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PRIME MINISTER

PROOF ONLY - E & O E

TRANSCRIPT OF PRESS CONFERENCE - COLONIAL MOTOR -
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PM: Well this long awaited statement on taxation policy by the Liberals is deserving of and will receive the contempt of the Australian people. Someone making an application for a loan from a bank for an advance to start a pie stall would have to provide more details to their bank manager than these people have been prepared to advance to the people of Australia. They have had 18 months to bring forward a tax policy. They had talked about precision and certainty so that the electorate would know where they were going. This is a document totally lacking in precision. But even what is there is a certain prescription for economic disaster. I understand that they have said this time no fistful of dollars, they have substituted for the fistful of dollars a fistful of unsigned, blank cheques. Let's look at what the impact would be. If you look at in terms of impact on inflation, the increase in indirect taxation that they would have to undertake to make up for the selective cuts in direct tax would mean just for about \$2.5 billion extra impact on charges. In other words, if you had another 4 billion increase in indirect taxes that would put up the CPI by 5 percentage points which would mean in turn that your budget outlays would increase by \$2.5 billion. So you are not only going to have taxation policies which will be discriminatory in the electorate, uncertain in their impact, but are going to be disastrous in terms of economic management because it will put up inflation by several percentage points which will mean higher wage claims and which will in turn mean substantially increased budget outlays. Whichever way you look at this policy it is as far as you can make any sense of it all, a prescription for economic disaster. It is as I say, an insult to the intelligence of the Australian electorate, totally lacking in any spelling-out. In the area of a consumption tax they haven't even made up their mind what sort of consumption tax they want to talk about, and they will have an enquiry about that. As I have said I have been waiting for this statement which we have been promised for so long. I believe it would be a fizzer, it is arguably the greatest fizzer that any political party has ever produced in an important area of policy in a federal election.

JOURNALIST: Is there anything good in it at all?

PM: Yes for us it is marvellous. I find it as I indicated to you that I was looking forward to it. I would be talking about tax for a very long period. I said as you will recall earlier

PM cont: today that I wasn't going to indulge in a hypothetical snack, I was waiting for the full meal. We will be feeding off this as will the Australian people be feeding off it for a considerable period of time after the 1st of December .

JOURNALIST: What is your reaction to the income splitting proposal?

PM: Well the income splitting proposals are uncertain in terms of when, or if, or how. What they would mean in their present imprecise form would be a discrimination against a large section of the Australian tax payers who wouldn't get the benefit of them. But this is the problem that you have with the whole of this mish-mash of a wish list. You can't describe it as much more than wish-list. I mean, what do they tell you about income splitting. What will be the dimension of it. When will it be introduced. No-one can make any sensible statement about what they are proposing because they haven't in fact given the electorate any details, as I say of the dimension, or when they say, they say these things that we list, now this long list of desirable goodies, we will think about introducing them as budgetary circumstances permit. Now what have they told us about possible budgetary circumstances under a coalition government. What do you say now about all the promises they have made. Are all those promises cancelled or are they not. The 2.5 billion direct promises that have already been made, the other 3.5, 4 depending upon what significance you attach to some of the promises they have made, is that 4, 5, 6, 7 billion dollars of promises of additional expenditure, are they still there, or are they not. And they say that their capacity to introduce any of these things will depend upon a combination of expenditure restraint and economic growth. Now I have gone to those two elements. I mean I ask you to look at their own conditions for implementing this mish-mash of a wish list. They say the conditions are: expenditure restraint and economic growth. Alright, let's look at the first one, expenditure restraint. They have given you this great list up until this point of additional expenditure they are going to undertake. Where is their restraint going to come from. Do we now put a line through everything they have promised in regard to additional expenditures. Or are they still there on the table. Does the Australian electorate out there say to themselves tonight well we have got a promise from Mr Peacock in regard to the railway, in regard to his other list, now the submarines, all these other things, the 2.5 billion firm, specific promises they have made, are they on the table or are they not. Now in regard to the loss of revenue, obviously they are sticking with their assets test and lump sum tax position, so they are denying themselves revenue in that way. Or are they still on the table. We don't know. They say themselves that their capacity to do anything in the tax area depends upon expenditure restraint and the Australian electorate is left in a total sea of confusion about that. We will want to know, and the people of Australia will want to know which of your promises have meant anything. Have you just been fibbing to the Australian electorate up until today when you have made these promises or haven't you been. Which promises do you mean you will stick to. So that's on the expenditure restraint side. Now economic growth. If you want a prescription for a return to the past of the Liberals and the National Party for economic stagnation, it is here. Because they ask you to understand what the overall economic implications are. They are saying that if they move to these substantial reductions in direct tax that have been talked about here, it will be made up

