



PRIME MINISTER

E. & O.E. - PROOF ONLY

TRANSCRIPT OF PRESS CONFERENCE, 1 JUNE 1984, ON THE REPORT OF THE PANEL OF REVIEW OF PROPOSED INCOME AND ASSETS TEST

PM: At the outset I would like to send two thank yous - one of course to the panel under Professor Gruen for the work that they have done in assisting the Government and the community in a better understanding of these complex issues and I would here in this context directly like to pay tribute to the work of my two colleagues - Senator Grimes and Senator Gietzelt who have throughout co-operated very very closely with me as we have come to the final stage of the decision making in this area.

Now, what I want to say on behalf of the Government is that we believe that we have done what the great majority of the Australian community would seek to have achieved and that is to create a capacity, not only in this Government, but in any successive Government to be able better to provide for those who are most in need. /

You will recall that when we first addressed ourselves to this issue last year we indicated that our major concern was to bring to an end that totally inequitable situation under which pensioners who were very asset-rich and so able to arrange their assets that they received the whole or part of the pension, while people significantly less well placed than they were in a position where they did not receive the pension.

This was an inequity which had been recognised increasingly within the Australian welfare community and amongst economists generally. And the scheme that we have brought in now is fair and reasonable and ensures that that inequity has been removed.

The value of the scheme, therefore, is to be adjudged not merely in terms of the revenue that will be obtained from 1985/6 of at least 45 million, we believe, and in growing amounts after that, but also in terms of the removal of that substantial inequity.

The great thing that we see is that the overwhelming majority of pensioners are not only not going to be disadvantaged, but very importantly and I am sure that they will increasingly come to understand this, that they will be advantaged, because, as I say, this Government and successive Governments are going to be better placed financially to ensure that limited resources are going to be available in greater amounts to look after those who are most in need.

I would make the point here in this conference, as I did quite openly in the House in my speech, and that is that we can see that in addressing ourselves to the problem that I have outlined here, that the first proposal we brought down on examination can be seen to have been inadequate. I recognise that and I believe it is to the credit of the Government that we have not been pig-headed about this, but we have sat down, tried to get a representative panel to assist us in our consideration. Quite clearly their work shows the relative inequities of that standard against other alternatives.

We believe it is right that we should have taken more time on this and, as I have said, the Australian community is now better off because we have been prepared to acknowledge the inadequacy of the first decision and come to this one.

The Australian community would have been worse off, as I put it, if we had remained rigid and wrong.

Let me just briefly address myself to the question of the exclusion of the home. This has been a centrally important issue of concern with the panel in their thinking and with ours and with very many people in the community. There is, as the panel says, no perfect answer, but we believe that in this area there is a feeling, not merely in Sydney which tends to get highlighted, but throughout the community there is some special significance attached to the home. People don't like to feel that that is something which is included in some sort of testing in their rights in regard to the pension. And we have recognised that and have moved therefore to exclude the home, as it was indeed excluded in the first proposals.

I would again make the point here that I did in the House and that is, I suppose, that it may have been easier for this Government just to wash its hands of all this and say, look, there is some actual or potential political flak out there if you move on the question of an assets test. But, as I said in the House, the Leader of the Opposition was right when in his capacity as a Government backbencher in September 1981 he addressed himself to this issue and said that Governments needed to show courage if they were going to get right priorities in the area of social welfare expenditure.

I believe we have shown that courage and I would hope that that will be reflected by people in the Opposition, not only those who have indicated by previous statements that they agree with it, such as the Deputy Leader of the Opposition and Senator Chaney, but more widely.

GRIMES: NO, I would just echo what Bob has said. I think it is fair and equitable and it will be conceived as such by the community.

If I could just correct one furphy which has featured prominently in both Mr. Peacock and Senator Messner's speech today, which I think is worth cutting off before people get too agitated about it.

If people do take the option of a loan or a lien on the estate, what both those gentlemen have done is to have calculated the amount that that would total up to if they live to be 85 or 95 and come to some extraordinary figures. The one mistake they are making, of course, is that once people take a loan of that type the amount that they owe comes off their assets, comes off their estate, in a very few years, they would very quickly become eligible for the pension without any need for that loan or lien. The only person who could reach that level would be a multi millionaire and they are not going to want to buy a pension or get a pension anyway.

