an economic reform which is more fundamental, more comprehensive and more important in an enduring sense than taxation reform and we need to get it right and we need to test it against three objectives : Will the reform help job creation? Will it boost exports and will it boost savings and will it provide Australians with greater incentive? Now, they are the three criteria against which I am going to judge tax reform. Tonight is part of a process of consultation and involvement. I want to hear the views of my colleagues and we stick to our commitment which was not to introduce a goods and services tax during our first term, but that doesn't mean to say you can't during your first term talk about, analyse, promote debate concerning taxation reform and I think it's very important that a government not be static and it's very important that a government involve the entire community and bring the community with it on this very important area of reform, and bearing in mind that tax reform is not an end in itself. Tax reform is about creating a better and more competitive Australian economy and through improving business, boosting job opportunities, and where possible also making particular changes that might have beneficial impacts on jobs.

So you can't disengage, you can't divorce, you can't detach taxation reform from the overall state of the economy and therefore the job situation.

JOB:

You say as you did in the election campaign, you promised no GST in this term of government. Does that mean you can go ahead with other tax reforms if they're the right thing to do in this term of government? Do you expect to?

PRIME MINISTER:

What we need to do as a community is to get the issue of tax reform out in the open, get it debated, get it debated against those three criteria. I mean you don't have a zealous, ideological approach to tax reform. The present system can clearly be bettered, it does penalise exports, it does impose fairly penal rates of tax on ordinary levels of income and it does result in a lot of money being dodged through the black economy. So there are a lot of areas where it can be improved and I think it's a question of being honest and open enough for everybody, you know, look everybody knows our tax

system is less than perfect. The Labor Party knows it. When they were in government people like Kim Beazley and Gareth Evans were enthusiastic supporters in the 1980s of Paul Keating's famous Option C that involved the 12.5% consumption tax. They were two of its most vigorous supporters so we all know the need for tax reform and it's a question of having an honest, open debate and pitting that against the national interest and that is exactly what my Government is promoting.

JOB:

Are you able to proceed with any tax reform though before the next election?

PRIME MINISTER:

We have already reformed the tax system. On the first of July any small business man or woman, as from the first of July any small or business man or woman in Australia will be able to sell a business and invest proceeds of up to \$5 million, \$5 million out of the proceeds of that sale into the purchase of another business without incurring any capital gains tax liability. We reformed the tax system by bringing in a \$1 billion family tax package on time, without deduction as promised on the first of January this year. On the first of July this year there will be another tax reform when families will get a \$450 a year tax rebate if they take out private health insurance. Tax reform of that magnitude is going on all the time but I am talking here about the big reform, the reform to the tax system that recharges it as something that aids and promotes the competitiveness of the Australian economy and not one that acts as something of a break.

JOB:

The 40 000 people who lost their jobs in the last month, the 8.8% who officially registered as unemployed, can they wait until after the next election for a wide scale reform like that to give them some hope of structural change.

PRIME MINISTER:

Catherine, changing the tax system in the right way which boosts business activity will obviously have a beneficial impact on employment but there are other forces at work on employment, the strength of the economy is one. Look, I know that that level of unemployment is unsatisfactory. I might remind your listeners that the average rate of unemployment during the 13 years that the Labor Party was in power was 8.7%. It's not as if unemployment has suddenly arrived with this Government. We inherited about the unemployment rate, or virtually bang on the unemployment rate we now have. It is taking time. I understand the impatience of people and if I were in their situation, I would be equally impatient. I do understand that. The interest rate reductions of the last 12 months are still working their way through the economy. The industrial relations reforms only came into operation in some cases on the first of January, in other cases on the first of March. There are other changes that we would like to make but we are being held up or threatened to be held up by our opponents in the Senate, such as the further liberalisation of the unfair dismissal laws.

JOB:

Which the Senate hasn't blocked yet.

PRIME MINISTER:

They're threatening to block it and I mean, I would be delighted if I'm wrong. Am I? I hope I am.