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by increases in indirect tax. Now as I have gone through some of the figuring with you about that. If you take the listing of income splitting and other direct tax benefits that they say they may think about giving. They add up to over \$4 billion, so that would require about \$4 billion increase in indirect taxation. Now as I have pointed out to you in my opening statement, if you increase indirect tax by 4 billion that would increase the CPI by 5 percentage points. Now just look at the economic implications of that. It sends inflation crazily through the roof, goes into wages but of itself it would require another \$2.5 billion in expenditure outlays because as you know something like 60 per cent of budget outlays are either directly or indirectly indexed. So this is the economic madness that is proposed here. You will have a policy which will push up the consumer price index very significantly, and the very pushing up of the consumer price index means that your expenditure outlays are going to have to rise in this case by the order of 2.5 billion, but you remember the first condition, the first condition of bringing them in is that you are going to have expenditure restraint. YOU have got the circle of economic lunacy. The condition of giving effect to your direct tax cuts is expenditure restraint, so you are going to increase indirect taxes in way which pushes up expenditure outlay increases because that's a condition of bringing in your indirect taxes. Now in their last period of government. This is what they did. A very substantial increase in the reliance upon indirect taxes. In the last 2 Howard budgets, sales tax receipts increased by 1.4 billion dollars, or 66 per cent and that was right at the very heart of their economic problems. They had no wages policy. That sort of stuff fed into your wage claims and your substantial increases and so you got economic stagnation. It doesn't matter which way you look at this policy. If you look at it in terms of the precision that you are entitled to expect. I mean how long do they need. They have had 18 months. How long do they need. No precision at all. And as I say if you importantly not just at that aspect of it, but do what you have got to do and think about the economic implications of this for overall macroeconomic policy it is a prescription for a return to the disaster of the past.

JOURNALIST: Prime Minister, the Libera-1

Party also includes a child care rebate, there has also been considerable pressure for the introduction of some form of child care rebate. Would your government in any way consider introducing some sort of child care rebate.

PM: Now just let's go back to them. You are saying it is listed. Of course, it is listed. But just about anything in the area that you would like to think about gets a guernsey but is there any statement to the Australian people that it will be introduced, when and how, what the timetable is. According to how budgetary circumstances permit. Is that supposed to be a policy. You can't say that that is a policy in regard to child care rebates. Anyone can have a wish list. But the Australian people haven't been told in election that that is what going to happen. Now in respect of ourselves you can have a total contrast. We don't have to go into this election and say well look we have go wish list about what we would like to do some time, perhaps, maybe, if the budgetary circumstances permit. WE have been in control of the budget

since we have been. We inherited the \$3.6 billions but we have stuck to the broad situation that we put to the electorate 2 years ago because now in a matter of days the people of Australia are not going to have to speculate about whether our budgetary circumstances will permit some significant achievement in the area of tax policy. We have created the budgetary situation, we have reduced the budget deficit by \$3. billion since we have been in and reducing the budget deficit by getting the economic growth, by having the mix of policies in the fiscal area, we have produced a factual tax cut for every Australian tax payer which is the equivalent of an \$11 a week wage increase. So there you have got the definiteness of Labor in government having tax policies related to and integrally part of an overall macroeconomic policy which has produced record economic growth and out of that we have been able not to hypothesize with the Australian people but say to them that as a result of successful macroeconomic policy we have got this fiscal policy which means you are going to have the first real tax cuts that this country has enjoyed for years. If we had merely given them tax indexation it would have been \$1.3 billion in a full year. The cost of our real tax cut in a full year is 2.1 billion.

