

INTERVIEW WITH NEIL MITCHELL, RADIO 3AW

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Prime Minister
E&OE

NEIL MITCHELL:

In the studio, the Prime Minister – Mr Turnbull, good morning. PRIME MINISTER: Good morning.

NEIL MITCHELL:

Well, will you follow his advice and cut spending? PRIME MINISTER: Well, we're certainly seeking to do that. We have many savings, cuts in spending which are stuck in the Senate because the Labor Party won't agree to them passing. The, Labor's basically created a \$50 billion black hole in the budget and of course you saw yesterday with Shorten's announcement – Bill Shorten's announcement on education they have a reckless spend, spend and borrow philosophy, that they got us into this mess and they're providing no help in terms of the Senate to getting us out of it.

NEIL MITCHELL: But have you got more spending cuts in mind? There is a need clearly for more spending cuts.

PRIME MINISTER: Well we've got to make sure that they're the right cuts. We have a number of savings that are as I said, that are in the, that are in the Senate at the moment.

NEIL MITCHELL: But you need more, don't you?

PRIME MINISTER: Well Neil, we, we will look at every aspect of expenditure. I think, with respect, if I might just say, about the Treasury Secretary's speech last night, he didn't, he didn't say that our Triple-A rating was at risk, the press, the media have written that up perhaps a little bit more sensationally than it warranted. At the time of MYEFO, which is the Mid-Year Economic and Financial Outlook, which is the halfway review of where the budget's tracking. The ratings agencies were very impressed and you know gave a very positive review of the Government's strategy to move back into fiscal balance but we've got to do so in a measured way, we've got to do so in a way that drives growth. See the thing, if I could just, just say this: the thing that will, the factor that is most important in bringing the budget back into balance over the long term is strong economic growth because that drives jobs. I mean we've created 300,000, 301,000 new jobs in Australia last year. Female participation rate in November, for example, was the highest ever. Unemployment has come down. Now this is a, these are remarkable achievements, when you consider we're coming off the mining boom and that type of growth is what obviously takes pressure off the social welfare budget but of course drives tax revenues as well and so that's, that is the, that's the high road back to fiscal balance.

NEIL MITCHELL: Do you believe you can grow your way out of it or you accept that there has to be spending cuts and there have to be tax increases?

PRIME MINISTER: There have, you have to look at every measure. We believe taxation as a percentage of GDP is already very high. We're looking at how we can make the tax system more efficient, that's to say, less of a brake on growth so that the tax system will provide more incentives for work and investment but we don't believe the tax, taxes as a percentage of GDP should creep up any higher because they're already very high now.

NEIL MITCHELL: So do you, you'd reject the suggestion that the Triple-A ratings at risk?

PRIME MINISTER: Well, the Triple-A rating would be at risk if the Labor Party was elected that's for sure.

NEIL MITCHELL: But you're in power. You, you reject it's at risk with you in power?

PRIME MINISTER: I, I've, what I said to you earlier, Neil, was that at the time of MYEFO, when we set out what the current economic situation or fiscal situation was, and outlined our plans to move the budget back into balance over time, the ratings agency gave that – ratings agencies – gave that big ticks.

NEIL MITCHELL: But we do have the head of Treasury, even if you accept that it's been pushed a little bit too far, ringing loud bells, ringing alarm bells, both about our level of spending, which is about 25.9 per cent of earning, and also our debt, which is \$1 billion, costing us \$1 billion a month. He's ringing very loud alarm bells, is he not?

PRIME MINISTER: Well he's certainly drawing attention to the same point that we've been drawing attention to, which is that our debt is too high and it's, of course it's being driven up by continued deficits. What we've, what we are seeking to do is to rein that back in by making prudent savings right across the board and we've and you know, one of our challenges is that so many of them are being blocked in the Senate. You see, the Labor Party does, simply is not prepared to, as a party that is an alternative government, let's face it, I mean, the, the time of the next election, the choice will be between a Coalition led by me or the Labor Party led by Bill Shorten and Labor is utterly reckless in refusing to acknowledge that there is a problem, that there is a deficit problem, that there is a debt problem, and they will not support the savings measures, any savings measures to bring that back.

