

The Great Debate: John Howard, Prime Minister (LP) and Kim Beazley, Opposition Leader (ALP)

Moderator: Ray Martin, Sixty Minutes, Channel Nine, September 13 1998

MARTIN: Welcome everybody and thank you for joining us. Sixty Minutes is pleased to again be the national broadcaster on television and radio for this important national event.

Gentlemen, thank you both for joining us tonight. John Howard and Kim Beazley have agreed to the ground rules at least for this encounter tonight. Equal time and a fair go to get their point across. Again they ask that this be a free willing exchange across the range of issues that interest and trouble you, the Australian voter.

Now, both leaders appreciate Australian informality and have agreed to the use of Christian names. It's a debate, although not a formal one, it's not an interview. It's to help you to make up your mind as to who should steer us into the next century, so obviously it's a big choice that we make. Both men have agreed to keep their answers as brief as possible so that we can cover as many topics as possible. "What's the price of a loaf", no I won't ask you that one, just kidding.

OPPOSITION LEADER: \$1.40.

MARTIN: Good luck gentlemen. John Howard has won the toss and he has decided to begin tonight so let's kick it off. Briefly, why should you lead us into the next century John?

PRIME MINISTER: Because I believe that the Government I lead at a time of difficult international economic circumstances is better able to provide greater strengths and greater security to the Australian people. I said at the beginning of this campaign that economic competence was the most important issue and the most important question people have got to ask themselves is whether they wish to go back after only two-and-a-half years to the Labor Party or whether they're prepared to stick with the Government.

Bear in mind that this Government inherited a deficit of \$10.5 billion and in just over two years we've turned that into a surplus. We have given Australians the lowest interest rates for 30 years and that means that the average family is paying \$320 a month less on their mortgage than was the case only a few short years ago. We've created 300,000 new jobs and we've cut government debt very significantly. In other words we've created a stronger Australia.

But there is another reason we should be returned and that is we have the political courage to take the next important step to further strengthen the Australian economy and

that is to give Australia a new a fairer taxation system. Changing the tax system will be good for Australia because our plan will take \$10.5 billion off the cost of running businesses in this country. It will make our exports \$4.5 billion cheaper, it will make our fuel cheaper and that will generate more jobs. It will also encourage Australians to work harder because under our plan 80 per cent of all Australians will be on a top marginal tax rate of only 30 per cent. And finally, most importantly the introduction of a goods and services tax as part of our plan will guarantee the revenue we will need into the future to provide the schools, the roads, the police and the hospitals and the health services that this country needs.

MARTIN: Thank you John. Kim Beazley you've got two minutes as well.

OPPOSITION LEADER: Well, Mr Martin. Thank you very much Ray.

Look, Mr Howard inherited an economy which he said when he got it was better than good in parts. He inherited a growth rate much higher than the growth we now have. He inherited jobs growing at the rate of 600,000 in the three years before he took office which has been reduced to 300,000 now. What Mr Howard has is not a plan for a nation but a plan for tax. It is a risky tax. A tax on jobs, a tax on consumers at a point in time when there are very substantial concerns confronting the Australian economy.

Now what this election needs to be about is a plan for a nation and what constitutes a plan for a nation is something which guarantees security and opportunity for all Australians. And there is nothing that gives an Australian more of a sense of security than a job, or the confidence that if they lose their job they will have the skills to get another one. There is nothing that gives an Australian a sense of security more than if he falls down, if he or she falls down in the street there will be a decent public health system to deal with their problems.

Nothing gives an elderly Australian security more than the knowledge that they don't have to be denuded of their assets if they go into a nursing home, have to go into a nursing home. And nothing gives a sense of security or opportunity more than a set of taxation arrangements which encourage business to get out there and invest. To invest in new ideas, new technologies the development of the nation.

And finally, this election campaign has to be about the unity of our people. We've lost our way over the last two-and-a-half years. We've turned against each other rather than to each other. We now need a government capable of uniting our people, uniting our people, confident in their sense of nationalism as Australians, confident in their future. And security and opportunity gives them that.

MARTIN: Thank you. John, can we start with the issue of leadership? How much ticker do you need to be Prime Minister of Australia?

PRIME MINISTER: You need to have the political courage to do the things that the country needs even though they may be politically risky and unpopular in the short term. And that goes to the very heart of the taxation issue.

Kim Beazley knows as well as I do that this country desperately needs a new tax system - the present one is broken. Back in 1985 he supported the equivalent of a goods and services tax. Every recognised authority on taxation knows that we need to change our tax system as otherwise we'll go under and we won't be able to provide the health services, the police, the roads and the education, particularly through the States, that we need to. And I think what you need is to have the political courage to state that, to confront the reality of that and to advocate the need for it to the Australian people. That's what I mean by political courage or ticker or whatever you want to call it.

MARTIN: Do you want to answer that Kim?

OPPOSITION LEADER: What leadership is about in the first instance, being credible. It means if you say you're never ever going to introduce a GST, it means if you say that you're going to make people relaxed and comfortable, it means if you say no worker is going to be worse off, that they can guarantee that what you say is true. Now, I've had to eat a bit of humble pie over the last couple of years as I've gone 'round talking to Australians. And what they want from leadership is credibility.

Now John Howard claims for his tax everything under the sun. It is a tax in Europe which is more often evaded than it is honored. It's at the heart of their black economy. It provides not a single job. It was described by John Howard's Treasurer as snake oil shortly after he assumed the Treasurer-ship. Now John Howard has got his government behind a very bad idea, a bad idea for all Australians. And it's crocodile tears that he weeps when he says he's concerned about the education and social security systems because they have been torn apart by decisions taken by his Government, unnecessary decisions taken by his Government.

His Government has been marked by back-flip after back-flip. Back-flips induced by bad decisions taken hastily. Whether it be back-flips on industry policy, 13 back-flips on nursing homes and they still have not got it right. And you can expect more back-flips if they're re-elected. And what they've got at the heart of their position is a tax proposition which is desperately unfair. And if it's unfair, it's unsustainable, and it's got \$18 billion worth of invasion of their surplus if it's going to be delivered with the tax bribes that have been associated with it. In the current economic circumstances it just can't be done.