JOURNALIST: Mr Hawke, how does the imprecision of the Liberal's tax plans differ from your repeated statements of that Labor's tax plans will be revealed once the tax review has been completed in 1985?

PM: It is in this way, as I have just said, I have given you an explanation of what we have done. We haven't hypothesized we have produced the first, effective real tax cuts for a long period of time. Then we have said, of course, and we have been saying it for some time, there will need to be a review of the tax system within a framework which follows on what we have done. WE are not hypothesizing saying well perhaps as budgetary circumstances permit. WE have promised the Australian people there will be no overall increases in taxes. We made that promise and we have been able to that within a deficit reduction situation and in a position where we have reduced, reduced taxes in the way, in the direct area that we have talked about. Now we have said, not just in an election context, we have been saying for some months, that the existing tax system is not perfect and that we will have a tax review within the framework that we have put, of giving hard tax reductions on the table, not meandering about saying it may happen. They are there, they are on the table. They'll be in people's pockets in a matter of days. Now we have said then promise no further increase in the overall level of taxes now we will, together with you the community, examine whether we can make the overall tax system more fair and more efficient and importantly and there is the great distinction between the Labor Government and these people opposite that we have said that we will sit down with the relevant sections of the community and work out tax reform which will meet the criterion of efficiency and equity. Now to make any system of tax reform work in a non-inflationary and equitable way you've got to have the trade union movement involved in consultation and co-operation in that tax reform. Otherwise by definition it will not work. If you have

P.M. cont...: tax reform based upon cutting down direct taxes and having billions of dollars increase in indirect tax, which is what's foreshadowed here, and you haven't got the support of the trade union movement, then all that happens is that inevitably you CPI will go up only by the direct result of those increase in indirect tax, but because they'll also be fed into the wages system. Because you've got to look at this in total. You haven't got just a tax policy here presented to you. You've got to take it into account as part of their overall economic approach which involves the abolition of centralised wage fixation and the abolition of the accord. So in their tax reform approach they will have no co-operation with the trade union movement. By their own deliberate decision they've thrown that out the window. So you will have the increase in the CPI as a result of putting up indirect taxes. But as I've said you'll also have that flowing through, through increased wages claims, which will be able to be obtained in many areas. Now there's the difference. To answer your question there is the difference between our approach to tax reform and the Opposition's. It is clear to everyone that if you're going to have effective tax reform which looks at any change of the balance between direct taxes and indirect taxes, you must have the co-operation of the trade union movement. Otherwise it's a recipe for disaster. And theirs is a recipe for disaster.

JOURNALIST: Prime Minister, there are three things Mr Peacock has been definite about - he'll have no capital gains, death duties, or wealth taxes.

P.M.: You don't quote him correctly. Let me quote him correctly so that you've got it - "no new capital gains taxes".

JOURNALIST: Alright. Well can I assume from your last answer that through this campaign you'll continue to maintain the position that those issues are issues for the tax review that's coming up.

P.M.: I have made it clear, Geoff, during the campaign and during the quite early stages of the campaign we'll go into more detail about how we will approach this issue. You won't have to wait very long for that. But I still go back to the basic point which is right now on the table in front of the whole Australian electorate. They were waiting and expecting to get a detailed tax policy, they haven't got it, they have not got it. With us you've got the results flowing into the pockets in a very short period of time and the total difference between us and our opponents that in any tax review we can make it work because it will be done in consultation with the business community and the trade unions. They will not be able to do that.

