



PRIME MINISTER

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TRANSCRIPT OF AN INTERVIEW WITH WARWICK BEUTLER, ABC, THE
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BEUTLER: Mr Hawke you say there is broad community support for your preferred tax position. Yet we've seen strong opposition to all or part of it from various sections of the community. Where's the evidence for your contention?

PM: Well let me say this, that if you look at the proposal that's been put up, I haven't seen any evidence yet of the emergence of an alternative proposal. What you've seen is objections, questions to certain elements of the proposal. That's not only legitimate, it's certainly to be expected. Now, if we'd had the position where you're really seeing the emergence of a position where it said, now here is the way to go, as distinct from the preferred Government position, then I think that would be different. Now I accept the adequacy of what you say, that there has been widespread criticism of elements. Now that's right, what we will do between now the Summit is to continue to put what, on the evidence available to me, and the Treasurer, makes us believe that our preferred option, with admitted difficulties, is still the best way of going. If up to and at the Summit we get compelling evidence that there is a better modified, and qualified way to go, then that will be done.

BEUTLER: Well whose told you that they want a consumption tax?

PM: Well, not in order of priority. The Opposition.

BEUTLER: But why should you do it because of the Opposition.

PM: Now wait a minute. I'm simply saying that one shouldn't ignore the Opposition entirely, although most sensible people do. But nevertheless they speak for some people. They say they're in favour of it. That is until Mr Sinclair said he wasn't. But he got put back into the cart by Mr Peacock, apparently. And he said, according to today's press, that he does support it. The Business Council hasn't said that they oppose the consumption tax. And sections of the Trade Union movement haven't said they oppose it. But they have questions about its implementation or the structure of the reduction indirect income tax that should be associated with it. Sections of the Retail Trade have said, directly to Mr Keating, that they support it. So at this relatively early stage I'm not surprised by question marks that are being raised. I'll accept my obligation

as will the Treasurer, of explaining, as I say on the evidence available to us, why we think that it's the best way of going. Now, it will be up to others, and we will listen to them, to say well look perhaps there should be modifications.

BEUTLER: Well how do you answer the latest criticism of the business community, that your plans will reduce private investment, will reduce growth, and will reduce employment opportunities.

PM: Well I've come to understand during a fairly long life now in the economic field in Australia, that the capacity to making ambit claims is not the prerogative of the Trade Union movement. The business community is just as capable of making ambit statements as is the Trade Union movement.

BEUTLER: And that's all this is?

PM: It's certainly not accurate.

BEUTLER: Have you and business fallen out?

PM: Well, I don't know what it was that we were in, out of which we've fallen. I think that sounds grammatically correct. I believe that over the period that I've been in public life I've developed a good understanding and rapport with the business community. And certainly in Government we've not by rhetoric, but by decisions, have shown that we're about improving the climate for the private sector. And the creation of the 375,000 jobs that's characterised our period in Government has been evidence of that. Now, the business community has on a number of occasions applauded the capacity and determination of my Government to make the decisions that are necessary to get economic growth going. And I believe they still had the view that we are an extremely competent Government in that respect. Now, they are no different from anyone else in the community when the question of tax reform comes up they are going to be predominantly looking at it from the point of view, does this effect us adversely in some particular way. I'm not worried about that, but I want to say this, that I believe that at the Tax Summit the representatives of the business community will make a constructive contribution.

BEUTLER: Well you've always expressed confidence that the Union movement will come aboard the cart. But what's going to entice them to do so?

PM: Well very simply these facts. Firstly, the way the existing system has been decaying has meant that an increasing burden has been imposed upon their membership. At this point of time 39% of full-time wage and salary earners are paying 46 cents of every marginal dollar they receive in tax. If this is allowed to go on, by the end of this Parliament well over 50% will be in that situation, and that will be an intolerable position. It will mean that the 46 cents

in the dollar rate will come in at \$17,000 of income. That's intolerable. Will be unacceptable to working men and women, and I believe to their organisation. Secondly, if nothing is done substantially about the existing system, then you will have a continuation of the position whereby more and more of a burden is being imposed on ordinary wage and salary earners. That is intolerable and unacceptable with the working men and women of this country. So something substantial has to be done to reduce, and to reduce significantly, marginal rates on the dollar earned by people in employment. That can only be done I believe if you have a significant and equitable alternative base of revenue. I believe that the broadening of the tax base, the direct tax base that's involved in the proposal in the preferred option, together with the consumption tax which will be very very much more than compensated by substantial direct tax cuts, plus the fact that by the broad based consumption tax you get what is referred to as a fiscal dividend. That is a contribution to the revenue from those very substantial, high level income earners who don't pay any tax at the moment. All those things mean that the ordinary wage and salary earner in this country, and those dependent upon them, will be very very much better off directly and they will also be saved, as I say, from an increasing burden that will inevitably be imposed upon them if we don't reform the system.

BEUTLER: Why don't you exempt food from the consumption tax?

PM: Because all the advice that we have been given from other countries, and from independent experts is that there should not be exemptions. Because once you start having substantial exemptions it means these things. Firstly, it means that the burden upon those who have to carry the administration of the tax, the retail outlets. They have to have a more complex cash register system and an accounting system. Secondly it imposes the inevitable situation upon governments of any complexion that they will be having lobby group pressures upon them to exclude this, to exclude that, to exclude that. And you'll lead to the situation that you have now in the wholesale tax system, which brings in just under five billion dollars now, which is imposed upon some goods and not upon others. Which has some categories in the 7% tax, some in the 20% and some in the 32½% with no logic, rhyme or reason. And it represents the fact that successive governments have responded to political lobby group pressures upon them. So for reasons of administration and of logic and efficiency you can't go down the path of substantial exemptions.