MARTIN: Can I ask you that question again about ticker though? Do you resent suggestion that you don't have enough ticker to be Prime Minister of Australia?

OPPOSITION LEADER: I am absolutely determined to be Prime Minister of Australia. I decided I would be Prime Minister of Australia when I saw the unfair way the elderly were dealt with in this community. When they were forced to sell their homes in order to get into a nursing home. I decided I needed to be Prime Minister when I saw a

government state that it was satisfied with an unemployment rate of 8 per cent and the figures that bounce around and it didn't care.

I cannot stand idly by in a nation where every other country which is going to succeed in the next century has got an education system which is expanding which is more invested in it. Instead we're going backwards by the amount of 6 per cent in education and training system. This country needs new thinking.

MARTIN: John can I, can I ...

PRIME MINISTER: Well I was very interested Ray. Just before we do that, Mr Beazley talks about credibility being a quality of leadership. I mean this is a man that told us in 1996 that the budget was in surplus when he knew it was in deficit to the tune of \$10 billion. This is the man who when he was Minister for Employment presided over an unemployment level of 11.2 per cent. I mean one of the amazing things about this election campaign is that Mr Beazley, who took unemployment to a post-depression high of 11.2 per cent and who was the Deputy Prime Minister in a government that saw unemployment average 9.9 per cent over the last five years it was in office is running on jobs as an issue. Can I say in relation to jobs that the best job creation scheme that we can offer Australian business and Australian industry is to take \$10.5 billion out of the cost structure of industry and business and to take \$4.5 billion out of the cost of exports from this country because that is what our tax plan does. And, if you really want to generate jobs in this country you make our businesses more competitive. And if they're more competitive they can employ more Australians and you won't make them more competitive fiddling around with a 1930s taxation system which is rivaled only in countries such as Botswana, Swaziland and one or two other countries in a system that was designed for an economy where most of the activity was in manufacturing but is now an economy where 65 per cent of the activity is in services.

MARTIN: Can I just ask you ...

OPPOSITION LEADER: No, let me pick up on that Ray. Rivaled only by the United States I suppose if it comes to that. Let me pick up John on a couple of the points that he made.

He says I knew that there was supposed to be a Budget deficit. Treasury forecasts were wrong and that was put in the press release issued by his Treasurer immediately after the last election. I did not know that position, but you Prime Minister did. You knew back in 1983 that there was a \$25 billion Budget deficit there. You had a \$25 billion Budget deficit, 11 per cent inflation and 11 per cent unemployment, that is what you bequeathed us. It was not an economy better than good in parts.

And now you come to us and try to sell us this idea that somehow a GST which is a massive imposition on small business who are driving jobs in this country is somehow or other going to add to employment. It won't.

PRIME MINISTER: It's not a massive imposition on small business. I mean small business will get major cash flow advantages out of it. But look, anything that takes costs off the back of business and there is no plan around that comes remotely close to our plan in reducing the costs of doing business in this country.

What makes businesses in this country uncompetitive and what makes them struggle is costs, and if you can get costs down, and the only way you will do them in a big way is to reform the tax system. Now, we have the courage to confront that. You know it's needed right across the spectrum and even though they disagree on other things from the business community through to the welfare sector, people are saying that the Australian taxation system is unfair, it's broken, it needs renovation. We cannot go on with a taxation system designed in the 1930s for a 1930s world and if we're serious about taking this country into the 21st century we'll embrace a 21st century taxation system.

MARTIN: Gentlemen, I want to come to jobs and tax in a moment. Can I just finish on leadership for a second. We asked for questions in this debate, we asked Australians to send us letters. We got hundreds and hundreds of letters and faxes and e-mails. The most common question was about trust in leadership. Never, ever a GST. L-A-W, law. How are you going to get trust back amongst Australians today?

OPPOSITION LEADER: Well, firstly by making your promises believable. And one of the many problems with John Howard's tax proposal is that it requires us to invade a surplus, which in all probability is not there in the dimensions he talks about. \$18 billion worth of tax cuts over four years does a bribe to put this tax change in place. You've got to have credibility. Now that is why in our tax reform package, which delivers real reform in the sense of making those who are evading tax pay it and then encouraging people to get off welfare and to work, rewarding families and then rewarding business, is at least deliverable in all economic circumstances, which is why I'm prepared to sign up to it. I learnt a valuable lesson in the last two-and-a-half years of eating humble pie. And that valuable lesson was this: make your policies and your promises credible. Because if you don't you are going to do serious damage to the system and the future of your political party in it.

PRIME MINISTER: Kim, do you know what makes our tax policy credible? The fact that we've got a GST in it. Everybody out there knows you can't have the good bits without the hard bits. The days of handing out personal tax cuts, or tax credits as you call them, the days of handing out the goodies, without being honest enough to say to the Australian public we've got to also embrace the necessary reform, those days are gone forever. And if you, or anybody else in your Party believes that the Australian people see leadership in somebody in the late 1990s telling them you can have all the benefits of personal tax cuts, but you can leave a ramshackle, 1930s failing, decaying wholesale tax system in place, I don't think they're going to believe you. Now Ray asked me about L-A-W law and you asked me about "never, ever". Now there is a big difference between L-A-W law and "never, ever". And that is that I have put an election in between by saying "never, ever" and promoting taxation reform. What I've done is I've said to the Australian people, I did say that, I don't deny it. I now, before the election, I'm putting it

all on the line, some say very risk-ally and I'm saying to the Australian people, I believe we need taxation reform and I'm prepared to be judged on it. L-A-W law, what Mr Beazley and Mr Keating did was to say one thing before the election, they campaigned against a GST in 1993, when they won the election they introduced their own form of a GST by way of massive increases in indirect tax, they hadn't told anybody about those. But I am being honest enough, transparent enough and open enough to say to the Australian people, right, I did say "never, ever". I now believe we need this change. I'm prepared to put it onto the table and invite the Australian people to make a judgement. You can't be any more open and trusting than that.

MARTIN: Kim, can I ask you..

