



PRIME MINISTER

FOR PRESS

23 May 1976

PRIME MINISTER'S INTERVIEW WITH LAURIE WILSON, FOR "THIS WEEK"

QUESTION: Mr Fraser, from your point of view, just what have you managed to do, with this mini-budget?

PRIME MINISTER: We've taken very substantial steps in bringing forward Government expenditures back into line with reality, with what tax payers can afford. This is quite essential if inflation is to be overcome. In addition to that, we've introduced tax indexation that does two things: we believe it will help to relieve pressure on wages because when people got more wages they went into higher tax brackets, that generated more pressure for more wage rises. It was a constant merry-go-round. Tax indexation will also keep governments honest - if we want more of people's incomes for a particular project or for government plans, we'll have to legislate for it, and explain why. That's good. And the third - the Medibank levy, of course. Medibank is an expensive programme which we believe needs to be seen to be paid for. The last part in the total package was the new system of family allowances which I regard as a major social reform.

QUESTION: There would seem to be overall, more of an emphasis on the social content in the budget, rather than the economic side.

PRIME MINISTER: I don't think so because \$2,600 million reduction and relief on the budget itself for the next financial year is a very significant economic measure. And in addition to that, you've got taxindexation, Medibank and the family allowances. Now the family allowances are already being paid for out of the abolition of tax rebates; and the old sums that went to child endowment. So, it's a reorganisation of the social welfare area of a very important time. But it's not within greatly additional resources into that area.

QUESTION: In terms, you're talking about reorganisation, it strikes me in terms of the amount of extra cash that people have got, it really does seem that all you've done there is realise too, reshuffle, in the sense that people really don't seem to be any better off.

PRIME MINISTER: Well it depends on who you're looking at. If you are looking at the 300,000 families and the 800,000 children or more in a very low income area, probably not able to get

any advantage out of the tax rebate system, they're going to be much better off. Quite obviously the total resources of Australia are limited, and we can't provide additional assistance to families in these categories unless it comes from somebody else and that can't be hidden. But the main transfer is really from government back to the private sector. And that's what comes out of the reduction in the demands on the budget of \$2,600 million. So it's really the government that's giving up most in this context, rather than any one group of individuals.

QUESTION: But you accept the point that the middle and upper income earners really don't appear to be better off, even if not...

PRIME MINISTER: Well they certainly won't be worse off, with the total package, Medibank thrown in. And also you've got to understand that tax indexation is a continuing process, because of the way the law is drawn, next year it will be automatic again. And in year 2 and year 3, instead of the extra tax take going to the government, people will be keeping a larger part of their income. So on a continuing process individual tax payers will become better off, and the years pass.

QUESTION: What really have you got to bargain with the unions with. Given that any benefit they seem to have been given, does appear really to be allusory?

PRIME MINISTER: No I don't think it's allusory. Everyone knows that Medibank has to be paid for. You can't introduce a major government programme of that kind and pretend that you don't have to raise extra taxes, or payments in some way to cover the cost of the benefit. It's just nonsense to pretend that you can. What all Australians, trade unions and everyone else have gained out of this is tax indexation, to protect their incomes in the future, and also a just and proper system of family allowances.

QUESTION: Yes, but why should wage earners moderate their wage claims now that they are protected against inflation by tax indexation. I mean, what have you got to argue with?

PRIME MINISTER: I think there's a great deal. Because there's a real element of economic and social justice in what we're doing. Basically, most Australians want a job. And trade unionists are having to understand, and leading spokesmen in the trade union movement are coming to understand, that there is a very real connection between wage demands, that are too high, inflation and unemployment. There is not much fun in getting higher wages, if your mate next door loses his job.

QUESTION: It terms of the average employee though. he's going to look at what you've done, he's going to say, well, I may be getting more in my pay packet, but I'm paying out more for Medibank - I'm really not getting any more. I have to keep coming back to this point, that you're talking about the lot of a wage earner having been improved, but he in simple dollars and cents terms is not going to see it that way. And therefore, how can you expect him in return...

don't

PRIME MINISTER: I think he is going to see it that way, because I think most people are going to understand that something like Medibank has to be paid for by somebody. At the same time, it needs to be emphasised that those on the lower income groups, under Medibank, won't be paying all that much - it's at the higher middle and higher income levels where the levy obviously takes more of their income. Just because it's on a percentage basis. But I think the basis of your question, lies in the fact that you're not giving sufficient credibility in the common sense of the average Australian. We've got a situation, quite clearly, I believe where people on the shop floor, working right around Australia, understand, the basic facts of life. That Governments have got nothing of their own to give or to provide. They can only provide what comes from other people. We have to live within our means as individuals, as a family and as a nation. The realism in the Treasurer's statement last week, indicates plainly that we're taking all Australia towards realism in what people can expect from governments. And at the same time doing it in a way that is just and fair for individual taxpayers.