JOB:

Mr Howard, a long drawn out tax debate that might last 18 months to two years before you are in the second term, or another Government is in, and something can be done about it, what's that going to do to consumer confidence, to business investment confidence? Consumer confidence is already low. Won't this, a long drawn out tax debate have the effect of people keeping their hands out of their pockets for longer?

PRIME MINISTER:

I don't think a tax debate will have that effect at all. In fact I think the business community will welcome it but while this debate goes on, there are other measures that the Government has announced that will be beneficial for jobs. The spending of \$1.2 billion on the Natural Heritage Trust, that will help jobs in rural and regional Australia. Next year the spending of \$1 billion on the Federation Fund, the spending of \$250 million on the regional telecommunications fund. I mean, you're looking there at about \$2.5 billion of expenditure over the next few years on essentially capital works or many capital works activities, all of which will have very beneficial employment consequences. It's not as if we are doing nothing and contemplating doing nothing other than debating tax reform over the next 18 months.

JOB:

Deomocrats leader Cheryl Kernot said this morning that this talk of tax reform is a trick on the back bench, linking it with jobs, the trick to make it seem as if you're doing something about jobs and if you were serious you would bring forward the Federation Fund's \$1 billion and start spending it on capital works right now.

PRIME MINISTER:

Catherine, I'd like to do that but unfortunately Mr Beazley left me with a \$10.5 billion deficit and even with all the measures we've taken it will be in the third year of our first term of office that I will turn that into a surplus of \$1.6 billion. If it hadn't been for the deficit we were left with then it might have been possible to do that. You can't ignore the impact on the economy of that deficit. I am very pleased, just as a matter of comparative interests that as a result of the measures we are now taking, our fiscal position will compare very, very favourably with the fiscal positions of nations around the world and I am very pleased about that.

JOB:

Something you will enjoy on this trip.

PRIME MINISTER:

I think those comparisons ought to be made and I will go overseas on behalf of this country defending the performance and also defending the values and the reputation of this country and promoting to the rest of the world the self evident fact that this is one of the most open, most liberal, most democratic in free societies in the world and it's something of which all Australians, instead of some of the negative criticism of our country which has arrived of late is something of which Australians should be inordinately proud.

JOB:

And into that category of negative criticism in Australia, would you put the question of an open letter, a full page advertisement in the London Times tomorrow by a coalition of church and other groups possibly taking the form of an open letter to the Queen, calling for an apology for the stolen generation?

PRIME MINISTER:

It's a free country, they can do that. I think some of the people who contribute to the churches and the organisation might question the expenditure of their money on stunts of that kind. They might wonder why the cost of a full page advertisement in the London Times mightn't better, the money mightn't better be spent on actually, certain relief and assistance works for disadvantaged Australians, including indigenous Australians, but Catherine, this is a free country. That sort of thing has happened before. There is nothing terribly new or novel about stunts of that kind. World leaders who have visited Australia have been pursued by comment about domestic issues in their countries. It won't in any way alter the very positive, strong, forward-looking view that I will be putting about the values of Australia and the way in which this country, when it comes to democracy and compassion and

openness and liberalism, this country is second to none and any Australian who suggests otherwise doesn't understand the current reality of Australia, its essential openness and toleration, nor does that person understand how well we compare with other countries.

JOB:

Later in the programme we'll be hearing from President Bill Clinton saying that he is considering lending his support to a congressional apology to black Americans for slavery. Is that the subject, this question of apology, that you'd be discussing with him.

PRIME MINISTER:

Well, it may or may not come up. I don't know that it's...it's certainly not something on my agenda. That's a matter for the United States, it is not for me to give the United States advice on domestic affairs and I can't imagine an American president or a British Prime Minister presuming to give me advice on Australian affairs. We all of us in our own ways have plenty to do at home without presuming to tell other people how to run their countries.