OPPOSITION LEADER: Change is wrong. Your change is wrong. In other countries which have introduced a GST in the region around us recently, the Japanese the Koreans, the Singaporeans, have not found that their GST have helped them one whit in the recession they confront. Were you aware, Prime Minister, that something like one in three VAT-able transactions in Britain are routinely evaded? Are you aware there is a 16 per cent black, of their total GDP in Europe, is in the black economy largely as a product of evasion of that. If you went to Europe and said, look the essence of tax reform is to put in place a value added tax they'd laugh you out of court. It is not necessary here in just the same way as it's not necessary in the United States. Tax reform, yes. But we are in a situation now where what we can do is affordable. And it's all very well for you to say that we will put in place a GST and that will solve all problems. We know exactly what your record would produce. You put a GST over to the States and you then go to the States and say, well we're cutting back on your education special purpose payments. We're cutting back on your hospitals. Raise that GST if you want the resources to do the job that you want to do. That is a bad idea. If you want to solve the problems of the aging economy, if you want to solve the problems of the social, the impact in the social security system of aging in our economy, you do the sorts of things that we did with the superannuation guarantee levy. That give people a retirement income, a decent retirement income and save a poulitce on the majority of what social security payments are, which of course are payment for the pension.

PRIME MINISTER: Kim, unless you provide a secure flow of revenue, you will not be able to sustain social security years into the future. But don't take my word for that, take the word of ACOSS, the Council of Social Services, normally much closer to your party in policy matters than mine. And they made it very plan that the fundamental pre-condition to the maintenance years into the future of social security benefits is taxation reform, the introduction of a broad-based indirect tax. Unless we make this change, the very things that you profess to be compassionate about, will in fact not have enough money to service them years into the future.

OPPOSITION LEADER: ACOSS...

MARTIN: But, John, ACOSS says that your policy, the GST, that your tax package is unfair and unworkable.

PRIME MINISTER: Well, they are very critical of our tax package which of course makes the comment they make about the goods and services tax and the point I made a moment ago, even more credible. I mean, they are normally far more critical of us. But on this particular issue, they make the central point that unless you replace the existing wholesale tax system with a new system, a comprehensive goods and services tax, you just won't have the resources years into the future to make the changes.

MARTIN: Kim, ACOSS says that yours is fair enough, but not good enough.

OPPOSITION LEADER: ACOSS opposes John Howard's GST, absolutely. It opposes John's GST. It sees it as unfair. It sees the tax mix shift. Which means that higher income earners benefit, the middle Australia carries the burden of the tax, as fundamentally unfair. What is bad for middle Australia cannot possibly be good for the nation. What is bad for small business can't be good for the nation. You would know those European studies of their GST. Their GSTs in Europe were introduced at a point of time when we thought jobs would grow forever. And what those European studies show is this, expressed as a percentage of turnover, there is something like 30 times greater expense in the administration of a GST for small business than large business. Now it may well be that some big business think that they benefit from your tax. I might also say those very same people endorse the business tax changes that we suggested ought to be picked up, they thought they were pretty good ideas, and you aren't pursuing them. So that's fine for them. But for small business and for the rest of the Australian community who are consumers who would have to carry the burden of this, an increasing burden. I mean, if that's the idea of tax reform, you can sign our Australian people to unfairness forever.

PRIME MINISTER: Can I just say something about middle Australia. Under our tax plan, 80 per cent of all Australian tax payers will be on a top marginal rate of 30 per cent or less. And it will be possible under our plan for somebody now on say \$30,000 a year, their boss comes along and says I would like you to earn some overtime and you could earn \$15,000 to \$18,000 a year more, they will be able to earn that without going into a higher taxation bracket. They won't say as many of them now say to their employers, look, forget it. I don't want to give half of the additional overtime away to the tax man. Now that is what incentive for middle Australia is all about. What you have got to do in a tax reform is you have got to balance fairness and incentive. You want a system that's fair. But you also want a system that encourages people to try harder and to better their lives and to work harder and to keep a fair amount of that. And I think if you have got a tax plan where 80 per cent of Australian taxpayers are on a top marginal rate of 30 per cent or less, and there is only 30 per cent in that category now, that is a massive incentive to middle Australia, and it's a very good reason why middle Australia will see our tax plan as having the right balance of fairness as well as incentive.

MARTIN: Kim, what's to stop you raising wholesale sales tax as you did after '93?

OPPOSITION LEADER: Well, I guarantee we won't because our tax package is in balance. And we are able to handle the circumstances and all the circumstances that we

can foresee in the economy. But let me get back to the point that John is making about incentive. I don't disagree with his statement about incentive and the tax system, but I do disagree with his analysis that a full time worker, effectively on \$30,000 a year is going to be offered an opportunity to make another \$18,000 in overtime. Under your industrial relations system, these things do not happen. But let me go...

PRIME MINISTER: We'll come to that in a minute..

OPPOSITION LEADER: But let me go, let me go to the propositions you make about who gets to be better off. You know the vast bulk, more than 50 per cent of John Howard's tax benefits goes to the top 20 per cent of income earners. And the bottom 80 per cent of income earners get a bit less than 50 per cent of the benefit. It is not a tax package for middle Australia. The middle Australians pick up, these are folk earning \$30 to \$50,000 a year, pick up from our innovative, this is the only new thing in either of the tax packages, our innovative tax credit system, they pick up twice as much. Twice as much as they do under John Howard's tax package. Now, if that's incentive, that is incentive. That's incentive and it's incentive there without a GST. And it is also a package because we don't send, while we don't increase taxes on anyone, we don't send tax benefits up the line in that disproportionate way, it means that it is affordable and deliverable. And I do think that with both John Howard's tax package and all the other spending that he's announcing during the course of this election campaign, there is huge question mark over it. We're in the odd position, that we are in the situation as far as our future impact on the Budget is concerned of being far less risky than Mr Howard and we've got a far less risky tax package coming in to the middle of what is going to be very troubled economic times.

MARTIN: John, can I just pass on a letter we received which is an interesting one, saying why do we need radical tax reform of the sort you speak of, if, in the space of two-and-a-half years, you've got rid of \$10.5 billion of deficit and now put us into surplus. The system seems to be working.

