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

E & OE

JONES:

Prime Minister, good morning.

PRIME MINISTER:

Good morning.

JONES:

Do you get tired?

PRIME MINISTER:

Occasionally, but I'm feeling pretty fit at the moment.

JONES:

You've been doing a lot of miles.

PRIME MINISTER:

Well, I was in Thursday Island yesterday. It's an extraordinary reminder of what a diverse country we have. And what a terrific place! They are lovely people. So open and friendly and warm spirited and...

JONES:

You made a pretty big decision up there yesterday in relation to Torres Strait Islanders.

PRIME MINISTER:

Yes, I confirmed what we'd been wanting to do for a long time and that is separate the administration of the Torres Strait Islander people out from ATSIC.

JONES:

So ATSIC will have to change its name.

PRIME MINISTER:

Yes it will.

JONES:

When are you going to do that?

PRIME MINISTER:

Well, I hope we'll get the legislation in this year. We certainly will have it operating by, providing the Senate doesn't block it and I don't think the Senate will block this, I expect we'll have it operating certainly by the end of our first term. They just want to be treated as a separate indigenous group, which they are. They're very different people from the Aborigines. And they have a great sense of community, they of course an island. They were never nomadic people and that of course makes them quite different from...

JONES:

Aborigines.

PRIME MINISTER:

...Aborigines.

JONES:

You had a bit to say up there about racism. It obviously irritates you that people are constantly trying to suggest that somehow or other we're all a racist country.

PRIME MINISTER:

Well, it doesn't only irritate me. I think it irritates millions of Australians. I mean, they are told by self appointed commentators that we are a racist country when we have a record of tolerance which is second to none. Now, that doesn't mean to say we haven't had blemishes, of course we've had blemishes. But if you look at the last 20 or 30 years, if you look at the generous way in which we take people in, if you look at the non-discriminatory immigration policy and if you look at the behaviour of other countries around the world towards minority groups this charge of racism is absolutely ridiculous. And I get fed up, I get angry and I think a lot of Australians get angry when they're constantly put down. I mean, I'm sorry to say but I saw the other day Gough Whitlam making a remark about how if we were bidding for the Games now we wouldn't do as well. Gough, really, I mean, I don't like criticising a former Prime Minister, particularly one who was in the job a long time ago but really that was a, I hope, unintended put down of his own country. Because, quite honestly, it's those kind of remarks that do us more harm than the outbursts of people who express minority views within our community. Now, look, every community in the western world is throwing up people who are expressing, in perhaps not an elegant way, the frustrations of people who are affected by change. But if you look at the broad sweep of what Australia has done, if you compare our credentials with the rest of the world, we can look anybody in the eye, we can be proud of the tolerance of this country. And I think most Australians are sick to death of being told every day that they're a bunch of racists.

JONES:

Absolutely. Not that anyone of such a mind would be listening to you at this point but if you could actually get amongst some of those people that are throwing potatoes and eggs and urine filled balloons in alleged protest at Pauline Hanson or anyone else, what would you say to them?

PRIME MINISTER:

Well, I would say you are doing great damage to the image of Australia. Their behaviour is worse than the behaviour of some of the people they attack. I think those demonstrations at her rallies are counterproductive. They are clearly organised. The placards are the same. The mantras are the same. The slogans are the same.

JONES:

Do you think your Government might be paying them via unemployment benefit or something as well?

PRIME MINISTER:

Well, I don't know about that. I mean, I have no idea of knowing that. But I do know this, if they think they are damaging the cause against which they're demonstrating, they're wrong. And I don't always agree with, I don't often agree with Bob Carr, I do occasionally, but I agree with him on this. He said a few weeks ago that they shouldn't demonstrate, they only drew attention to the very views they claim to oppose. And I think the thuggery demonstrated at that meeting in Melbourne and the sight of that poor man with a black eye - the poor bloke's been out of work for six years and he gets bashed up because he exercises his democratic right to go to a meeting. Now, it doesn't matter what people may think of Mrs Hanson's views. She's got a right to put them and people have got a right to go along and hear them. And these thugs who are trying to bust up all these meetings are really helping her. They're not harming her, they're helping her. And I just think it's being quite counterproductive.

JONES:

You're quoted as saying today that your Government's unlikely to make big policy changes because of unemployment. You said there will be a cabinet meeting and...but the public shouldn't be expected to expect any radical new policy measures. I was just talking to some business people...