NEIL MITCHELL: Will you look at further savings measures beyond or further spending cuts beyond what is currently in the Senate?

PRIME MINISTER: Neil we look at everything but I know what you're seeking to get me to do, which is to, which is to, which is to say look, look let's not play games. We look right across the board. Wherever we can find a means of achieving the Government's objectives, whether it's in social welfare or health, or in any area, administration, environment, wherever we can find a means of doing so and getting the right policy bang for a smaller taxpayer buck, we will do so. So we're constantly reviewing that.

NEIL MITCHELL: Let's not play games. You've been in, in power yourself four months.

PRIME MINISTER: That's true.

NEIL MITCHELL: We've been told everything's on the table and nothings, nothing's in, nothing's out. When? When do we get to a situation of addressing publicly the sort of issues that the head of Treasury is talking about? You had your first Cabinet meeting. Did you make decisions there?

PRIME MINISTER: Well, we've had a, we've had a, a very good Cabinet meeting and we obviously don't discuss what is made, what the discussion, we don't disclose what discussions...

NEIL MITCHELL: When are we going to get some answers, Prime Minister?

PRIME MINISTER: You will get plenty of answers this year, Neil. Now, the, I appreciate you'd like me to lay everything out on the table...

NEIL MITCHELL: No, I want a direction.

PRIME MINISTER: Well the, well ok, let's, let's talk about the direction.

NEIL MITCHELL: Will you cut welfare?

PRIME MINISTER: There is a budget in May, okay? And there will be an election, you know, all other things being equal, in August, September, October, that in the, in the latter part of the year.

NEIL MITCHELL: Will we get tax change in the budget?

PRIME MINISTER: You will, there will certainly be a tax reform package that will be presented in the course of this year. That is what we've been working on. We've been consulting widely. There's been a big tax debate, a lot of debate about the GST and that not just the GST, multinational tax avoidance. We've introduced measures to rein in what we believe are unacceptable practices by multinationals. We're collecting GST on digital products, you know, from people like Apple and Amazon and so forth. We're seeking to do all of that. So we're, we're attacking that, that on the revenue side and obviously, also, we've got, we're looking at the, the mix of taxes. At the moment what is happening is that people on, on average weekly earnings are moving into the second highest tax bracket.

NEIL MITCHELL: Will we get tax change in the budget?

PRIME MINISTER: There will certainly be a tax reform package presented in the, in the lead-up to the election.

NEIL MITCHELL: I understand that, will we get tax change in the budget?

PRIME MINISTER: Well, Neil, that's a decision yet to be taken.

NEIL MITCHELL: Will we get spending cuts in the budget?

PRIME MINISTER: Neil, all of those decisions will be taken – you can, you can expect there will be tax changes and changes to spending in the budget as there are in any budget. But in terms of the Government's tax reform, economic reform, growth package, how and when that is presented is something that we will decide.

NEIL MITCHELL: Well, will there be sufficient tax change and spending change in the budget to address the issues that the head of Treasury is talking about today, because he's saying it is urgent?

PRIME MINISTER: He, the, there's certainly will be and there, there have been measures that are designed to bring the Government, bring the budget back into balance. Now, the aim is to have the budget in balance over the cycle. So that means in lean years, when revenues are down, because of terms of, you know, the iron ore price dropping, precipitously, as it has, for example, you would expect to be in deficit. In the flush years, you'd expect to be in surplus. So you know you're not going to be in balance every year but what we've got at the moment is, frankly, a structural deficit and we do need to address spending and we are seeking to do that but obviously we can only legislate with the concurrence of the Senate.

NEIL MITCHELL: Is the GST, increase in GST or broadening the GST still a possibility, still alive, that issue?

PRIME MINISTER: Well, certainly. There is certainly the changes to the GST are certainly part of the tax debate and certainly being actively considered by the Government, as it should be. It's the, it is the, a relatively efficient tax. Let me just say this little bit about tax: every tax, a dollar that is raised by any number of taxes is still a dollar, but different taxes have different impacts on the economy. And so what governments should seek to do is constantly or regularly review the mix of taxes to ensure that they raise the money they need but in a way that provides the least brake, the least negative impact on economic activity. Now, there are some taxes of course which are designed to discourage things like taxes on tobacco – you know, they raise revenue, but they're also designed to discourage people from smoking. So they've got that objective. But in the major tax – headings of tax – you want to make them pro-growth. So all we're seeking to do – we're not seeking to do tax reform for tax reform's sake. We're not trying to get an economics prize or a tax prize. What we're seeking to do is to ensure that every single lever of government is pulling in the direction of more jobs and more growth.