GIETZELT: I think, ladies and gentlemen, that the final decision that we have made has been a very equitable one and it has taken a very firm step in establishing a welfare system based on need which is an important strategy that the Government has adopted overall. And that the sort of savings that we set out to establish will be realised, but probably on a more fairer basis as a result of the decision that the Government and the Caucus have adopted today.

JOURNALIST: Mr. Hawke, you have said the system of administration depends heavily on self-declaration. What are the safeguards that you are including to prevent the avoidance which you say is occurring in the income test?

PM: Well, it is simply in the absence of assets being counted and being arranged in a way that there is only income that is involved, then that basic fact of itself meant avoidance. Once assets are in as well as income tests, then that means that you move substantially to avoidance. It must be understood, and it is relevant to your question, Warwick, that now with an incomes and an assets test in existence, both don't apply - and I think that is appreciated - that if you were trying to bear both in that would not be appropriate, but the situation is that if their pension would not be reduced as a result of the assets test then they are not affected by this. So it really means that what you will be substantially getting at is people with very substantial assets and little income. That is really the area of those who have substantially been avoiding the income test.

JOURNALIST: Yes, but aren't they the very same people who have, as you say, been avoiding in the past and have been avoiding in the taxation area too?

GRIMES: Can I just add to that that I think what you are asking was how in a self-declaration system you get people to comply.

PM: The mechanics of it, I'm sorry.

JOURNALIST: The safeguards of it.

GRIMES: There are two ways. The first way we do it is that the penalties already in the Social Security Act and we have got no reason to change them, for people who give false information - the vast majority of people are honest, the vast majority of people won't be affected anyhow. The second one is that obviously there will be a spot check on people who make outrageous understatements - who outrageously understate their assets. NOW, of course there will be some slippage. There always is. But as for the people who are already avoiding it, they are avoiding it by getting into artificial schemes which provide an income which is termed capital but not income. They will be picked up and they will also be picked up in any taxation review.

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JOURNALIST: Are farmers going to be hardest hit Prime Minister. As I understand it curtilage only covers the home paddock. It means farmers clearing their farms or in retirement would be ... much higher assets than ordinary pensioners?

P.M.: Well of course it depends to some extent where it is. But there will be available to farmers if they so wish to do it the proposition about the lien. So that if they really are in a situation where they need the pension they can pursue that course. And they will have, as far as the home is concerned, exactly the same right as everyone else.

JOURNALIST: Prime Minister you acknowledged in the Parliament some responsibility on the part of your Government for, I think the word was confusion that has occurred with pensioners.

P.M.: That's right because we recognised the problem and we sought to reintroduce an assets test in some sense like the previous one which had existed up until 1976 and then as certain suggestions were made about particular sorts of difficulties, for example, the holiday home, the package was adapted. But in a way which meant that you were in a sense quite arbitrarily differentiating between different lifestyles and different ways in which people had accumulated assets. And in that situation you had a few problems.- one of intrinsic inequities between different sorts of collections of assets and secondly, an uncertainty as to whether this or that item would be in. Now I don't think I could have been more straightforward in saying well, when we looked at it and we listened to people we did see that there were problems and I don't seek to avoid that. But I simply say to the people of Australia I believe that they would much prefer to have governments such as ours which once we've looked at something and see that we have made a mistake or could do something better, that we're prepared to acknowledge that and move to something which we believe more obviously completely meets the requirements of efficiency and equity.

JOURNALIST: Mr Hawke, in this case though hasn't consensus itself created uncertainty and fear in a sensitive section of the community?

P.M.: I don't see how you say consensus has created fear.

JOURNALIST: The open debate, open changes, the discussion on the assets test has been in the media for nearly 12 months, first put forward in the Budget last year and there's been an immense amount of debate, admittedly changed, but the debate hasn't that caused the fear itself:

P.M.: It's the nature of the interjections into the debate and I made the point in my speech in the House, as Don did in delivering the same speech in the Senate.- that there has been a deliberate attempt to misrepresent and distort the whole range of this debate, not least in respect of the area of the lien, as though this was something which was being forced on people

