



PRIME MINISTER

PROOF ONLY

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Mike Willesee interviews the Prime Minister,
Mr. Hawke.

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WILLESEE:

At a time when the whole nation is waiting to see what you are going to do about changing the manner in which we are all taxed you have suddenly added four cents a litre to the price of petrol. Why?

PRIME MINISTER:

Because it is the policy which has been followed by successive governments. It should be noticed that the Opposition has endorsed the decision we've taken, as has the business community. It's a well placed policy because it relates to the fact that Australia still has to import a significant proportion of its crude and we have to follow a policy which is relevant to that and to conservation purposes, and the important thing is that I have given the undertaking - and I repeat it - that the revenue that the government derives from this will not be used to undertake new spending programs but will be utilised as part of the government's overall approach to adhering to the trilogy. That is, that there will be no increase in taxation as a proportion of gross domestic product, no increase in the Deficit as a proportion - indeed there will be a substantial reduction in money terms in the Deficit, and there will be no increase in government outlays. And so we'll be using the income that flows from the application of a consistent policy that's been followed by successive governments to pursue these economic policies which are calculated to ensure a continuation of solid economic growth at containable levels of inflation which has produced for this country in the two years of government a turnaround from the worst recession that this country has had for fifty years to record rates of economic growth, to record rates of employment, and to a halving of inflation.

WILLESEE:

This petrol increase is still effectively a tax, isn't it?

PRIME MINISTER:

It's a policy which has been followed by successive governments as being accepted as relevant and necessary to our position as still an importer of crude. And what has got to be understood, that in the result Australians still pay less for their petrol than virtually any other OECD country.

WILLESEE:

Yes, but it is still effectively a tax.

PRIME MINISTER:

Well yes it is a tax. This is the way in which the system must operate. But it is a tax which is used for sensible economic purposes. It is not there simply to impose a tax. It has been accepted across the political spectrum as necessary - a necessary pricing policy in regard to a scarce resource, and so the fact that it is collected as a tax is simply a way of saying that is how you give effect to a policy, which is recognised as valid for other purposes. What is important is the commitment that I have given on behalf of the government: that it is not a tax which is raising revenue which this will government will use to increase its expenditures. On the contrary, the revenue that will be derived from this necessary decision - which has been accepted across the political spectrum and by the business community - is revenue which will be used to bring about an economic strategy calculated to improve the general economic position.

WILLESEE:

I think if you asked the average Australian at the moment what question he'd most like answered from you, I think he would very likely, or she, would very likely say "I keep hearing about the possibility of tax changes, how is it going to affect me. What's going to happen with our taxes?"

PRIME MINISTER:

Yes, and I reckon that's exactly the question that I would ask. And the answer I will give is this: that I have said that the government does not want arbitrarily to impose changes in the tax system. We recognise, as does that average Australian man and woman, that the existing tax system is inadequate. 99.9% of your average Australians would agree with that. So what we have done is to say we are going to try and bring representative Australians together, Mike, so that together we will examine both the inadequacies of the existing system, and to look at alternative ways in which we may be able to bring about a better system. "Better" being judged by the criteria of equity, economic efficiency and simplicity. I happen to believe that together we are going to be able to do that.

WILLESEE:

Well there's a potential dilemma there with these summits: I mean if they don't agree, if there are conflicting forces on taxation which there could very easily be

PRIME MINISTER:

There will be, Mike.

WILLESEE:

You're still the government, you're the Prime Minister. What do you want changed about our taxation system?

PRIME MINISTER:

Well I do want, if we can, to get to a system where these things are done: that we don't have such significant marginal disincentives in the direct tax rate. I want to see more of the

WILLESEE:

Sorry Prime Minister, just one at a time. Do you mean by that that some tax rates are simply too high? Personal income tax.