NEIL MITCHELL: The debt – well, the repayment of the bill, according to the head of Treasury, is a billion dollars a month. When can that come down, when will you get us into surplus?

PRIME MINISTER: Well, that will be a long way off, Neil.

NEIL MITCHELL: 10 years?

PRIME MINISTER: Well, that's the figure I think he was speculating about.

NEIL MITCHELL: Do you think he's right?

PRIME MINISTER: He may well be right.

NEIL MITCHELL: So how big is our interest bill then if it's a billion a month now?

PRIME MINISTER: Well, net debt will come down once the budgets – start coming down – once the budget gets into balance, and the budget will get into balance well before then, but obviously then it takes time to pay down that debt from surpluses.

NEIL MITCHELL: So we could be looking at 10 years of deficit?

PRIME MINISTER: No, I don't think so, no. We certainly wouldn't forecast that...

NEIL MITCHELL: What would you forecast?

PRIME MINISTER: Well, Neil, I'm not going to forecast it here because it's beyond the forward estimates, but the – and there are so many imponderables. One of the things – when I say

imponderables, there are so many uncertainties. What will iron ore prices be in 10 years' time? What will the Chinese economy be like in 10 years' time? What will US economic growth be like in 10 years' time? So what we've got – we've got to recognise that in framing a budget, there are some things we can control and there are some things we cannot. And what we can control is the design of our own tax system and we can control – up to a point – our expenditure, but recognising the changes to spending generally, we have to get through the Senate, and of course, a lot of our – most of our spending – is geared to health and social welfare payments, and they are a function of, say, affected by an ageing population. We are spending more on health.

NEIL MITCHELL: Is welfare untouchable?

PRIME MINISTER: No, it's not untouchable.

NEIL MITCHELL: Is health untouchable?

PRIME MINISTER: All of these things are touched all the time and adjusted all the time.

NEIL MITCHELL: An election year complicates it. Will you promise us no big spending in an election campaign?

PRIME MINISTER: This is not going to be a fistful of dollars election campaign – from us, anyway. Maybe the Labor Party will – as they ramp up their recklessness – seek to do that. But I think the Australian people recognise that we're in tight fiscal environment, tight financial environment, and any promises are going to have – any new programs will have to demonstrate how they're going to be paid, and what offsets or what new sources of revenue will fund them.

NEIL MITCHELL: So does that mean the tight budget and a tighter election campaign?

PRIME MINISTER: It will certainly be a tight budget. These are tight financial times and they expect – Australians expect me, as Prime Minister, to manage the budget responsibly, to get the most bang for their taxpayers' buck, to manage the government efficiently, and to seek to do so with the least tax burden on them, so that they can keep more of what they make in their business, in their job, from their savings.

NEIL MITCHELL: You think that Australians understand and accept the need for tough times, for tough budgets, for tough cuts in spending? Didn't go down well under Abbott and Hockey.

PRIME MINISTER: Well, my view is that the Australian electorate are very well attuned to the difficult financial situation that the Government faces, and the fact that it is in deficit. And, frankly, because most of the budget goes in transfer payments or – one form or another of social welfare, whether it is pensions or benefits or whether it is family tax benefits or whether it is health, you know, which obviously a huge part of it, those are the big chunks of spending, and so trying to get the same or better outcomes with less dollars is what every government should be doing and it's certainly what we seek to do.

NEIL MITCHELL: You mentioned health. Do you agree with your Health Minister that perhaps 30 per cent of health spending is wasted on inefficiencies?

PRIME MINISTER: Well, there is certainly a high level of inefficiencies in different parts of the health system, as you would expect. Particularly if you're talking about hospitals, there are too many people – let me start again. Most of our - the bulk of our health spending is on a relatively small percentage of the population. You know, the people who are – these are the people who are most ill. They often tend to be older. They have chronic diseases and so forth. And what Sussan Ley is endeavouring to do is to ensure that they get better care, better primary care, that their care is managed better, more efficiently, by their doctors, so that they get a better outcome and also, are spending less time in hospital. And that way you can actually get a win/win. You can get much better health outcomes and you will put less pressure on the hospital system.