PRIME MINISTER: Well, it's a very nice letter in some respects. I mean, they acknowledge the good job that we've done with the economy..

MARTIN: So why do we need radical reform?

PRIME MINISTER: In the last two-and-a-half years, and I thank the correspondent for that, but I would say to the letter writer Ray, that yes, we have done a good job over the last two-and-a-half years, but particularly because the whole of Asia is in recession, this is a time to continue the process of reform. It would be a huge mistake for Australia, having got its house in order, having turned a deficit of \$10.5 billion into a surplus, having got interest rates to record low levels to then say, well that's enough we don't have to do any more. What we now have to do because of Asia, because of the Asian recession, what we now have to do is to make the Australian economy even stronger. And the way you make the Australian economy even stronger is to make it easier for our exporters and for our local business men and women. And the only way you can do that

is to restructure the tax system. Mr Beazley will talk about an industry plan of \$300 or \$400 million a year. I have got an industry plan of \$10.5 billion a year because that is the cost burden that is taken off Australian business by the introduction of a goods and services tax and I get back to this fundamental point. You can talk about tax credits, you can talk about middle Australia getting benefits under the Beazley plan. Nothing is believable unless you've got as part of it a restructuring of the indirect taxation system.

MARTIN: Can I ask you should President Clinton resign?

PRIME MINISTER: Ray, that's a matter really for the American people.

MARTIN: Will it have any effect on our economy as the Russian collapse...?

PRIME MINISTER: Well, I don't, I don't really want to as head of government in Australia be sitting in judgement on the American President. I believe that the American presidency is an important part of the free world and it's a matter for the constitutional processes of the American Congress and the American people.

MARTIN: Kim, can I ask you? I mean the resignation of a President, no matter what name or the drawn- out impeachment at a time when Russian economy has collapsed and we have the recessions around us. Will that effect the Australian economy?

OPPOSITION LEADER: I'll always be worried about instability in the United States under any circumstances. They're our most ally. I spent a considerable amount of time as Defence Minister nurturing that relationship, but I agree essentially with John it's their business how they select and maintain their President. It's a decision that they are going to have to take themselves. But it is the case that we need to watch that development carefully, as we do developments elsewhere in the region.

MARTIN: Should a leader resign if he deliberately misleads or lies to the nation.

OPPOSITION LEADER: Look I don't think anybody should lie to the nation, in our positions, not at all. I think it's enormously important to maintain a relationship of integrity with the Australian people. And it is possible to do that. I do not believe it is necessary to lie in politics. I've been a Defence Minister long enough to know that there are from time to time when questions put up, put to you, you don't answer them. There are issues of national security out there, there are answers you could give that could have a material and bad impact on the economy. But what you say in those circumstances is that you are quite deliberately not answering the question and people can make up their minds about whether or not they think that that is adequate.

You should not lie to your people, but at the same time, you know at least in the United States there is, in Australia, there is a broad band between the public duties and the public exposition of those duties, they are political leadership and our private lives, and I'd hate to see it introduced into, a system introduced, into Australia where we're regularly more interested in what we are doing in our private lives and the real needs of our people.

MARTIN: Would you agree?

PRIME MINISTER: Yes I would. I'd agree with all of that. I think you do have to keep a division between public duty and private existence. I also think that Kim's right when he says there's no need to lie in public life. I mean there are occasions when you have to stonewall, you have to refuse to give a response. But you can do that. I've always tried in public life to be honest with the Australian people. I suppose, like any other politician, from time to time I've exaggerated. I think we all have. But can I say that there are a lot of men and women in politics on both sides who bring a great deal of integrity and a great deal of commitment to public life, and although it is fashionable to knock us a group, I think you find in public life as good a cross-section of the committed and the decent and the honest as you do in any other part of life.

MARTIN: I'm not questioning your honest for one second, but when we sat here, stood here rather two-and-a-half years ago in the same debate, you attacked Paul Keating and Labor for doing nothing about youth unemployment, and you said "I will actually do something about youth unemployment. I am the only one in the selection with a plan". Well youth unemployment is worse than it was two-and-a-half years ago.

PRIME MINISTER: Yes, I remember saying that and I'm disappointed that youth unemployment is not lower now, a lot lower now, and I'd like it to be lower. But we have had job creation of the tune of 320,000. I at least believe that as a result of the tax changes we have in mind, our determination to resubmit the unfair dismissal laws which Mr Beazley's party and the Democrats, and others have blocked in the Senate.

MARTIN: But what happened to your plan?

PRIME MINISTER: Well Ray I would like to have gone further. I would like to have achieved more if I had have been able to get the unfair dismissal laws through the Senate we might have seen a lower rate of youth unemployment. Perhaps you could ask Mr Beazley why they blocked it.

MARTIN: I will ask him

PRIME MINISTER: I might also make the point that if we are returned, we won't if Mr Beazley proposes to do, get rid of junior wage rates, because if you get rid of junior wage rates you are going to drive up the cost of employing young people in this country. Ray, if you're asking me if I'm happy with the level of youth unemployment, I am not. If you're asking me do we have to make great, much greater strides in that direction, the answer is yes. What plan do I have to achieve it? Tax reform is part of that plan and expansion of the work for the dole scheme is part of that plan. The fact that by the end of this year we'll have 200,000 apprenticeships and traineeships, which is about 40,000 more than was the case when we came to office, that is also part of that plan.

MARTIN: Well, Kim Beazley youth unemployment soared under Labor's thirteen years. Australian families have heard what John Howard just said a moment ago from both sides of the fence. Is there a plan? I mean what's happening to youth unemployment. How could we actually fix it?

OPPOSITION LEADER: We have to have a plan. We have to have a plan for all unemployment. I mean we've got to set ourselves targets. That is absolutely what we have to do. We have to commit ourselves to getting unemployment down. The truth of the matter is that this government has absolutely no idea how it will approach that. It has a tax plan to be implemented in 20 months time.

MARTIN: But you had thirteen years. With respect you had thirteen years.