JOB:

Is it something that you will be discussing with Her Majesty the Queen, who is our Head of State?

PRIME MINISTER:

Well it is not customary for the Australian Prime Minister to disclose in advance or disclose afterwards the subject of discussions with the Queen, that's a convention that has been held to very firmly by all Australian Prime Ministers, monarchical and republican alike.

JOB:

On another question, a question of one of your Ministers, there's calls once again for your small business Minister Geoff Prosser to be disciplined for breaching your Ministerial Code of Conduct. He dismissed out of hand the recommendations of the small business inquiry on franchising whereas he has up to 80 tenants in supermarkets in shopping centres in which he has investments, including many franchisees. Is there a clear conflict of interest there?

PRIME MINISTER:

No, I don't think there is?

JOB:

What making decisions about the Franchise Act when he controls franchises?

PRIME MINISTER:

Well, that means that somebody who has any kind of rural interest can never take a decision on a primary industry matter does it?

JOB:

What does constitute a conflict of interest?

PRIME MINISTER:

Hang on, I'm answering your question by analogy.

JOB:

Well is another question...

PRIME MINISTER:

Well, no I think the reality is that if the particular decision directly related to his holding or directly related to his ownership then you'd have a conflict of interest and you'd have to avoid that.

JOB:

If he owns a shopping centres and his tenants are franchisees, and he's making decisions on the Franchise Act...

PRIME MINISTER:

You refuse to look at what I said. What I said was that if something directly related to his own interest then obviously there is a conflict of interest. But if somebody has got some allegation give me the details and I'll analyse them. What I know, I don't see any problem at all with what Prosser's done. There seems to be a manic desire on the part of some people in the Labor Party and the Democrats to drive out of Parliament anybody who's got any kind of business background or business experience. I think it is the fact that Geoff Prosser has had a small business background is a plus and not a minus. I think we need people in the Parliament who have an understanding of business. We need people in the Parliament who come from all walks of life. We don't want them all to be ex-trade union officials, lawyers, or party apparatchiks. Now, that's a reasonable spread.

JOB:

Getting back to unemployment very briefly. Last week's figures were a shock to many people, what it said about the state of the economy, the state of confidence was also a shock. DO you ever in the darkest watches of the night get beset by any doubts that your policy prescriptions could be wrong?

PRIME MINISTER:

Catherine, nothing concerns me more as Prime Minister than the level of unemployment, particularly the level of youth unemployment and whether it is in the darkest watches of the night or other times during the day it is something that concerns me and is on my mind all the time, and I believe that the getting of the fundamentals right will boost, over time, will boost employment growth in Australia. That doesn't mean to say you don't always keep your policies under review. It doesn't mean to say you adopt a pig headed stubborn attitude towards approaches to employment but the fundamentals have got to be got right. We have done that. The flow-through effects of the Workplace Relations Act will help and if we can get some of our other measures through the Senate, they over time will also help, but can I say that I do understand the intense frustration. I do understand the anxiety of people about their children getting jobs. I have to live with the reality though that we were bequeathed an unemployment level which had averaged 8.7% over the 13 year term of the previous government. We have only been there 15 months, the other crowd had 13 years and I don't think it is unreasonable of me to argue that there will be benefits delivered through employment growth as a result of the policies that we have implemented.

JOB:

Finally, two more federal MPs are under investigation by the Federal Police over their travel entitlements. Do you know who they are?

PRIME MINISTER:

Well, I have been given a general briefing on the situation. It is not appropriate for me to say anything more than what David Jull said yesterday. You've got to remember that members of Parliament are high profile men and women in the community. Sometimes unfair allegations are made against them by people in the community. Our rule is very simple, we will allow the law to run its course, we won't prevent things going to the federal police, as happened when Mr Beazley and Mr Evans were given some material about a current Senator 13 years ago. We will allow the law to run its course and it will fall where it may irrespective of the Party of the Member or Senator involved.

JOB:

Prime Minister, thank you very much for your time.