NEIL MITCHELL: The AMA has reported this week elective surgery times are blowing out, waiting in emergency departments blowing out, our own Royal Melbourne Hospital is crumbling, it's quite a disgrace, they've hardly had an IT system for the past two weeks. The doctors tell me that place barely works efficiently. Who carries responsibility for that? Kevin Rudd said the buck stopped with

him. The buck has been going round in circles ever since. Do you accept the health system is in crisis and can you do anything about it?

PRIME MINISTER: I wouldn't use language like "crisis". The Federal Government spends about \$64 billion a year, and it spends, of that, \$16 billion goes into public hospitals. Most of the funding for public hospitals comes from the States, who of course administer them. So when a public hospital has got problems, for example, like at Royal Melbourne, if that is the case, then the State Government should be asking what it is doing about managing its own hospital.

NEIL MITCHELL: So the buck stops with the States?

PRIME MINISTER: Well, with public hospitals, the responsibility does stop with them, because they manage it. They manage the hospital. It is their hospital. You know, the Pharmaceutical Benefits Scheme, for example, is managed, you know, wholly operated by the Federal Government.

What we do is provide money, under agreements with the States, to the hospitals, but they run the hospitals.

NEIL MITCHELL: Yes, I understand that, but we've been hearing these circular arguments for years, and the hospital system continues to crumble. Can you offer anything better?

PRIME MINISTER: Let me just make this observation – the funding from the Commonwealth, from the Federal Government increases every year and it will grow by 21.5 per cent over the forward estimates. Over the next four years. Now, we're continuing to have discussions about hospitals, about funding for them, about ensuring that we get better efficiencies. I mean, there are some hospitals in Australia that are still operating on a paper-based system, that don't have the type of IT systems, computer systems, managing their data and records that just about every business in Australia has.

NEIL MITCHELL: Prime Minister, some other issues if I may. Tony Abbott, will you ever bring him back on the frontbench?

PRIME MINISTER: What I've said about the frontbench and I don't want to make a running commentary on Tony Abbott, but I just say this: it's very important in government, as it is in business, to ensure that there is renewal. And what I did when I became Prime Minister was I ensured that our Cabinet was renewed, so we brought some new faces in, some new younger faces, particularly from Victoria. More women in the Cabinet and I think it's very important that we keep doing that. You have to have a process of renewal, and that means inevitably that people who are able to serve as Cabinet ministers and are doing a good job or have done a good job, should make room for others. You know, I give the example ...

NEIL MITCHELL: We talked about not playing games. Do you ever want him back or not?

PRIME MINISTER: Well, I'm not – you're wanting to play games.

NEIL MITCHELL: Yep.

PRIME MINISTER: I'm answering the question. I'm not going to answer a specific question about Tony Abbott or anyone else.

NEIL MITCHELL: What about Jamie Briggs? It's suggested you've told him there's a way back. Is that true?

PRIME MINISTER: Well, I think Jamie's conduct was inappropriate, as he acknowledged. He resigned. He's a young man. Time will tell.

NEIL MITCHELL: So he could come back?

PRIME MINISTER: Well, time will tell. He is a young man. He has plenty of time ahead of him.

NEIL MITCHELL: Australian of the Year, has it turned into a political platform, do we need change that?

PRIME MINISTER: Well, the Australian of the Year is chosen, as you know, by the National Australia Day Council. It's not a decision of government. The Australians of the year have been, many of them, very formidable advocates, none more so than Rosie Batty. So I think the – look, time will tell. You will see – I know there's been some controversy about David Morrison. I think he is a very good choice. He's been an outstanding General. He has shown great leadership. But ultimately, people

– we are informed and the Australia Day Council is informed by the progress of each new appointment.

NEIL MITCHELL: Is the role of the Australian of the Year - advocacy or motivation, representation?