OPPOSITION LEADER: A tax plan to be implemented in 20 months time and nothing between now and then and that tax plan has got nothing to do with jobs. Now talk about our thirteen years. We sat down and did Working Nation. We produced a massive new plan, it was the best thinking and it's now acknowledged internationally as the best thinking that any government has done in this country since the war on jobs. And the proof of the pudding was in the eating. We had 600,000 jobs created in our last three years in office compared to 300,000 in John Howard's three years.

Now we confronted, I confronted as Employment Minister a world wide recession and its consequences for Australia. John Howard has managed to achieve that very poor outcome as far as employment is concerned at a period of time when the rest of the world is growing and he now asks, and before the Asian crisis impacted on Australia, and he now asks us to believe us, believe him, that he will know what to do when that particular problem rolls over him.

Now you have to have targets. You absolutely have to have targets as far as employment is concerned and commit yourself to them because that means you put in place the programmes that will do it. And you're not going to do it by a work for the dole programme for 20,000 people and nor are you going to do it by suppressing wages. I mean what happens to the kids when they turn 18. Now it's not part of our plan. It's not part of our plan to do anything about junior wages when we come into office. We've got a 10 point industrial relations plan to give Australian's job security. What we're going to do is to wait for Mr Howard's study that he has put in place with the Industrial Relations Commission on what ought to be done as far as youth wages is concerned. We'll wait to see what that produces.

We believe that wages ought to be competency based and experienced based. That invariably produces something which looks like youth wages but if all you do for the kids at the end of the day is put them on and then have them sacked at the age of 18, what have you done for employment?

PRIME MINISTER: Kim you had 13 years to do all of this. I mean you were one of the principal architects of the policies of the Hawke and Keating governments. You were the

Minister for Employment – Employment - and you took the employment rate in this country to 11.2 per cent. For 13 years you had an opportunity to reach a 5 per cent employment target, and you in fact said in 1993 once you shouldn't set these arbitrary targets. Are you seriously asking the Australian people to believe, three weeks out from an election, "hallelujah I've discovered the way of reaching a target that for 13 years that completely evaded and eluded me".

Why don't you just acknowledge the fact that until we make further fundamental reforms to the Australian economy, we're not going to achieve a lasting reduction in any level of unemployment. We can get some incremental improvement which we have - 320,000 jobs since we came to office, but we need the benefit and the boost of fundamental taxation reform. We need to get the cost of doing business in the country down because if businesses have high costs they can't be competitive.

MARTIN: John, again with respect

PRIME MINISTER: They can't be competitive. They can't employ Australians.

MARTIN: You two men who want to be Prime Minister stand and talk and give us you're ideas on this, but what compensation is that for the 35 per cent unemployed youth in South Australia. What compensation for the 60 per cent who are unemployed in pockets like Broadmeadows in Victoria. When is someone going to come up with a plan that actually solves...

PRIME MINISTER: Ray, Ray it's, it is not an immediate compensation for them. I think the first thing that we should do is be candid enough to acknowledge the difficulty of the problem and then be courageous enough to lay down a long term change to the Australian economy.

MARTIN: They don't have that

PRIME MINISTER: Well, well, well Ray I mean you're asking me to give a candid, honest response. You know you're exhorting people to be candid in public life. Unemployment is a difficult issue. Mr Beazley had 13 years to fix it and he didn't, he failed it. We've been in office for two-and-a-half years, we at least have the courage and the honesty and the candor to say to the Australian people, further basic reform is needed. He's pretending none is needed, he's pretending he can hand out millions of dollars of personal tax cuts without taxation reform. He thinks he can have all the gain without the hard bits. Now, it's not as easy as that.

MARTIN: What can you offer Kim to these Australians who, if there's no hope.

OPPOSITION LEADER: Let me, let me just first deal with this piece of it, the analysis that he's put forward which is a load of nonsense. You know when we came into office we had a participation rate, that is people wanting to be in the workforce, of 41 per cent of Australians. By the time I became Employment Minister it was 45, we experienced a

huge surge of people into the workforce while we created 2 million jobs. We then confronted the consequences of a worldwide recession. If we'd done it with the number of people wanting to work that was there in John Howard's time when he had 11 per cent unemployment, unemployment in Australia would have been 7 per cent.

We're about jobs. Now it's true that in 1993 I said don't sign up to targets of a nature of saying we'll have 4 or 5 per cent unemployed or whatever, what I said then was you sign up to the sort of targets that we signed up to in the next term we'll create 500,000 jobs. In the next term 600,000 jobs. We hit that target every time. Every single time and then we did our study and what our study said was this, that if we put in place decent assistance to business, decent employment programs focused on the long term unemployed, focused on the youth unemployed, you would create a set of circumstances within two parliamentary terms whereby you hit a level of 5 per cent. That was the advice of the Department of Employment, Education and Training and Treasury. The point is that you try. Now that say that the answer and John Howard means this every time, fundamental reform to him is making workers more insecure. Fundamental reform to him is attacking their right to organise. Fundamental reform to him is suppressing wages. We say that the best way to get value added from your people is to improve their skills. To improve innovation in business, improve innovation in industry, to put in place the sorts of development allowances that will encourage people to create jobs. He has no plan.

MARTIN: Let's move on then to health. Why in this day and age are we arguing about who is going to pay for old peoples' teeth? John? The dental schemes. Why are we deciding it's a State matter or a Federal matter? Why don't we simply fix it?

PRIME MINISTER: Well, I don't think you can ever walk away from a division of responsibilities between State and Federal governments. I mean historically the responsibility for dental programs has been a State one. The Federal government historically has had responsibility for health insurance matters. It's provided money to the States for hospitals. And under the five year agreement that all of the States have now signed up to we're going to increase funding from the Federal Government by 17 per cent in real terms over that period at a time of zero inflation. So.....

MARTIN: You going to make old people feel as though they're comfortable if they get a new set of teeth?