PRIME MINISTER:

Oh, I think there was probably a bit of a gloss on what I said. What I said was that we were going to have this meeting and I just...I didn't want the meeting to be seen in itself as necessarily meaning that there was going to be a huge change. But nobody should imagine that we have a static approach to the problem of unemployment. Nobody should think for a moment that we're not constantly looking at different ways of trying to get unemployment down within the bounds of sensible policy. I don't want anybody out there to think that we're sitting on our hands whistling and hoping that unemployment is going to come down. You have to be active and you have to constantly be seeking different ways of getting it down.

JONES:

On that basis can I just raise a point with you because you can only pay for jobs out of profit.

PRIME MINISTER:

Yes.

JONES:

And I just asked quite a few business people that I was with yesterday how big an erosion of your profits occurs as a result of the price you pay for money. And they just said, look, it's dramatic and the price we pay is extortionate compared to elsewhere. There have been phenomenal results...

PRIME MINISTER:

Less extortionate than it was 16 months ago.

JONES:

But miles beyond inflation rates and so on. And you've got to look at those tremendous results from Japan today. Is there any circumstance, I want to ask you, where you would consider revisiting the principles of the old commonwealth and rural bank where money was lent out from the Reserve at the government's direction, very minimal rates? There was a minor administrative charge put on top of it and they lent to small business, rural businesses and local government and you could do that at under 3%. The impact on employment, I would think, would be enormous. Does that have any merit?

PRIME MINISTER:

Alan, you've got to remember the context in which that occurred. 20, 30 years ago when we had experienced long periods of low inflation and low interest rates and we also didn't run big budget deficits. Now, all of that changed over the following 20 or 30 years. I think you are getting into an era of lower interest rates in Australia. The reductions in interest rates that have occurred have been very, very good. And I hope that over a period of time - and I've got to be careful what I say here because I noticed the other day because I expressed sort of normal aspiration that any Prime Minister would express and that is you want to have lower interest rates, the money markets reacted in a particular fashion - I've got to say that I am personally not attracted to going back to that sort of thing. I am far more attracted to getting the budget deficit down, building up a good surplus and making other changes to the economy and reinforcing lower interest rates via lower inflation.

JONES:

That's basically leaving it though to the banks. Now, the banks of course have got...

PRIME MINISTER:

Ah, no. Well, I'm not...that's another issue. I think the banks mustn't...

JONES:

Where else does business get its money?

PRIME MINISTER:

Well, I think if the banks are exposed to even more competitive pressure, and we will be responding very soon to the Wallis Inquiry, which had quite a lot to say on that subject...

JONES:

So you may well let the AMPs of this world...

PRIME MINISTER:

Well, we have...

JONES:

...get into the business of...

PRIME MINISTER:

Well, there are a lot of recommendations that we have to respond to.

JONES:

Is that an option?

PRIME MINISTER:

Well, all of the recommendations except the one about being opposed to a further reduction in the number of trading banks. In other words, we're not attracted at the moment, until there's more competition, to the possibility of a merger between the major trading banks...

JONES:

But their concern is for shareholders, your concern is the unemployed and they almost are poles apart, aren't they?

PRIME MINISTER:

Well, not entirely but I think the key to the banking system is to have more competition. See, the reason that housing loans have come down - your point...what you're really arguing for is cheaper finance for business, I understand...

JONES:

Absolutely.

PRIME MINISTER:

Well, the reason that housing interest rates have come down dramatically is because of the entry of shows like Aussie Home Loans and Ram and all of the new...

JONES:

You think you can replicate that in business.

PRIME MINISTER:

Well, if you could have something like that in the small business sector in particular you would really begin to see more competitive conditions.

JONES:

Well let me put another one to you. You've been very strong about the family and the importance of the family unit and how it's absolutely essential to try and keep that family together. There must be over 200 000 parents out there, whether they're men or women it doesn't matter, who actually prefer to be at home looking after their kids but can't because one income won't keep the roof over the head. Would there be any consideration or any circumstances in which you'd provide a very significant thing which might be called a home makers allowance, say at a rate which is equal to a salary of \$350 on certain conditions which would enable about 200 000 people to move out of the workforce and do what they'd like to do, look after the kids at home and create opportunities for 200 000 to enter the force?

PRIME MINISTER:

Well, we made a start in that direction with the family tax initiative. The family tax initiative, which came into operation at the beginning of this year, was heavily slanted towards that very group you're talking about, very heavily slanted. Now, obviously in the eyes of many people the amount involved was not enormous...

JONES:

That's right.

PRIME MINISTER:

But it did represent for the first time a government going in the other direction. For something like 10 years governments have gone in the direction of really encouraging families to be two income families. I mean, my view is people should have a free choice when their children are young as to whether there is one parent or two parents in the workforce. It's not for me to say whether both mum and dad should be at work.