PRIME MINISTER:

At the marginal rate there are moving - it is estimated at 286,000 I think is the number of people who will move into the 46 cents in the dollar marginal rate. That you have the situation now where the top rate, Mike, of 60 cents cuts in at something like one and a half times average weekly earnings where some ten or fifteen years ago it was about twenty or thirty times average weekly earnings. So I believe that those marginal tax rates are cutting in at levels of income which are too low, and I think that would be generally agreed. So we want to see if we can remedy that. We also, secondly, want to see, Mike, if we can bring more of the available income into the tax base. There is a lot of it which is avoided which means generally that the average taxpayer is paying more in direct personal income tax than he or she would if you had a wider income tax base.

WILLESEE:

Can I just go back to the first point of income tax. You are expressing concern about that but you are heading a government which is charged with this responsibility but you're not telling us what you're going to do about it.

PRIME MINISTER:

Well I'm saying that before we accept, as we will, we accept the responsibility as a government of ultimately making the decisions but the secret of success of this government which has turned this economy around from the worst recession in fifty years to record rates of economic growth and record levels of employment growth and halving the inflation rate, we've done those things in very large part because we have been a government of consultation. We've consulted with, we've talked with, the business community. We've talked with the trade union movement. We've talked with welfare groups. We have talked with State and local governments. Now what I'm going to do at this summit is to continue a process which has been remarkably successful. Successful in a way which has been commented upon right around the world. Now we are therefore in regard to tax going to try and do the same thing. Not to shift the responsibility to someone else but to try as far as we can to get the best range of views within the Australian community as to how they'd like to get changes, and then we are as a government going to try and accommodate as far as we can the expression of views of the Australian people.

WILLESEE:

Well what about the Australian government? I don't want to carp about the summit consensus attitude because there's a lot of reason to believe that it's very successful but, you know, as I repeat you are the Prime Minister, you head the government. If you say that it's too high why don't you go further and say "It will be reduced"?

PRIME MINISTER:

I believe it will be reduced and that's what we're aiming at. But all I'm saying is, Michael, that there are a different range of views as to the appropriate ways of achieving end results, and so we're not having the summit as some charade, some empty exercise that we're just going through for the formalities. We believe that out of the process of the summit and the processes leading up to the summit and the discussion of the white paper that we will generate around the community that we, as a government, can be better informed. So that the decision that we take at the end, for which we'll accept the responsibility, will be a better informed decision and one which is more likely to be capable of achieving acceptance from the Australian community. That's sensible politics. It's how you conduct yourself in normal life. In any community of people, group of people, you try if you are sensible not to impose decisions upon people. You accept you have an ultimate responsibility but it does make a lot of sense, Mike, to get as many views from as many well informed quarters and concerned quarters as you possibly can.

WILLESEE:

So you are saying that you believe that too many people are paying 46 cents in the dollar in personal income tax and too many people are paying 60 cents.

PRIME MINISTER:

And Mike if I can just add - I don't want to interrupt - but that these rates are also cutting in at too low a levels of income and this is acting as a disincentive in many respects. So the secret of what we're about is to try and achieve a situation where government will still be able to get sufficient revenue to do the sorts of things that the community wants done in the field of defence, education, the building of roads - we've got to do all those things. So if the way we're raising revenue - and let me remind you that basically for the last, if you take back to 1949 this country has been governed out of the 35 years, it has been governed for 30 of them by anti-Labor government. We have basically inherited a tax system which is the creation of the conservative forces of this country. So what we want to do is to make sure that in doing the things that the Australian people want of us on the expenditure side, that we can raise revenue - the necessary levels of revenue - in a way which is most acceptable to the Australian people.

WILLESEE:

Can I come back in a moment to the other manner in which you can raise revenue. On personal income tax, which I think is the first question people want answered, what do you want? What would be desirable, without committing yourself, what would be desirable in your opinion?

PRIME MINISTER:

Well I think a system which would do these things Michael would be, first of all, progressive. I think there's basically no argument in the community about that; which relates the amount and the proportion of income that people will pay to their income capacity. So progressivity is important. Secondly, you want a system I believe which eliminates the poverty traps that can occur at the lower levels of income. I think that desirability is accepted throughout the community. And thirdly, as far as possible Mike, you want to have a system which is going to be as much lacking in disincentive to people to earn extra income as you possibly can.