PRIME MINISTER: No, the point I'm making is that, I mean it is easy to fix on something like that but you can use that kind of argument in relation to any sensitive area of social responsibility. But we do have divisions in this country between Federal and State governments and it has historically been the responsibility, and this was reiterated by Carmen Lawrence when she was Health Minister in the Keating Government, it has historically been the responsibility of the States to provide things like that. Now one of the great advantages of our tax plan, Ray, is that for the first time since World War II we're going to give the States a guaranteed share of revenue which will rise inexorably after it is introduced so that after ten years the States will collectively be \$25 billion better off than they would be under the existing arrangements. Now what that means is

that they will have a lot more money to provide the health services, the education services, the police, and all the other public services as they are needed. It gets back to the point I made at the beginning that without a tax plan that includes a goods and services tax you are not going to have the resources to provide all of these things and you'll forever be dogged by an argument between the Commonwealth and the States in relation to individual programs, like the dental programs. I mean the Commonwealth says it's a State responsibility. The States says we don't have enough money. Now that's gone on for too long in this country and what I'm offering, I'm the first Prime Minister to be offering to the Australian people, is an end to the undignified argy-bargy between the Commonwealth and States where they pass the buck. The States blame the Commonwealth and say they want more money and the Commonwealth says it's a State responsibility. And what I'm saying is that the Australian people are fed up with that. They want a new deal, a new arrangement. That's the only way you can do that is to guarantee it.

MARTIN: Will that fix it?

PRIME MINISTER: It will fix it. What it will do is to give the States access to a guaranteed source of revenue. We're going to abolish nine State taxes and the entirety of the wholesale sales tax and we're going to give to the States all of the revenue from the goods and services tax. They will have far more money under that than they've got at the present time and as a consequence they will be able to fund the police, and the hospitals, and the health system, and the education system. And they won't be able to blame the Commonwealth because the Commonwealth will have given them the wherewithal to provide those services.

OPPOSITION LEADER: Well that's very interesting what the Prime Minister's had to say because he's produced a totally different paradigm into his tax now. Look, none of the States agree with you that they are going to get that \$25 billion. That's a very heroic assumption. Well what they've all learnt from you tonight is this: that you intend to shift from your Budget to them all the burden in relation to hospitals as you shifted all the burden in relation to dental care. And you've said to them: get out there and raise this tax to blazes in order for you to be able to do all of this and the Commonwealth washes its hands of it. That is effectively what you've said to them.

But what the Australian people want to hear is that what it has been for a very lengthy period of time, the health of this nation has been a co-operative endeavor between the States and the Commonwealth and you just don't opt out of responsibilities. You don't opt out of responsibility for the dental care of the elderly in this country. That is not a sensible thing to do. It's not a fair and decent thing to do, and load that burden onto the States. And what you don't do either, as you have done in your health package, is reinforce the monumental failure of your rebate. That monumental failure.

You've said double or quits as far as that is concerned. A problem we have in this country is with public hospitals. The problem we have is with procedures in public hospitals and what the Labor Party's package is about is going to the source of the

problem and giving the States the resources they need. The States don't agree with you, that they've had a 17per cent real increase over five years. Not even with that additional amount of money you put into them. What the States will get is pretty darn close to what they're asking for under the package that Labor's putting forward.

But we're doing it in a way that doesn't permit cost shifting. We're doing it in a way that doesn't permit the States to get out of their responsibilities to it. But the problem will be solved and the problem has to be solved. It's not just a question of cleverly washing your hands and saying: now States, you've got this enormously unfair tax, go for it, rip and teared and small business in this community, impose massive new taxes on services. Now people talk about food in relation to the GST. Take a look at all the other services for which it's going to apply for the first time. Make your small business life difficult and then perhaps you'll have the funds to afford....

PRIME MINISTER: Can I just pick up one thing that Kim said Ray. He said that we're going to build on the monumental failure of our health rebate. Kim, if it's a monumental failure, why are you keeping it? No, no, no, hang on. I mean this is the sort of sophistry that we go on with. I mean you have been attacking that, I mean just as you attacked a number of other measures that we brought in., and yet I find out last week when you bring your own health policy you're going to keep it.

Now we believe that people should be supported in their choice to take out private health insurance and what we are offering to the Australian people, from the 1st of January next year is a 30per cent tax rebate on private health insurance. It won't be income tested and what that means is that if an individual or a family has got a \$2000 private health insurance policy you'll be able to get \$600 of that \$2000 back from the tax man or from the Government office. Now we believe that you have to complement the public hospital system with support for private health insurance. And one of the reasons why there is a strain on the public hospital systems of the States is that people have been dropping out of private health insurance and you have to take further measures to reverse that trend.

MARTIN: John Howard, if the private health system collapses, what happens to Medicare?

PRIME MINISTER: Well that will put an unconscionable strain on it and that is why you've got to put more resources into supporting private health insurance. I mean we've put more resources into public hospitals They're important. But we're also prepared to put, via this additional tax supplement, we're prepared to put more resources into private health insurance. And, I mean, if you can say to everybody that you'll get 30 per cent of your private health insurance rebate back from the Government, I mean that is the equivalent of full tax deductibility of private health insurance for something like 80per cent of the entire Australian community.

MARTIN: Kim, you both speak in billions of dollars when it comes to health [inaudible], but what can you say to Australians tonight, what guarantee can you give them that they're mum will be able to get a bed in hospital, a public hospital tomorrow?

OPPOSITION LEADER: Well we can guarantee that.

MARTIN: How can you guarantee that?

OPPOSITION LEADER: With the resources we're putting in. Let me go to what John Howard had to say. I mean he asked me a direct question as to why we'd continue his rebate. Well the problem is this John: when you put your rebate in you put no effective controls on the health funds with the raising of their premiums. As a result of putting no controls on that the effect has been that they have absorbed the totality, the totality of the rebate you've put in place.

If we were to shift your rebate now we'd pull the rug out of a lot of pensioners and a lot families who've got private health insurance now, and we won't do that. We think it is bad policy but we're stuck with it because we are not cruel to the people who have picked up that health insurance and have relied upon your rebate to pay for the increased premiums. But what we say is let's not wander 'round on the basis of the triumph of hope over experience and assume that something similar won't happen when you give millionaires a rebate. Give that rebate directly to the public hospitals. If you increase by \$500 million per year the amount made available to the States to operate their public hospital systems you will transform the position of those hospitals in regard to their waiting lists. I mean you only have the States to ask about that. They all signed up to your agreement very reluctantly and most of them critically, most of them critically. Because they know that what you've raised is a furphy.