JOURNALIST: Prime Minister what sort of timetable are you looking at for announcing details of your tax review. Will it be in the next week or ...

P.M.: Oh I wouldn't say the details of the tax review will be going more broadly than that. I'll be talking about it probably this week I would think. But let me make it clear, what our immediate priority will be obviously, as you will want and the electorate will want will be a detailed analysis of our opponents. After all they've been telling

P.M. cont...: us all that here it was going to be unveiled on Monday. That Monday 22nd was the big day. No, we will spend some time in analysing it with you and with the electorate in a bit more detail in the next few days.

JOURNALIST: I don't mean to be pedantic but what ...

P.M.: Well, why not?

JOURNALIST: ... when you say broadly what exactly do you mean by that. When you talk about your own taxation policy?

P.M.: Well what I'm saying is that we will, I'll be talking to the Australian people about how we intend to approach this is what I was talking about. When I said more broadly I was asked about the details of it. I said we will be broadly putting to the Australian people what our approach is in a way which, of course, will be much different to what's been done here in the basic sense. That we will be able to show to the Australian people that our approach will be done cooperatively with the community, including the trade union movement, so that our tax policy will be seen as an integral part of overall macro-economic policy. This policy is a prescription for economic recession. Ours will be part of the process of continued economic growth.

JOURNALIST: Prime Minister does that mean a tax summit as was suggested by one person last week?

P.M.: Well I'll be going to that issue when I address these things.

JOURNALIST: Prime Minister although you are promising this detailed analysis later on this week ...

P.M.: Well could I just interrupt you Gary, when I say detailed analysis, what I'm saying is that we'll be addressing ourselves to the issues that have been raised so far about our tax policy, those things that have been raised, and how we will go about the process with the community of undertaking that review.

JOURNALIST: I was talking about your promise to have a detailed, to provide a detailed analysis, of your reaction to the Opposition's taxation policy. From what you've been saying it seems to me that your reading of the policy almost defies a detailed analysis. I mean you can't really have it both ways.

P.M.: Well that's a fair point. I mean I was really saying that we are going to dissect, we're having a meal as it were if we could us that analogy. And there are great gulps that you can have and get satisfaction from. But we want to go through it in very fine detail - sentence by sentence, each part of the mish-mash, every promise that's listed and put the internal inconsistencies one against the other. I mean it really does warrant some detailed treatment in that respect. I mean the basic point remains quite clearly that there are no details about when and how. And having said that

P.M. cont...: because that's indisputable, there are nevertheless elements, conceptual elements, of what are there which will get from us very very detailed analysis. But I come back on the question of detail, as I said in opening if some bloke was going to the bank to get an advance to put up a pie stall outside the Flinders Street station he'd be required to give more details than they've put up here. And this is supposed to be a tax policy for the nation.

JOURNALIST: Mr Hawke can I just ask you about tax splitting proposals which you only touched on very briefly. In 1974 when you were President of the ACTU, the ACTU supported tax splitting ... what's your position...

P.M.: I'm not addressing myself to that at this point at all. I'm simply saying that in regard to what we have to deal with here you've got a vague proposal put which, if taken to its limits, let me say would involve a cost of about \$2.2 billion. That would be the cost of all income splitting. Or if you take it to the figure of 18,000, about one and a half billion dollars. Now I'm not going to fall into the greivous error of these people and say, oh yes I think income splitting is a good idea. There it is. You can't do that in this sort of area. You've got to, particularly for these people - they've had 18 months to come up with a great detailed policy and that's the very best they can do - we won't be responding on the run, and say oh yes we think income splitting is a good idea. Yes we'll put that to our list. We don't operate that way. We've in fact been there in Government, we've produced the goods. And in the tax area it has produced a very substantial real tax cut. That's a benefit to everyone. What they are talking about is a very divisive, discriminatory sort of benefit perhaps one day, maybe, some time for someone.

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