WILLESEE:

Prime Minister before we take a break could you try and put a figure on it?

PRIME MINISTER

No it's not possible

WILLESEE:

Is there a limit on what people should pay in personal income tax?

PRIME MINISTER:

Well let me put it this way, the 60 cents rate is certainly a limit. There is no suggestion that we would be increasing that. If possible I think we'd be wanting to bring those marginal rates down.

WILLESEE:

So you are just talking about bringing marginal rates down? You're not talking about anything more drastic than that?

PRIME MINISTER:

Well I don't know what you mean by "more drastic".

WILLESEE:

Could you suggest figures that would sound suitable to you?

PRIME MINISTER:

Well no I don't think you can just pluck a figure out of the air. What you can recognise is that the existing system has evolved in a way which now, I believe, operates as too much of a disincentive and I think there'd be very, very widespread agreement about that. So we have got to try and construct a system which meets that problem as far as you can while still ensuring, Mike, that the government is going to have available to it the levels of revenue that are necessary to do the things that people want. I mean, too often in the tax debate - and it's so easy to do it, you say "Oh we pay too much tax" - I think everyone believes they pay too much tax. You very rarely hear, Mike, people saying "Well we don't want as much spent on defence. We don't want as much spent on education. We don't want as much spent on social welfare. We don't want as much spent on the building of roads" and so on. So if the community basically wants all these things done and continue to be done then any government must have the revenue to do it. I want the viewers to understand: I don't want and my government doesn't want tax, it doesn't want revenue, for our own purposes, I mean to satisfy ourselves. The only reason that I want adequate levels of revenue is to do the things that the Australian people want and which only governments can do. The community can't, individuals can't create Australia's defence forces. Individuals can't build roads. Individuals can't spend money on the total education system. Governments have to do that on behalf of individuals.

COMMERCIAL BREAK

WILLESEE:

Prime Minister, just to wrap up this taxation matter - and I do understand that it's yet to go to the summit and you can't commit yourself - but is there one thing that you want out of taxation reform?

PRIME MINISTER:

Yes there is. It's basically this: that at the end of what we do, or even if what we do immediately is not the end of the process, I want my fellow Australians to believe that what's happening in Australia is that they are paying, through the various forms of tax that exist, that they are paying fairly and reasonably their contribution to enabling the things to be done that they believe will make Australia a better place. You just can't talk about tax as tax. Tax is there to enable things to be done on behalf of the people, and that's what I want to see emerging.

WILLESEE:

So you're saying it is not punitive, it is necessary, and it has got to be done.

PRIME MINISTER:

Sure, I mean, do you want me to abolish the defence forces? Do you want me to stop all these things? We don't want that to happen. I have the mandate, the responsibility, the trust, I hope, of the Australian people to be the custodian, if you like, of the contribution that they make as individuals and as firms to the processes of doing within Australia the things that need to be done by government to make this a better place, and I just hope that out of this process they will feel that they have been part of arriving at a decision which means that while basically no one likes paying tax, they will recognise that it is being done fairly and effectively to achieve the purposes that they want.

WILLESEE:

Prime Minister, would it be fair for me to interpret what you are saying as "Don't expect any more money in your pocket after we reform the taxation laws"?

PRIME MINISTER:

No, not necessarily. It may be the case - and in a sense I hope it will be - that for a lot of people that they will in net terms be better off. Because you will appreciate that I have, on behalf of the government of Australia, given the commitment that tax will not increase as a proportion of gross domestic product which means, if I can put it in laymen's terms and non-economist jargon, that out of what Australia produces, out of what comes out of the efforts of all of us cooperatively to produce goods and services that the government will not be taking a greater proportion of that production.

WILLESEE:

So the same amount of revenue raised through tax, but in a different manner?

PRIME MINISTER:

The basic point I am making is that we will not take more of the community's productive effort. And in giving that commitment, and in trying to re-shape the taxation system, I hope that a significant proportion of Australians will in net terms be better off. That's what we'll be aiming to achieve.

WILLESEE:

Prime Minister thanks for your time.

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