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PRIME MINISTER

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INTERVIEW WITH ITA BUTTROSE, 2KY - 24 JUNE 1985

BUTTROSE: Good morning Prime Minister.

PM: Good morning Ita how are you?

BUTTROSE: I'm alright.

PM: Good.

BUTTROSE: I may be a new girl at 2KY but I think you're copping a lot of flack. Tax must be a bit of a detestable word for you at the moment.

PM: Yes well before we go onto that Ita, congratulations on your new appointment and the best of luck to you and the Station.

BUTTROSE: Thanks very much.

PM: Ita yes well as you say its very much in the news. But I want to make this point that I found as I've been going around Australia, I was over in South Australia yesterday and talked to a luncheon of about five hundred people, when you get to the people and talk to them and are able to listen to what they've got to say, respond to them, there is a very positive response. So I think there is a difference between the people themselves, once you can actually talk to them, and some of their leaders are a little bit timid, should I say.

BUTTROSE: Prime Minister did you expect that it would be such a tough selling job?

PM: Yes I thought it would be fairly tough Ita. Because when you talk about tax you're talking about something that's very close to everybody. And they tend, naturally enough, I don't complain about it, to look at it in a very direct personal sense. They see something that they think might hurt them. That tends to dominate their thinking. There's a bit of an incapacity to look at the package as a whole. And in fact the preferred Option that the Government is putting up would make virtually everyone, except the tax avoiders, better off.

BUTTROSE: Well there are a lot of tax avoiders in Australia we know that. That's why I personally believe the system needs an overhaul. Because when you've got a system where everybody's trying to avoid paying tax, regardless of where you happen to be in income levels, you're right. You've

got the cash Society, and then you've got your business people with all their perks and lurks. There has to be something wrong when we've got a system that makes everybody want to avoid tax.

PM: Well that's right. And that's one of the reasons why the preferred Option that we put forward, I think, has so much merit that it means that at least in respect of their consumption that people who may be avoiding tax elsewhere will be paying a contribution to the common revenue. The central question, Ita, is whether the compensation packages that are contained in the preferred Option are adequate to look after the needs of the lower income people and those on social welfare benefits. So they won't be disadvantaged by the increase in prices associated with the

BUTTROSE: The general consensus, if I can use one of your words, sir, is that a lot of Australians think that they won't be looked after well enough. Earlier this morning we took a call from a gentleman called Bill, whose on an average income of \$350, and he says that he doesn't have any money left after \$350, after he's paid his tax and everything else. And that if he has to pay 12½% on a lot of consumer items, he's just not going to be able to afford that. Now what would you say to somebody like that?

PM: Well the answer to Bill of course is that as part of the package he'll have a lot more in his pay packet. Because the rates of tax will be slashed enormously. I mean for instance the person in the annual income range of \$19,500 to \$28,000 who now pays 46 cents in the dollar in tax would have that slashed to 35 cents in the dollar. So Bill would have that much more in his kick, if I can use that phrase, because he would be paying less direct tax and he would have more than enough there to pay the increased costs of goods associated with the consumption tax.

BUTTROSE: The Federal President of the Labor Party, Neville Wran, last week came - if we can just have a look at some of the critics of the scheme so far - Neville Wran said that he was against the consumption tax on food. Now when the Federal President of the Labor Party comes out and makes a statement like that that must be a bit of a blow to you.

PM: That's not what he said the next day. I mean when he thought about it a bit....

BUTTROSE: I felt someone probably muscled him.

PM: Oh no. You can't do that to Neville. No he's had the opportunity of looking at more detail. And naturally enough I respect Neville's, if you like, instinctive reaction. We're all against a tax on food if that's all there is because we know that it will hurt the lower income people, the needy, much more. But that's why we're putting two billion dollars worth of compensation packages, Ita, into the whole proposal which we believe will offset those disadvantages. But at the

Summit we're going to listen to what everyone's got to say. If it can be shown that those compensation packages are not adequate, and more needs to be done well then of course the Government will listen to that.

BUTTROSE: Well you said last night, you said yesterday speaking on the weekend, if there is a better way we will do it. Yet Paul Keating has been quoted as saying that everything is non-negotiable. But are you saying, therefore, that if you feel after the Summit that perhaps the consumption tax on food is incorrect you will change your mind?

PM: We've said all along, Paul and myself and the Government, that we are going into the Summit not with our minds closed, we're going to listen to what people have got to say. Now if it could be shown, and it certainly hasn't been to this point Ita, But let's say that it could be shown, that there were some new calculations, which indicated that the compensation package wasn't good enough, and the people, the lower income levels were going to be hurt in a way which we can't see that they are, then of course we'd take that into account.

BUTTROSE: And change your mind?