BEUTLER: You say substantial exemptions, do you rule out any exemptions at all?

PM: Well you talked about food, and that's a substantial category. I had put to me this morning, the proposition that for instance disabled people, wheelchairs, that in the absence of any arrangement in respect of them you could be imposing a new burden on them which doesn't exist now. Now, I simply said that its conceivable that in some areas of medical, physical disability considerations, and I'm saying this without commitment, but its conceivable that you may be able to have such a fence around things like that which made it quite incapable of extension into general areas by way of precedent. And that would be worth looking at. However it may be the case that because of the difficulties to which I've referred about exemptions there may be other ways of compensating people in those sorts of circumstances.

BEUTLER: Mr Hawke, what is negotiable at the Summit. You've told us what isn't negotiable what is negotiable?

PM: When I've said what isn't negotiable, what I've put firmly, and what Mr Keating has put firmly, our strong belief as to what is best. But I'm not closing my mind, nor is Paul Keating, to listening to, hearing what people have got to say about the whole of the white paper, the whole of the package.

BEUTLER: He seems to be closing off a hell of a lot of it though.

PM: No. I think he is saying, and I'm saying, look we've got an obligation upon us. We told you the people of Australia, in the election campaign, that we would make tax reform central in the life of this next Parliament. We then said we'd accept the obligation of analysing the inadequacies of the existing system - we've done that. We said further we'd accept the obligation of putting to the people of Australia avenues for bringing about a tax system which would be fair, efficient and simple. Now, on all the evidence available to us we believe that the preferred Option is the one best calculated to do that. And we're saying we think that's what should happen. And we don't believe you can improve that by saying we'll exempt this, exclude that from this concept. But that doesn't mean, as far as we're concerned in any sense, that we won't listen to what people have got to say. We have come with integrity to a position which we believe represents the best. If further evidence comes out which should suggest in any way that there would be sensible qualifications to achieve the objectives if the broad community wants to, well then we'll be open to persuasion.

BEUTLER: Mr Keating, by taking the high profile, has appeared at some stages to overshadow you. That you're being dragged along by him. Has he tended to undermine your authority?

PM: No.

BEUTLER: Not at all?

PM: No.

BEUTLER: How are you going to get this through Caucus?

PM: Well I would believe that if the vote were taken in Caucus now they would be in favour of the preferred option. But that's not the way we go about things. The members of the Caucus are important members of the community as a whole. They will be listening to the debate, they will be studying the White Paper, and I believe that out of those processes they would come to see that the preferred Option is the best way of going about it.

BEUTLER: There's still a lot of opposition in the Caucus?

PM: Yes there is.

BEUTLER: Even from your own faction.

PM: But I believe that as I said a moment ago, I believe there would be a majority position there for the preferred position. But I'm not trying to impose now some position upon them. Mr Keating has spoken on a number of occasions to the Economic Committee of Caucus, and at length. And I've had conveyed to me that as a result of those sessions that Paul has had with the Economic Committee of Caucus that there has been a substantial acceptance of the views that he's putting. But I'm not trying to pre-empt the position of Caucus because they are fully entitled to be part of the process of consideration up to and including the Summit and trying to make an assessment themselves then. In the post-Summit situation, with us, with the Cabinet, with the Ministry, of what is the best way to go.

BEUTLER: Where you serious when you suggested that you'd rather lose government than see these reforms fail?

PM: No that's not an accurate way of putting what I said. What I said was this, and I don't in any way retreat from what I'm saying, is that if I came to the view after the Summit that there was a large measure of support satisfying Principle Nine, for the approach that we're talking about. But that you still had a situation that you might be disaffecting some people, and that you ran a risk in those circumstances of losing office, I would not be diverted because I believe that the ordinary people of Australia, the ordinary men and women of Australia, and those dependent upon them have increasingly been subjected to a position where they are carrying an infinitely greater, more inequitable burden than they should. In economic efficiency terms I know that the future wealth of this country has been prejudiced by a continuation of this grossly inadequate, inefficient, inequitable system. Now if I come to the conclusion that the sort of reform that we're talking about, and that it has broad support is the way to

go, but that there would be certain interests who would try and use that approach to defeat the Government, then I would still go down that path. Because I am dedicated, and the evidence is there that I've been dedicated from day one of Government to make the tough decisions that are necessary to get the Australian economy into the best possible shape. That's what I believe my obligation is. And if in taking the decisions to achieve that result I run some political risk I said so be it. I repeat that.

BEUTLER: Mr Hawke, if finally we could turn to the ordeal in Beirut. Do you agree with President Reagan's response of not negotiating with the terrorists.

PM: I think the principle is right. I believe that if you have a situation where you allow terrorism and the tactic of terrorism to become legitimised in international relationships then you are proceeding down a very dangerous path. I have great sympathy, with not merely President Reagan, but with everyone involved under this threat, this atrocious threat to human life which is involved. And I merely say that my thoughts and wishes are with those who are responsible. And on behalf, I'm sure not merely of the Australian Government, but I believe the people of Australia, I would say to those involved in the Lebanon, and those with particular opportunities and responsibilities, to resolve this matter. That they should try and get a perspective which is beyond their immediate concerns, and understand that in the long-term the use of the tactic of terror, while it may be seen to be helpful to the pursuit of a particular cause at a particular time, is a tactic which can rebound. And can in the long-term mean only further bloodshed and violence and terror, indiscriminately for all. And that's not the path that's sensible in the interests of those in the Lebanon.

BEUTLER: Mr Hawke thanks for your time today.

PM: Thank you very much