QUESTION: In terms of the economy, are you working towards some sort of economic timetable - aiming at a level of unemployment or a level of inflation within 18 months, 2 years.

PRIME MINISTER: Well we're certainly aiming at getting inflation down, unemployment down, but I don't think it makes much sense to nominate specific targets, economies don't work that way. It's not a nice, precise equation. It depends on the reactions of many thousands of people right around the country. The meeting that we're going to have with the trade union movement in two or three weeks time will be significant. The attitude that the unions take to the future of wage increases will be significant. If we could guarantee that their attitude will be moderated, and if a decision shortly to come from the Arbitration Commission is also going to be moderate, then I think that will give enormous confidence, to industry to investors, coming on top of what we've just done. Then I think we'll start to see the economy moving much quicker, jobs being created much quicker.

QUESTION: You seem in your address to the nation last Monday night, you seem to have concentrated that it really is essential to get the cooperation of the union movement, in wage moderation, for your package to work. Now if you don't, then what's the outlook then?

PRIME MINISTER: We need the cooperation of everyone in the country in a sense. I made it quite plain that the responsibilities on the government will be accepted and we'll act to them. And I think what we've done has shown that. But people can't just leave it to people in Federal Parliament to say, the future of the country doesn't concern the rest of us. Everyone has a role to play - and the trade union movement has a role to play, as has the ACTU. And this again is becoming more widely recognised. I'm not going to make any undue predictions, about what comes out of those discussions, we'll just have to wait and see. But we have, by the measures we've taken, given Australia, I

believe, an unparalleled opportunity to break inflation, and really to get this country moving forward.

QUESTION: Yes, but it still comes back to that point - how dependent for that are you on the union movement?

PRIME MINISTER: If there isn't cooperation, it's just going to make our job harder. If we all work together towards one objective, it's obviously much easier to achieve. The basic objectives of preserving and improving living standards, the basic objectives of seeing that there are jobs for all those who want to work. What the government has done is to show that it is concerned, not just for these economic realities, but it is also concerned for a very real measure of social justice. It's introduced maybe, the most far reaching social reform, certainly in my time in Parliament, maybe going back much further than that. This tends, I believe to set a climate where we can talk to the trade union movement, with a greater expectation of a good result .

000ooo000

EMBARGO: 10.00 p.m. SUNDAY



PRIME MINISTER

FOR PRESS

23 May 1976

PRIME MINISTER'S INTERVIEW WITH LAURIE WILSON, FOR "THIS WEEK"

QUESTION: Mr Fraser, from your point of view, just what have you managed to do, with this mini-budget?

PRIME MINISTER: We've taken very substantial steps in bringing forward Government expenditures back into line with reality, with what tax payers can afford. This is quite essential if inflation is to be overcome. In addition to that, we've introduced tax indexation that does two things: we believe it will help to relieve pressure on wages because when people got more wages they went into higher tax brackets, that generated more pressure for more wage rises. It was a constant merry-go-round. Tax indexation will also keep governments honest - if we want more of people's incomes for a particular project or for government plans, we'll have to legislate for it, and explain why. That's good. And the third - the Medibank levy, of course. Medibank is an expensive programme which we believe needs to be seen to be paid for. The last part in the total package was the new system of family allowances which I regard as a major social reform.

QUESTION: There would seem to be overall, more of an emphasis on the social content in the budget, rather than the economic side.

PRIME MINISTER: I don't think so because \$2,600 million reduction and relief on the budget itself for the next financial year is a very significant economic measure. And in addition to that, you've got taxindexation, Medibank and the family allowances. Now the family allowances are already being paid for out of the abolition of tax rebates; and the old sums that went to child endowment. So, it's a reorganisation of the social welfare area of a very important time. But it's not within greatly additional resources into that area.

QUESTION: In terms, you're talking about reorganisation, it strikes me in terms of the amount of extra cash that people have got, it really does seem that all you've done there is realise too, reshuffle, in the sense that people really don't seem to be any better off.

PRIME MINISTER: Well it depends on who you're looking at. If you are looking at the 300,000 families and the 800,000 children or more in a very low income area, probably not able to get

any advantage out of the tax rebate system, they're going to be much better off. Quite obviously the total resources of Australia are limited, and we can't provide additional assistance to families in these categories unless it comes from somebody else and that can't be hidden. But the main transfer is really from government back to the private sector. And that's what comes out of the reduction in the demands on the budget of \$2,600 million. So it's really the government that's giving up most in this context, rather than any one group of individuals.

QUESTION: But you accept the point that the middle and upper income earners really don't appear to be better off, even if not...

