



## PRIME MINISTER

4 June 1984 - INTERVIEW WITH JOHN LAWS - 9.00 a.m.

B & O E - PROOF ONLY

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### Answers only

P.M.: Good morning John.

LAWS: How are you?

P.M.: Very well thank you.

LAWS: First things first - the Swans didn't do too well.

P.M.: No, it was a terrible drubbing. It was one of those occasions John where you had one side, Carlton, playing I think right at its very peak and the other side, the Swans, playing far from theirs. And unfortunately it didn't produce a good game. But congratulations to them. They played very well.

LAWS: They did. It must be a bit of a change for you - backing a loser, eh?

P.M.: Purely temporary John.

LAWS: And to make it worse Carlton is Malcolm Fraser's team I think, isn't it?

P.M.: Well I didn't have a bet with Malcolm - but Don Chipp is a very avid and much longer-term supporter of Carlton than even Malcolm and he took \$2. off me.

LAWS: On the assets test situation, when that was originally introduced I got into terrible trouble from almost everybody except you, I think, because I thought the original plan was a pretty good one. You told me you thought it was a pretty good one. So what changed your mind on it?

P.M.: Well we came to look at in more detail. We listened to representations from a number of people in the community and it's quite clear John that while the principle of the first plan was absolutely correct, that it had too many anomalies in it and uncertainties. It really distinguished markedly between people who had chosen different lifestyles. You could get an

P.M. cont: exemption if you had a holiday home to a certain extent, but other people who had invested their savings in other ways weren't exempted. And the more I looked at it and thought about it the more I realised we needed to do some more work on it. And that's why, John, we set up this committee under Professor Gruen and we had people from the RSL, the Civilian Widows', the Australian Pensioners Federation and other bodies. And in the result that was very useful because they pointed out, I think convincingly, the inequities of that scheme. And what we've come up with now, I think is the fairest that we possibly can do because it leaves the home out. People are not going to be assets-tested on their home and I think that not only for those with very high valued homes, John, but for lesser-valued it's a psychological feeling for them and I didn't want to upset that attachment that they had to it.

LAWSON: Yes. Now it's obvious that a lot of people are still confused, even by the calls we've had here already. Can you briefly and simply outline the assets test?

P.M.: Well, I'll do it as briefly and simply as I can with one preliminary comment. One of the problems that we've had, not just this Government but the whole welfare system, is that there is an income test on receipt of the pension and the real inequity that we had in Australia was that people who were very much better off than others because they had a large asset level were so able to arrange those that they got little income. And so while they were significantly better off than others, people who were receiving an income from their lower level of assets were being deprived of the pension, or having it reduced. So what we had to do was to have a test on assets as well. But now it's not on both, it's one or the other. And that means that people with very high levels of assets will now either lose the pension or get a reduced amount. Now that means in specific terms this, so that we can get some measure of who's affected. No-one's home will be counted, John. It doesn't matter at all. That's not counted as an asset which will be used against them getting the pension. The home's out.

LAWSON: OK, so even if it's a million dollar house it doesn't matter?

P.M.: Yes now then what we say is this: take the married couple. Their home, they can have their home and additional assets of worth \$100,000 and they still receive the full pension. They would have to have assets in addition to their house worth a \$175,000 before they would lose the full pension.

LAWSON: OK, so from \$100,000 to \$175,000 the pension is affected but it doesn't vanish until you reach the maximum of \$175,000?

P.M.: ...\$175,000. And at a figure of \$137,000 for instance they would still be getting a half pension. Now that's for the married couple. For the single pensioner, John, still home completely excluded - no worry about that. And they can have \$70,000 of assets in addition to the home and still receive the full pension and similarly as with the married couple it gradually phases out to up to \$115,000, they can still have \$115,000 in addition to their home of other assets before they lost the pension.

P.M. Cont.: So that's the essential structure of it. It's very fair I think in the sense that what it means it's the arithmetic of equity, if you like. It means that for the overwhelming majority of pensioners whom we want to help and to whom we will give additional assistance to in the next Budget, and particularly to pensioner renters, it means that we'll have additional resources available to us in the future from not paying the pension to people with very very high levels of assets. And that additional amount of money will mean a greater capacity to help the great majority of pensioners.

LAWSON: OK. Now in order to fulfil this commitment of yours to increase welfare benefits in the next Budget to these pensioners to whom we refer, it's now mooted, and strongly, that you're going to introduce death duties.