For half of what you did, for half of what you did with rebates, for half of that you could have transformed the public hospital system at least to the extent of any benefit as far as loss of numbers of people in private insurance. Every Australian knows this. You go into a public hospital when you're in serious trouble and it's the public hospitals that have to be supported.

PRIME MINISTER: But every Australian knows this: that unless you give support to both sectors the system will break down. And what we are doing is to provide people with a balanced approach. We're supporting the public hospital system, it is a great system with great doctors and great nurses and great staff, but you also need to support private health insurance.

MARTIN: What guarantee as the Prime Minister at the moment, can you guarantee that someone's Mum can get a bed when she needs at her local hospital?

PRIME MINISTER: Well if you provide a real increase of 17 per cent....well the Federal Government does not administer the hospitals. Therefore any Prime Minister that tries to give personal guarantees in relation to individuals is really misleading them.

MARTIN: You give the States the money though don't you?

PRIME MINISTER: Well you give the States the money, they run the system. And if you want personal guarantees from political leaders you ought to ask State Premiers and State Health Ministers. And I just think, I mean, Mr Beazley has no capacity to deliver on that guarantee because he doesn't run the hospitals.

MARTIN: Alright, I'd like to go....

OPPOSITION LEADER: If I could just actually answer that. We are putting in place this as part of a trust fund. It's going to be administered on the basis of a negotiation with the States so we get a clear fix on those waiting lists. You don't resolve a problem in public hospitals by your so-called balanced approach. I guess you could call it balanced if you look at the amount of money we're putting in in regard to a continuation of your failed rebate scheme and the amount of money we're directly putting in public hospitals. The problem is public hospitals.

PRIME MINISTER: Yeah but Kim....

OPPOSITION LEADER: No, no. You have got an absolute ideological objection for doing the right thing by the public hospital system and that is exactly where the problem is and that's what has to be dealt with.

PRIME MINISTER: You get more people in private health insurance....

OPPOSITION LEADER: No no it is not worth it....

PRIME MINISTER: No, don't you interrupt me now. If you get more people into private health insurance you take the strain off the public hospitals and every Premier that I've spoken to over the last two-and-a-half years has said to me that one of the reasons why there's an increasing strain on public hospitals is that people have dropped out of private health insurance. Now you know that. Your Labor Premiers have said that to me. Refshauge and Carr have said that to me just as Kennett and Court have said that.

OPPOSITION LEADER: But your scheme has failed. It's failed. That's the point.

MARTIN: We don't have a lot of time...

OPPOSITION LEADER: Now what you've got to do is to deal with the failure by dealing properly with the public hospitals.

MARTIN: All right. I'd like to go with some viewers' questions. Quick questions, quick answers I hope on these just before we do wrap up. John Howard, a question we had. Why only one debate this time? Obviously it's invaluable for the two of you to go head to head.

PRIME MINISTER: Well Ray, I think this has been a very good and vigorous debate. I might say that the first time I was Opposition Leader Kim Beazley's then Prime Minister and friend, Bob Hawke, wouldn't even debate once. So he's one ahead of me on that.

MARTIN: All right. Kim Beazley, will you bring forward your timetable for the Republic and a new flag in Australia?

OPPOSITION LEADER: Well my timetable is for the Republic, that's what I'm interested in.

MARTIN: When?

OPPOSITION LEADER: And I want to bring in the Republic prior to the holding of the Olympics in this country. I'd love to see an Australian Head of State. We just had the Irish President out here. She was just terrific. Someone of whom the Irish would be enormously proud, their own Head of State. I would like to see our Head of State there opening the Games for Australia in Sydney.

MARTIN: All right. John Howard, should all shop signs in Australia be in English?

PRIME MINISTER: Oh, I think desirably, yes, but if the odd one isn't I don't think we should get into a tizz about it.

MARTIN: Should all migrants speak English?

PRIME MINISTER: Oh, I think everybody should learn English when they come here, definitely. But I think if we impose a rule that you can't speak English, if you can't speak English you can't come to this country, we'd be denying ourselves some wonderful people like Arvi Parbo and Victor Chang, to think of two people off-hand.

OPPOSITION LEADER: Not to mention my wife.

MARTIN: Should migrants get unemployment and health benefits the moment they step on Australian soil?

OPPOSITION LEADER: No, but what they should get is assistance to get into employment. That's what they need. I don't think you should bring migrants to this country and then just leave them drifting. I think you need to ensure that where the jobs are there they get the assistance into those jobs. Be it with in part English language training if that actually happens to be the problem or with any skills deficiencies, a system making that up. I think they should have access to the same employment programs that others have access to and much more generously provided for than they are now.

MARTIN: John Howard, will we have a treaty of reconciliation with indigenous Australians by 2001?

PRIME MINISTER: I hope we do, not a treaty, but I hope we have some kind of written understanding. I don't like the idea of a treaty because it implies that we are two nations. We are not, we are one nation. WE are all Australians before anything else, one indivisible nation. But I would certainly be in favour of a document that recognises the prior occupation of this country by the indigenous people, recognising their place as part of the Australian community and their right to preserve their distinctive culture. But within the notion of one undivided united Australian community where our first and foremost allegiance is to Australia and nothing else.

MARTIN: Kim, will you repeal Wik if you become Prime Minister?

OPPOSITION LEADER: No, I wouldn't repeal Wik because basically the courts are working their way through it. I know that as Prime Minister I would be obliged with absolute certainty to revisit this legislation. There'll be court interpretations that change the character of it. WE have already seen some evidence that that is likely to occur in recent times. Now, when we confront that we are going to have to sit down, rework that legislation to the extent that it's not viable. And when we do it, we are going to do it on the basis of fairness where the principal title holders are not actually excluded from the negotiating process with Government at all stages of the legislation when it comes for final consideration by the Parliament.

MARTIN: Kim, let's move onto One Nation. Pauline Hanson says she feels like the 'mother' of the nation, what does that make you?

OPPOSITION LEADER: Well look, my mum had this philosophy, there's always room for one more. Our house was like grand Central Station when I was a kid and like all Australian mothers she loved all her children but she had special care and attention for the one who was missing out, the one who had a bit of difficulty. That to me is motherhood Oz style and that's not Pauline Hanson's view of this country.