PRIME MINISTER: I think what the role of the Australian of the Year is to be themselves. They need to be a person of a character and a quality that is admired. That is something of a role model. But also, somebody that can use that platform or that megaphone, and it's quite a big one, to be able to make a case, to be another voice. And Rosie Batty, as I said, is really an outstanding example of someone who made a contribution to, I think, a big cultural shift in attitudes towards domestic violence.

NEIL MITCHELL: Could you ever see a time when Australia Day was moved from the 26th January?

PRIME MINISTER: I think that's very unlikely.

NEIL MITCHELL: Gay marriage. I want to get this straight, so to speak. If there's a plebiscite, will you follow the will of the people?

PRIME MINISTER: Absolutely. Absolutely.

NEIL MITCHELL: Even if it divides or splits your party?

PRIME MINISTER: Well, the – there were two ways we could've dealt with the gay marriage issue. One was to have – which was frankly the way I preferred, and I was on the record about that. The traditional way was to have a free vote. And so MPs that were in favour could vote in favour, MPs who were against would vote against. The Coalition party room, this is when Mr Abbott was Prime Minister, made a decision that the matter would be put to the people, that the people would decide. Tony Abbott was quite explicit about that. He said the people will decide, not the politicians. Well fair enough. So that's our position. It's perfectly democratic. There will be a plebiscite. That's our policy. And the – you know, if the majority of people voting in the plebiscite vote in favour of it, then same-sex marriage will be legalised.

NEIL MITCHELL: Will Australia actively support Kevin Rudd for UN Secretary-General?

PRIME MINISTER: Well, it's a hypothetical question.

NEIL MITCHELL: Not from Kevin Rudd, it's not.

PRIME MINISTER: Well, it is, actually. I mean, Kevin has not nominated.

NEIL MITCHELL: We're told there've been discussions between the Foreign Minister and New Zealand already about it.

PRIME MINISTER: Well, the – I've seen those reports in the press. And there certainly have been plenty of discussions but I'm not going to express a view on a hypothetical question. If Mr Rudd does nominate, then the Cabinet will consider the matter and consider how we would approach it.

NEIL MITCHELL: Is Clive Palmer, given what's happened in the nickel mine, a fit and proper person to be in the Federal Parliament?

PRIME MINISTER: Well, time will tell. I think the – I don't think – well, the judgment as to whether Mr Palmer is fit and proper to be in the Federal Parliament will be taken, if he chooses to re-nominate, by the electors of Fairfax, but his management of the – of Queensland Nickel, from what we know to date, is shocking. And he has let down the workers there. It's been a very disappointing, very disappointing, for someone that's sought to hold himself up as a champion, but the only thing I'm concerned about, frankly, with that mine, that smelter, I should say, is that the industry continues, the jobs continue, the workers are looked after. We're doing everything we can to ensure that, but I think Mr Palmer's – I would forecast that Mr Palmer's time as the owner of that will be coming to an end.

NEIL MITCHELL: Given the problems in Europe, with asylum seekers, are you now concerned about the Abbott Government's decision to accept 12,000 Syrian asylum seekers?

PRIME MINISTER: No, I think that was the right decision and it was a part of a global response to what is the single largest humanitarian crisis in the world today.

NEIL MITCHELL: Early election?

PRIME MINISTER: I'm expecting - and I'm the Prime Minister so I've got the most say in this - I'm expecting that the election will be at the normal time in the third quarter of this year.

NEIL MITCHELL: Anybody suggested it could be earlier to you?

PRIME MINISTER: Well, just about every newspaper. So yes, but...

NEIL MITCHELL: What about the Cabinet, well not Cabinet, what about your advisers and ministers? They want an early election. You'd win now, wouldn't you?

PRIME MINISTER: Neil, I think the important thing to do – and you know, you raised - you were asking about this earlier. We have to lay out our economic reform program. We have to lay out all of our policies. We have to present them, explain them, and then we have to take them to the people.

NEIL MITCHELL: That will take a while?

PRIME MINISTER: Well, it takes some time.

NEIL MITCHELL: Thank you very much for coming in. Look forward to speaking often.

PRIME MINISTER: Good, Neil, it's a pleasure.

NEIL MITCHELL: Prime Minister Malcolm Turnbull, who incidentally, arrived by tram today.

[ENDS]