P.M.: No. John, what we're witnessing is an Opposition who has been almost totally discredited in this country, picking up all sorts of straws, clutching at them. They are best described by the press release of Professor Gruen after the decision of the Government where he said, and rightly said, that we had made some mistakes in the handling of this, in the introduction of it; but then he went on to attack the Opposition and said they deserved to be regarded as supremely opportunistic cynics. Now they are trying to divert attention from the very necessary reform that we introduced by again inducing all sorts of fears. I understand that Mr Peacock's reported over the weekend as talking about the case of a pensioner who goes blind and wants to then dispose of a car to the son or daughter, but would be prevented under this test. Now I don't know how despicably low and into the gutter the Leader of the Opposition can get, but that's just about the bottom of the barrel. Because there is a specific provision in the arrangements we're bringing in for a hardship clause where there are particular circumstances of hardship that arise. Now that would clearly be covered by such a clause. And I would like to say to you John, and I think you know this, that this opportunism and cynicism of Mr Peacock and some of the Liberals ought to be set against the fact that there's a large section of the Liberal Party who are applauding and support what this Government has done. And you referred to the football game a while ago - it's very interesting that at lunch on Sunday I was sitting there with John Elliott who's one of the leading Liberals, talked about as a possible successor to Mr Peacock, he happens to be President of the Carlton Football Club, and he said congratulations on what you've done. He said I'll write to you and tell you so. Well in other words, you've got people there reflecting the same sort of thing as Senator Chaney who was their Minister for Social Security when they were in Government. You remember?

LAWSON:

P.M.: And he said,...

LAW: Yes I do and was pretty good at it too, wasn't he?

P.M.: ... he was good and he said this in 1981, this is an exact quote from him - "I think we cannot escape the fact that there are some genuinely needy pensioners in this country who do not receive enough help while some other people by the advantageous arrangement of their assets are able to draw on this system to a greater extent than their real degree of need would seem to justify." Now there's Chaney when he was their Minister for Social Security who knew the system. John Howard has exactly the same position and expressed it as recently as last November when he was criticising our first test but just said that wasn't a good way of doing it, but agreed with the principle. Now I think it's a tragedy when you've got this situation John that they know that what we're doing is right, and for this cheap opportunism try and frighten people.

LAW: OK, so no death duties?

P.M.: No we've got no plans for death duties John.

LAW: And you don't see any plans for death duties?

P.M.: No, I don't see any plans. All that we've said and this is something that we've urged by the business community of Australia, the Business Council of Australia have urged this, the ACTU have urged this, every academic concerned with the system has urged us that we sit down with the community and analyse the whole tax system. Now we've been told we've got to do that to try and create and fairer and more equitable tax system.

LAW: OK, and that may well include death duties.

P.M.: Well, I'm not saying, I mean how can I, I don't know. What I'm doing is saying that we will ask the relevant organisations in the community to talk with us about this, put their proposals. For instance, there is a very strong push coming from within the Liberal Party and other sections that we have a widely based indirect tax, either a valued added tax, or an equivalent.

LAW: Yes well I think that's a good idea that value added tax.

P.M.: Well see, those sorts of things are talked about by some people. Other people talk about death duties. Other people talk about other forms of tax. Now I can't

P.M. cont.: honestly say that we're not going to look at the whole thing. We are, we'll look at the whole range of taxation. We'll ask the business community, we'll ask the trade unions, we'll ask relevant informed academics, we'll ask community organisations to talk with us about the whole structure of tax in this country, so that over time on the basis of an informed community and the largest level of consensus that we can get, that we can get a tax system which does what any tax system basically has got to do. What the tax system is about is to have the community transferring resources from individuals and companies to the government, so that the Government can do for the community the things that the community wants done, like the building of hospitals, roads, schools, the looking after the defence of the country. That's what the tax system's about and the secret of a proper taxation system is that the community can, as far as possible, be satisfied that they are giving up their money in the way that they see as the most equitable form so that they can have delivered to them the things that they want delivered. That's what it's all about and what my Government's about is to try and have that process of consultation so that the community can say to government - well, look, we think generally speaking that these are the best combination of ways for us to give the Government the money, the resources, that will enable us the community to have the Government deliver the services that we want. Now that process requires a whole lot of discussion and analysis and it's not helped by the injection of cynical opportunistic fears by an increasingly discredited Opposition.

LAWS: Yes well I certainly agree with that. I think that we're all getting a little tired of that. But can I ask you as a personal question, if you had your choice between death duties and value added tax, what would you personally pick?

P.M.: I don't see it as a choice John.

LAWS: If you had to make a decision between them?

P.M.: But John that really is a wrong way of putting it. It's not a choice between death duties and a value added tax. If you wanted to say which sort of tax would most immediately help you stop tax avoidance you would say a value added tax because people can't avoid their income tax that way, whatever they purchase is going to get caught by that. But according to that criteria a value added tax is a more sensible one. But that you know that won't be the only criterion that people will use in making judgements about taxes.

LAWS: Yes. It's worked well in other parts of the world, hasn't

P.M.: Yes, it's been pretty widely employed and they have been capable of being adjusted through time to meet teething problems.