P.M. cont.: whereas in fact, as I put to you, only simply you have to ask yourself the question: are people going to be better off or not by having that available to exercise if they wish to do so. Now there has been a gross distortion by the Opposition about this, whereas we've been I believe straightforward. We've said there in February, we announced - look there are problems about this, we're going to have another look at it. I just make the point, if you look at the composition of the panel, because what the Opposition in the Parliament is saying - no assets test - that this is not right, that pensioners don't want it. Well I just remind you of the sort of people that were on the panel apart from if you like the academic leadership of Professor Gruen and the financial representation of Mr Mark Johnson of the bank, we have Sir William Keys for returned servicemen, we have McKenzie of ACOSS, and you have Mr Priest from the Australian Pensioners Federation, and you have Mrs Thurgood of the Civilian Widows' Association. Now what we've done is to have these people and I believe that they are going to be able to say fairly effectively whether in a situation of limited capacities on governments and financial terms, whether it's not appropriate to have an assets test or not. So they've said that and obviously once you go to an area that concerns peoples' income and also it affects their perceptions of their place in society in their latter years, there are going to be emotions and I think the great disservice that's been done in this debate in this period is that there has been this pursuit of perceived political self-interest by trying to show that there should be no assets test at all. That really is wrong.

JOURNALIST: Prime Minister, considering the potential for political backlash in establishing this as a social precedent, was it worth it.

P.M.: Of course it's worth it because if the principle is right then I think you proceed with it. You talk about political backlash. I don't believe that there will be because the arithmetic of it ultimately is very simple. It should be understood that the overwhelming majority of pensioners are not going to be affected. It's a very small proportion that will. Now by introducing equity into it, in respect of that small proportion, you are going to increase your capacity as government to do more for the great majority of those who need help. The arithmetic of it, when understood, will not involve backlash.

JOURNALIST: Prime Minister you said that the great majority of people would not be affected. How many do you estimate will be hit by the test?

P.M.: Well I think it's a question best answered by my colleagues because there are two separate sets - within the Social Security Department and in Veterans' Affairs. Don't what's your latest estimate, I know what I think the answer is.

GRIMES: The panel, you will remember, suggested it was something like 28,000 on the figures they had that would be affected. We believe the number affected will be a bit more than that, but that they will be each individually affected less - maybe 40,000 in Social Security, but probably less than that. But they will be each individually affected less.

GIETZELT: It would be the estimate of the Department of Veterans' Affairs approximately 5,000 will be affected. That's out of 200,000 veterans. So your percentage is very very low. And can I perhaps just amplify what the Prime Minister has just said about backlash. We've had the figures taken out. When we established the first test in the Budget my Department in its six State branches had 1844 complaints or enquiries in the first four days after that. In respect to the Gruen Report which was published last week, in the first four days after that we've had 242. So I don't think that backlash is nearly as strong as perhaps has been suggested.

JOURNALIST: Prime Minister the report made particular reference to Australia's ethnic and migrant groups and all sorts of difficulties with refugees with assets overseas, people who are living overseas and receiving portability -- all those questions. It does say that there hasn't been time or resources to address the problems. What specifically are you going to do ...

P.M.: I want to make a comment about that and because you get into administrative areas perhaps my colleagues would like to go to some details. A couple of general comments I would wish to make - firstly, we recognise that there is a responsibility upon Government to communicate our position and the implications of it other than just in the English language and we will do that. And there is no reason, therefore, that there will be any lack of understanding or knowledge of what is involved. The second point that I would make is that the hardship provisions that were involved in the first test and which have been endorsed by the Gruen report will be available to everyone. And if there are some particular problems that may apply, whether it's to particular ethnic groups or others, then those hardship provisions are available. There will be no way as a result of the application of the decisions of the Government that any particular group will because of the nature of that group be disadvantaged. But it may be because there are administrative aspects of this involved that either Don or Arthur would like to add to that.

GRIMES: The Department of Social Security pays many thousands of pensions overseas. We have offices overseas and we administer an incomes test overseas now. It's not easy but we do so and we do so quite effectively. The second salutary addition of an assets test to that, sure adds some complications but not much. The second thing is that we are negotiating at the moment with Italy, and once that's settled we will with other countries, for reciprocal social security agreements. We have been progressing quite rapidly with that in the last year or so, so that once that's established, that problem will be much more easily overcome than it is now.

GIETZELT: There's no particular area - if people are qualified for the service pension they must be residents of Australia. I mean if they go for a six months' trip, of course, there's no problem, but they must be legally resident in Australia in order to qualify. So it's not an issue.

JOURNALIST: ... for a needs based welfare system. Do you think the introduction of this assets test, coupled with the lump sum super decision and its mini-budget decision on the over-70's pension is sufficient to give us a needs based welfare system or additional measures are necessary ... and if so what other additional measures will you be looking at?