JONES:

They can't afford it.

PRIME MINISTER:

Well, many of them can't afford it and the family tax...

JONES:

They can't afford the choice.

PRIME MINISTER:

Well, the family tax initiative delivered the highest benefits, something like \$34.00 a fortnight to single income families. Now, it was criticised by some people who believe that everybody should be in the workforce irrespective of the age of the children. We have made a start. Now, I don't rule out and I know it wasn't a princely sum, but governments..

JONES:

So the principal has merit...

PRIME MINISTER:

The principal has enormous merit, we have made a down payment on it and I certainly wouldn't rule out taking further action in that respect.

JONES:

Well, I will just take a break and we'll play away, and I want come back and talk to you then about the relationship between welfare and unemployment.

(COMMERCIAL BREAK)

JONES:

Small business is a very important constituency for you. They are concerned out there now that they have a lame duck Minister in Geoff Prosser, particularly in this business about tenants and the relationship between tenants, of course, and owners of major shopping complexes, and he is seen as one and can't participate in this fair trading debate that is going on. You are not likely to tell me but I am going to ask you anyway, are you going to have a ministerial re-shuffle and when and what will you do with Mr Prosser?

PRIME MINISTER:

Well look I think the question about the tenancies and everything is something that can be handled quite easily in relation to the decisions and so forth of that being made by the senior portfolio Minister, John Moore, I don't think that is a particular difficulty. In the past Ministers have often thought they have a conflict of interest situation on both sides and you get somebody else to do it.

Now, you are right, if at any stage in the future I decided to have reshuffle I am not going to telegraph it. I don't want to suddenly wake up in the morning and do something about it...

JONES:

He could be a candidate.

PRIME MINISTER:

No, I'm just simply saying, I don't comment on those things. I do believe that we have a very strong story to sell in small business. I mean, a week ago, the law changed so that every small business operator can now, if they want to, sell their business, invest the proceeds and up to \$5 million of the proceeds can be invested in the purchase of a new business without paying any capital gains tax.

So, for the great bulk of small business men and women in Australia, the great bulk and the overwhelming majority of them, they are now free of capital gains tax if they reinvest in another business.

JONES:

And of course the budget attack on debt is the biggest thing.

PRIME MINISTER:

Well, because it has helped to bring interest rates down.

JONES:

We're not going to go after this, I just want to pose this to you. A lot of calls this week. If you have got four people aged 18 or 19 and they are unemployed and they decide to share a house or a unit each could qualify for the maximum unemployment of \$264.70 a night. That would equal about one \$1058 every two weeks, add on their rental allowance, they could have, in hand, four of them, two blokes, two girls, \$1258 a fortnight. Now, there is no way in the world they would get that in the workforce. Is welfare a disincentive in some instances towards getting people into the employment queues?

PRIME MINISTER:

It can be if the conditions attached to the receipt of it aren't firm enough.

JONES:

And are they firm enough?

PRIME MINISTER: Well, they're being made a lot firmer by us and the whole principle of mutual obligation being the work for the dole scheme, which I think has enormous community support and also in the last budget we cut the rental assistance significantly for people in that very situation...

JONES:

Work for the dole only effects about 30,000 people. So there is whole range of them out there.

PRIME MINISTER:

Well, work for the dole can extend to more, it can extend to more.

JONES:

Should a bloke be able to go in looking absolutely disreputable, earings hanging out, unshaven, and I think, I don't want a dirty bloke like that working for me, so he is qualified actually to keep out of employment and take welfare.

PRIME MINISTER:

Well Allan, I think rather than sort of respond to pictures like that which are graphic let me say, I think you should have tough rules. I think if somebodies only means of support is the unemployment benefit and they have got nothing else, it's not a fortune.

JONES:

No, it's not.

PRIME MINISTER:

It's tough to live on that.

JONES:

No, we're talking about youth unemployment here.

PRIME MINISTER:

But I think you should have rules and we've progressively tightened it. I mean they've got work for the dole, we have now effectively announced we are going to abolish the unemployment benefit for people under 18, so they'll either have to stay at school or be in training and we have made changes to the rental allowance.

JONES:

So you are constantly monitoring the concern...

PRIME MINISTER:

Well, we are not only constantly monitoring, we're constantly enforcing the principal of mutual obligation. We look after you if you need help but in return you've got to do something if we ask you to do it.

JONES:

Good to talk to you, it's a very tough job and a tough world out there and you are making a real fist of it. Thank you for your time.

PRIME MINISTER:

Pleasure.