MARTIN: John Howard, will you make deals with One Nation if they hold the balance of power in the Parliament?

PRIME MINISTER: No I won't make deals and can I say in relation to motherhood, something I said the other day, that I have always rather seen myself as a servant of the Australian people and I am very content to be a parent of Melanie, Tim and Richard. I ...

MARTIN: Why won't you make deals with them? You have been happy to make deals with the Democrats and they don't have 11 members in the Queensland Parliament.

PRIME MINISTER: Well, I have a different view about some aspects of One Nation. I am just not going to make any deals. The only party that I will ever be in Coalition with is the National Party of Australia. As far as other parties are concerned, we will present our legislation and hope to get it through. And I would hope that if we win the next election that the Opposition parties in the Senate will respect the mandate that we are

given by the Australian people and they will pass the policies that we have presented at that election particularly our plans to reform the Australian taxation system.

MARTIN: Do you think One Nation is a spent force or can their views be dismissed at this point?

OPPOSITION LEADER: No, I don't think so. I don't think they are a spent force. I'd love to be able to say that but I can't. We have taken a stand against One Nation from the day they were invented. We did not encourage them or cosset them in any way. We did not feel constrained to make speeches that made Pauline Hanson feel that she had a dominant or a substantial part of the political process at her feet. One Nation has made a comprehensive botch of itself over the course of the last couple of months and none of us in politics have heard yet a single statement from them that means anything for ordinary battling Australians. We got their views on conspiracy and guns but we haven't had their views on anything that makes a material difference on the life on the average Australian. Now, here is a protest right...

MARTIN: But can you understand that protest though? Is it like 22 or 23 per cent of Queenslanders voted for them?

OPPOSITION LEADER: Look, this is a challenge for John Howard and me that's why we have got to set ourselves targets and achieve them, that's why we have got to govern well, that's why we have got to be credible. His party and mine are on notice now from the Australian people. I have had to do a lot of humble pie eating and a lot of learning and listening and part of the consequences of our not doing that as major political parties has probably been a protest vote coagulating around third parties. We have got to change. I am going to try and do that.

PRIME MINISTER: Well, can I just pick that up, I mean, I agree with Kim, this does represent a challenge to us. But one of the ways you discharge that challenge is to have the courage, even though it is politically risky, to embrace the changes that you know in your heart the country needs and that's why I am putting my political future on the line in advocating fundamental reform of the Australian taxation system. Because I know, difficult though it is, I know in here that unless we embrace fundamental change in this area we are going to lose our competitiveness and the difficulty in the Asian-Pacific region is going to be far more severely visited upon us in the years ahead.

MARTIN: All right, let's wrap it up, we have two minutes for each of you now. The father of the House of Parliament, Ian Sinclair, who has retired said the other day what he would like to hear in this debate, in this election, is a vision for the future. What is Australia going to be like in the year 2010? Sounds like a good way to end. Kim, would you like to give us what you think Australia should be like in 2010?

OPPOSITION LEADER: Well, thanks for changing the rules at the last minute but I'll be very happy...

MARTIN: Why is that?

OPPOSITION LEADER: I'll be very happy to do it. Yeah look, my vision...

MARTIN: Sorry.

OPPOSITION LEADER: My vision for this country is this.

MARTIN: Let me not change the rules. Sorry, should you finish last?

PRIME MINISTER: I'll be fair. I think the arrangement was that I would open and he would finish, that was the rule and I am perfectly happy...

MARTIN: Right. The question is the same, the vision for the future in 2010.

PRIME MINISTER: Well, the sort of society I want is a society which is secure, it's economically secure. I want an Australian society which is recognised and acclaimed around the world for its tolerance, for its lack of class consciousness but also a nation where if you start with nothing and you work your heart out and you do it well you can earn something and you can keep a fair share of it and you can leave something better for your children. In other words, we want a society which is tolerant and fair but also a society that provides incentive.

I think we also want an Australian nation that builds on the unique intersection that we in Australia occupy in the world. We have European roots, we are a projection of western civilisation. And also we have very deep links with North America and here we are in the Asian-Pacific region with a wonderful Asian component of our own Australian population. And if we can build on those unique assets and those unique talents I think we can really be a very, very proud force in the world. And there is no reason why this country can't be the centre of so many things in the Asian Pacific Region. Why it can't be the centre financially of the Asian-Pacific region, educationally of the Asian-Pacific region.

But the last thing that I would like to see about Australia in those years ahead and that is I would like to see those great Australian characteristics that have been the golden thread through successive generations still there. I want us always to be seen as Australians, not as Americans or as Europeans or as Englishmen or as Asians. As distinctive Australians having those great qualities of classless-ness and mateship and fairness which have been the hallmark of Australians through all experiences and all generations.

MARTIN: Thank you John. Kim, it was an honest mistake, please have the last words.

OPPOSITION LEADER: No, okay, no that's fine. Look, I want Australia as a fair society and a secure society. I want Australia with genuine incentive in the taxation system not a taxation system that puts all the burden on middle Australia and strips burden away from those who actually can afford to support the taxation system and

should be paying their fair share. I want Australian families to get a real break in relation to the taxation system. I want them encouraged off welfare onto work, out of the welfare system into work which is in the end what guarantees you a good, stable and secure future.

I want an Australia where there is opportunity, where the government is focused on the skills of the people. Where education expenditure is rising, not falling. Where everybody in the workforce gets their kids properly cared for in childcare centres, in school.

I want an Australia in which every Australian values every other Australian, where that good attitude towards mateship is an expression of genuine affection for every Australian no matter what their backgrounds, no matter what their cultural background, their racial background. I want an Australia with a sense that they have got a secure and prosperous future in the region around us. Now, I think that's what this election is all about, it's more than just tax. It's about how we see each other, what our opportunities are going to be and what is the role of a government in supporting and defending those opportunities. That's what the next three weeks is about and I am looking forward to it immensely.

MARTIN: Kim Beazley, thank you very much. John Howard, we thank you very much. Thank you for your contribution tonight and your cooperation.”

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