P.M.: I don't go to any particular measures but this Government will be consistently looking at ways in which we can introduce more equity into our whole system. And you've got to understand if you're going to address this question it's not simply a matter of social welfare and expenditure outlays, it's a question of taxation as well and we have made it clear in a number of statements in the Parliament and elsewhere that we will, with the community, through EPAC, and in other ways, be looking at these issues. The business community of Australia has urged us that we do this, obviously the Australian Council of Trade Unions has urged that we do this and community welfare organisations have urged that we do this. And we will in consultation we can do it. But I can't say at this stage what those community co-operative consultations and examinations will lead to.

JOURNALIST: Prime Minister, given that are you able to give guarantees that the assets test will continue for some considerable time in its present form

P.M.: Yes.

JOURNALIST: Or are you likely to review it again?

P.M.: No it will continue. We have indicated that it will indexed, the thresholds will be indexed, and we believe that we've invested a lot of time and energy and emotion, if you like, into this and we're not now, having introduced it going to be tampering with it.

JOURNALIST: Mr Hawke you've pointed before to the very distinguished and representative nature of the Gruen panel. Wasn't there, therefore, a strong case in accepting what was their unanimous recommendation for an all inclusive threshold.

P.M.: No, not a case for accepting it. We were not about the business of handing over the ultimate responsibility of government to any group and in establishing it we made that quite clear. We wanted to be assisted and I think in our speeches we'd made it clear that there is involved a very large degree of acceptance of what the Gruen Committee has done and I think you don't argue with that. But certainly on the question of the inclusion or not of the home there are arguments both ways. But I remind you on that point, that if you read the Gruen Committee report closely, you will see that in coming down as they do for their Option 2, as it is in their Report, as against Option 3 which excluded the house up to 150,000, a very large element of their reasoning was their concern for the position of the non-home owner and that is a legitimate concern. So we have gone to that in two ways.

P.M. cont...: We've included the home, but said yes we'll 9.
recognise their concern, it's a legitimate concern that we have.
There are two ways you'll appreciate in which we've addressed it.
Firstly, that under our scheme for non-home owners there is an
additonal \$50,000 for both single and married couples at the level
of non-home owner assets that they can have exempt and that's not
to be described as cosmetic because it will be of assistance
in a number of areas. The second is that we've given a
commitment that in the Budget there will be an increase in
assistance for that category and so I don't think when you
examine it in that light that you can say that we haven't
really substantially accepted the thrust and the concern of the
Gruen Committee. We did have a discussion with them earlier
this week and we explained the situation to them. It will
be for them to make their statements.

JOURNALIST: So Prime Minister, pensioners who pay rent can
expect worthwhile assistance in the August Budget?

PM: Yes.

JOURNALIST: How will non exempt values be established,
Senator Grimes, and will there be Social Security valuers
or will you be accepting the valuation of the Valuer-General's
Department valuations?

GRIMES: Up to \$10,000 people can claim the normal content
of the home. Some people will say they haven't got that
amount and they will claim less and that will be largely by
self-declaration. We are certainly not going to go counting
sheets and things like that. No-one is going to go into
houses and do that sort of thing. Over that people will be
asked an assessment of their assets over that. And again it
will be largely self-declaration because most people are
honest and are aware of the non-compliance penalties in the
Act and of course there will be spot checks. If valuations
have to be done in general, they will be done by the Taxation
Department valuers.

JOURNALIST: What are the non-compliance penalties?

GRIMES: Oh dear, I will have to get the Social Security Act.
They are substantial - substantial fines etc. but they are
there now. We don't have to put them in. They are already
there.

JOURNALIST: Prime Minister, will the exclusion of the family
home remain an enduring principle in any future assets test.
For instance, can you give an assurance that after the next or
future elections the house will remain an exclusion?

PM: I can only speak for the next about three or four elections.
But that theory, yes.

JOURNALIST: And in the capital gains tax, too, Prime Minister?

PM: The capital gains tax has got nothing to do with it.

JOURNALIST: No, no, but the principle of the exclusion of
the family home?

PM: I'm not addressing myself to that issue in this conference. The position of the Government in respect of what we will be putting to the people in the next election - whenever Don decides to call it - is that we will put our position very clearly to the people of Australia and on this occasion we will know the facts as distinct from having them hidden from us by the other mob.