PRIME MINISTER: Well they certainly won't be worse off, with the total package, Medibank thrown in. And also you've got to understand that tax indexation is a continuing process, because of the way the law is drawn, next year it will be automatic again. And in year 2 and year 3, instead of the extra tax take going to the government, people will be keeping a larger part of their income. So on a continuing process individual tax payers will become better off, and the years pass.

QUESTION: What really have you got to bargain with the unions with. Given that any benefit they seem to have been given, does appear really to be allusory?

PRIME MINISTER: No I don't think it's allusory. Everyone knows that Medibank has to be paid for. You can't introduce a major government programme of that kind and pretend that you don't have to raise extra taxes, or payments in some way to cover the cost of the benefit. It's just nonsense to pretend that you can. What all Australians, trade unions and everyone else have gained out of this is tax indexation, to protect their incomes in the future, and also a just and proper system of family allowances.

QUESTION: Yes, but why should wage earners moderate their wage claims now that they are protected against inflation by tax indexation. I mean, what have you got to argue with?

PRIME MINISTER: I think there's a great deal. Because there's a real element of economic and social justice in what we're doing. Basically, most Australians want a job. And trade unionists are having to understand, and leading spokesmen in the trade union movement are coming to understand, that there is a very real connection between wage demands, that are too high, inflation and unemployment. There is not much fun in getting higher wages, if your mate next door loses his job.

QUESTION: It terms of the average employee though. he's going to look at what you've done, he's going to say, well, I may be getting more in my pay packet, but I'm paying out more for Medibank - I'm really not getting any more. I have to keep coming back to this point, that you're talking about the lot of a wage earner having been improved, but he in simple dollars and cents terms is not going to see it that way. And therefore, how can you expect him in return...

don't

PRIME MINISTER: I think he is going to see it that way, because I think most people are going to understand that something like Medibank has to be paid for by somebody. At the same time, it needs to be emphasised that those on the lower income groups, under Medibank, won't be paying all that much - it's at the higher middle and higher income levels where the levy obviously takes more of their income. Just because it's on a percentage basis. But I think the basis of your question, lies in the fact that you're not giving sufficient credibility in the common sense of the average Australian. We've got a situation, quite clearly, I believe where people on the shop floor, working right around Australia, understand, the basic facts of life. That Governments have got nothing of their own to give or to provide. They can only provide what comes from other people. We have to live within our means as individuals, as a family and as a nation. The realism in the Treasurer's statement last week, indicates plainly that we're taking all Australia towards realism in what people can expect from governments. And at the same time doing it in a way that is just and fair for individual taxpayers.

QUESTION: In terms of the economy, are you working towards some sort of economic timetable - aiming at a level of unemployment or a level of inflation within 18 months, 2 years.

PRIME MINISTER: Well we're certainly aiming at getting inflation down, unemployment down, but I don't think it makes much sense to nominate specific targets, economies don't work that way. It's not a nice, precise equation. It depends on the reactions of many thousands of people right around the country. The meeting that we're going to have with the trade union movement in two or three weeks time will be significant. The attitude that the unions take to the future of wage increases will be significant. If we could guarantee that their attitude will be moderated, and if a decision shortly to come from the Arbitration Commission is also going to be moderate, then I think that will give enormous confidence, to industry to investors, coming on top of what we've just done. Then I think we'll start to see the economy moving much quicker, jobs being created much quicker.

QUESTION: You seem in your address to the nation last Monday night, you seem to have concentrated that it really is essential to get the cooperation of the union movement, in wage moderation, for your package to work. Now if you don't, then what's the outlook then?

PRIME MINISTER: We need the cooperation of everyone in the country in a sense. I made it quite plain that the responsibilities on the government will be accepted and we'll act to them. And I think what we've done has shown that. But people can't just leave it to people in Federal Parliament to say, the future of the country doesn't concern the rest of us. Everyone has a role to play - and the trade union movement has a role to play, as has the ACTU. And this again is becoming more widely recognised. I'm not going to make any undue predictions, about what comes out of those discussions, we'll just have to wait and see. But we have, by the measures we've taken, given Australia, I

believe, an unparalleled opportunity to break inflation, and really to get this country moving forward.

QUESTION: Yes, but it still comes back to that point - how dependent for that are you on the union movement?

PRIME MINISTER: If there isn't cooperation, it's just going to make our job harder. If we all work together towards one objective, it's obviously much easier to achieve. The basic objectives of preserving and improving living standards, the basic objectives of seeing that there are jobs for all those who want to work. What the government has done is to show that it is concerned, not just for these economic realities, but it is also concerned for a very real measure of social justice. It's introduced maybe, the most far reaching social reform, certainly in my time in Parliament, maybe going back much further than that. This tends, I believe to set a climate where we can talk to the trade union movement, with a greater expectation of a good result .

000ooo000