**LAWSON:** OK. Now just before we get away from Andrew Peacock finally because I'm going to be asked this question so I need to ask you, he is now also claiming that the elderly will face reduced exemptions and tougher assets tests once you've got the next election out of the P.M.: Well I'm glad that he concedes that we're going to win the next election. Everyone else seems to and it's significant that he's conceding it too. But what you ought to understand that in conceding the next elections, of course, he won't be the Leader of the Opposition after that. It will either be Mr Howard who supports the assets test principle or perhaps Mr Elliott that's talked about as being brought in to replace and he is congratulating me on it. So in the post-election situation you're going to have at least honest Liberal leadership who adheres to the principles that they've been expressing over a long period time. No, as far as change after the next election is concerned, why if we were going to do that would we have introduced the indexation concept. We have said that when we bring in the legislation these thresholds will be indexed, so that as values increase through time they will be adjusted by the index so that it's \$100,000 now for married couples, \$70,000 for the single. No in twelve months time if the index has gone up by 5 or 6% then that \$100,000 will go up to \$105,000. So we've put in to the announcement the exact opposite of what Mr Peacock is saying.

**LAWSON:** Yes. So you have written in an increase rather than a decrease

**P.M.:** Written in a protective guarantee that the value of assets will be adjusted in money terms to reflect what the valuation of the market is showing.

**LAWSON:** Who is going to decide on the value of the pensioner's assets?

**P.M.:** Well, that's been arranged in a way which will be as least intrusive as possible. If you take the question of the household effects and personal effects, we've said well look we'll accept that a figure of \$10,000 will cover the household and personal effects. We're not going to send people in and value the sheets and the furniture and all that sort of stuff, because we want the least intrusion. And people will just have that there, and if they've got assets over and above that, then it will be self-declaration. The forms will be made available to them and they can declare. And within a very short time it will be clear to the overwhelming majority of pensioners that they are not caught up at all. And then that way, John, after we've had to appoint quite a few people in the first year to get the thing going, it will become a very very unintrusive and almost self-regulating thing in the subsequent years.

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**LAW:** OK. So in other words you are taking as little as possible with as little trouble to the people as possible.

**P.M.:** Yes because that's what this Government's about. We want to help and co-operate with people. We were told by the National Economic Summit in April of last year John by business, by the welfare organisations, by the representatives of pensioners and other groups, that there had to be in this great country of ours, there had to be some sort of sacrifice by those best able to make it, if we were going to get the economy moving and look after those most in need. Now what this is about is at the end now of twelve months when we've really got the economy moving, as you know and you've recognised, this is part of trying to make sure that we do put Government in the position of being able to help that section of the community who need it most. So that means that very very well off people like John Laws, and Bob Hawke, and people at this sort of level. We should be prepared to make a little bit of a sacrifice, and I know we are, I know you are,

**LAW:** Sure I agree with that.

**P.M.:** Yes, sure.

**LAW:** I agree with that. I think that that's eminently reasonable and I think that the people who don't agree with it really don't understand what looking after a country is all about, and that is what it's all about - looking after the country.

**P.M.:** That's exactly what it's about John. It's not trying to say to someone who's been able to accumulate vast assets that they are guilty people, or you're critical of them. On the contrary we recognise that that sort of motive for building up and growing, that's helpful to the economy. But we then say, well look in that circumstance it's really a bit much to expect that we need to pay you a pension or a part pension as well, if you've got \$1 million worth of assets, It doesn't make sense.

**LAW:** I'm not sure that any of us are going to do our children a great favour by leaving them vast sums of money, frankly.

**P.M.:** Well I think that's right, John. Just to give you sort of idea of the level of impact - its adjudged that this this scheme will affect about 45,000 people, and that's less than two per cent of pensioners. So we are really, you see, going at the very very top end. And my own view is that the overwhelming majority of that 45,000 would be like John Laws and say, well I think that's fair thing.

**LAWS:** Yes. Look I would hope so, otherwise there is very little point in considering yourself a good citizen.

**P.M.:** I think that's right John.

**LAWS:** Just quickly, away from that for a moment, we've got a problem in NSW, we've got a few, but one in particular - the mass resignation of surgeons in NSW hospitals. Do you see that as being the start of an orchestrated campaign against Medicare?

**P.M.:** I don't think so John because as I understand it, and I haven't been brought fully into this, but as I understand it it's said to be particularly as a result of some special provisions in New South Wales, under the New South Wales government legislation that they brought in. So I don't see that it's being suggested as Australia-wide John.

**LAWS:** If it spreads will you buy into it then?

**P.M.:** Oh, it became more than the New South Wales, that we'd obviously get involved. But what I intend to do is to have a talk with Dr Blewett today or tomorrow just to be briefed on it, John, to see if it does have any broader implications. Because as I understand it it doesn't at this stage.

**LAWS:** OK. Well in summary it would appear that the assets test in its present form is palatable to most people except Andrew Peacock. It would also appear that the general public are prepared to accept it for what it is - for the benefit of the country and for the benefit of the future of the country. Let's hope it stays that way. Let's hope it works. Let's hope it doesn't get changed after the next election.

**P.M.:** It won't John.

**LAWS:** Good on you.

**P.M.:** Thank you, thank you, bye bye.