JOURNALIST: Prime Minister, you refer to a net saving of about \$45 million in the first full year. Can you tell us what the on-going or recurrent costs of the ... scheme will be and also you refer to a net cost of \$30 million to start the scheme up after March next year. Can you tell us how much you will be saving in those few months?

PM: Well, the position is that you are going to have a very substantial number of people involved in the first year. It is my understanding, and again my colleague can talk about this, my understanding is that that will be reduced to about roughly, I think, Don, about a quarter of the establishment number and the actual on-going administrative costs I think would be in the order of \$13 million.

GRIMES: The establishment cost is the high cost - setting the thing up, so that in the first year there won't be the savings, as you say. It is from then on. The savings are of two types. There are the ones you can quite clearly, as well as you can in this area, calculate now. The sort of 35 million we are talking about. But the other saving, which is what we are about really, and which is just not quantifiable is the saving which will result from the non-proliferation of the schemes which have existed since 1976, that have proliferated to the extent, and got pretty cheeky I must say, because in last Sunday's press on the page with all the controversy about the assets test there was an ad - Join our scheme and you can get your means test free pitch.

The initial - I will have to check the figures - the initial establishment cost is about 30 million. We will need something like a staff of about 1500 in Social Security going down to just over 300 very quickly.

JOURNALIST: Mr. Hawke, I understand Sir William McMahon has endorsed this assets test package. Have you considered enlisting the support of Australia's number one pensioner in promoting it?

PM: No, I'm indebted to Sir William that once again he has come out and indicated the sagacity of this Government in matters economic and social. He is a continuing source of support and is welcomed, as indeed - I would simply hope that his successor in areas of economic spokespersonship in the Liberal Party, Mr. Howard, who clearly supports us in this, will follow Sir William McMahon.

JOURNALIST: Do you expect Sir William to be the first pensioner to give up his pension?

PM: Well, have you arranged the ceremony?

JOURNALIST: How will the Government go about selling the test given the confusion which was generated by the first test?

PM: In a number of ways. Again, Don and Arthur may wish to add to this. But there will be these sorts of levels and obviously we will discharge our political responsibility, speaking about it wherever we can in the Parliament and public forums. Then, I believe that my colleagues will be very quickly getting information to the pensioner groups and our very competent and professional friends in the media, I am sure, will be doing an excellent job. When these things together are done, I have no fear about the understanding.

JOURNALIST: While the political process has been on the assets test ... and we tend to overlook that the incomes test does bit quite severely, and given the assets test that will now apply, there seems to be minimum room to start juggling income and shifting it over to assets - in that case, wouldn't you say that the incomes test, of itself, will bite very severely?

PM: No.

GRIMES: They both don't apply together.

JOURNALIST: No, but whichever one is the most you pay, the income ... so, you've cut out what \$30 and \$50. Well, let's face it, that's a pretty severe. Someone getting 150 a week as income, I mean, they are gonners, aren't they?

GRIMES: Our capacity to improve the - ease the severity of the incomes test and our capacity to increase the base rate of pensions - which is what we are really worried about - will be increased by measures which can prevent the avoidance of such a test. And this is only one measure to try and get rid of that sort of ..

PM: I just want to emphasise the great inequity was that you had a situation - it took two people and you really wanted to assess in terms of welfare, it's better off. You had so many situations where this one who was very much better off had so arranged their assets income wise that they were getting the full pension where a person much less well off was not getting the pension, or a diminished one and it is that sort of inequity which increase of the assets test means.

JOURNALIST: Prime Minister, The Gruen Committee raises or suggested that fringe benefits be extended to all age persons. Can you, in fact, refute that suggestion or is that suggestion still open?

PM: No, we are not including that part of the Gruen Committee's recommendation because the costing of it would not be, in our judgement, at this stage of our priorities and our economic constraints, an appropriate priority.

JOURNALIST: Prime Minister, I expect we will all be asking the Professor ourselves, but have you spoken to him about the Government's decision, and does he generally accept it?

PM: I think it is right that you should ask him. We met - a matter of knowledge to you, we met with the panel on Tuesday.

JOURNALIST: Full panel?

PM: Full panel.

GRIMES: One person was overseas.

PM: The full available panel.

JOURNALIST: Your decision wasn't taken at that stage, though, was it?

PM: It was not finalised. It was shaping up.