PM: Change your mind as to the way you had to go about it. I mean I still believe, without question, that an approach which involves the consumption tax is necessary if we're going to ensure that everyone in the community makes a contribution to the general revenue. But it may be, I mean I just say this hypothetically it may be that it can be shown that the way we've approached it doesn't sufficiently take account of some areas which need further compensation. And I say to the people of Australia, through your programme Ita, that we are not a Government which is about trying to hurt people. We want to make them better off and politically you'd be stupid to deliberately do something which is going to hurt people. So of course we're going to listen. And if can be shown that there's some things that haven't been sufficiently taken into account then they will be.

BUTTROSE: What about the ACTU, Prime Minister. Now to my mind they seem to be acting like a separate Government. Almost like a superior Senate. Mr Crean has been quoted as saying "we will consider our policy and if we so choose nothing will go on". I wonder do you every remind the ACTU that the Government was elected by the people?

PM: Oh yes, and I understand that you may have that reaction. But let me say this, that the ACTU know that we'll be making the decisions. It makes good sense, however for a government to be talking, not only to the ACTU, but the business community. That's what we've done since we've been in office. Because if you're going to get a system to work as well and efficiently as possible, then its best go get as much co-operation as you can from the major sectors of the community. So of course we'll talk to them. They won't be making up our minds for us though.

BUTTROSE: People are very concerned and the polls, well the polls are not as good as they might be, but I guess you've been in, well in the Trade Union movement and in politics long enough to know that polls come and go. But there are a lot of them, the first I've heard in a long time sir, that Labor could lose office over this tax. If you look at the history of the Labor Party it seems to me that the Labor Party is never beaten at the polls they tend to lose at the polls because they slip, and I wonder how concerned are you that there may be a monumental split in the Labor Party over the tax issue.

PM: Well let me take the points in succession that you made about the polls generally. And the last poll showed that we would have won on the distribution of Democrats preferences. And given the troubles that we've had in preparing for the tax paper and also the Expenditure Review Committee and the constraints we had to impose there, I think that's not a bad position. But coming to the position of the Labor Party itself, you're quite right Ita, in saying that there are obviously divisions within the Labor Party on this issue. The conferences generally have not been terribly supportive of the Government's preferred package. But we will listen to what they've got to say but that's not going to be absolutely determinative of our position. We are elected to govern, to make the decisions which we think are necessary in the best interests of the country. We will take into account those observations of the Party conferences as we will of everything that's said by representative organisations. And we will have the job after the Summit, Ita, of trying to see whether what's happened satisfies the Ninth Principle of some broad general community support for the approach that we're talking about.

BUTTROSE: This weekend there was a Summit talking about yet another area of concern. There was a Women's Summit in Canberra, and they now say a taxation plan would be unfair to women. sending a deputation to see you. Have you caught up with that report yet.

PM: I saw the report in this morning's paper, yes. Well of course a number of women's organisations will be represented at the Summit, Ita. Again we'll listen to what they've got to say. Let me put it this way, that I think the women of Australia have got to understand that the most regressive aspect of any system of taxation is avoidance and evasion. And the only way that you're going to be able to get at a lot of avoiders and evaders is through a consumption tax. Now, if the women's groups have got some details that they want to put to us which they think prove the inadequacy of the compensation package, of course we'll look at them. And we'll subject those observations to very rigorous testing. But there's a lot of difference between prejudice and fact you know.

BUTTROSE: Yes I know that, but there are a lot facts being, are you saying that the Women's Summit was prejudiced?

PM: No I'm saying, no I'm not casting aspersions against the women that were there. I'm simply saying that a lot of people start off with a prejudice, and may I say an understandable prejudice, against the consumption tax. They say, correctly, that a consumption tax is regressive, because the very low income people have to pay a much higher proportion of their income on those goods that are subject to a consumption tax, and do people like yourself and myself who are on a higher income. So there is a natural prejudice against that. But then what you've got to do is do the detail work of analysing the compensation package and saying now the compensation package which is directed to looking after the people at the low income level, the social welfare beneficiaries, does that two billion dollars of compensation in fact overcome that disadvantage. So its no good just parading prejudices against consumption taxes you've got to engage in the tough intellectual exercise. The hard work of examining the details of the package. Now that's what I say, if they've done their hard work, and they can demonstrate factually that the package doesn't adequately compensate, then of course we'll look at that and act accordingly. I don't that they've done that.

BUTTROSE: Well clearly its going to be the Summit to end all Summits I think this one.

PM: No I disagree with that entirely. People have said if you had your time over again you wouldn't have it. Well that's wrong I would. I believe that what we've done as a Government has been the right thing to do. We've accepted the challenge of analysing the present system, in a way that it has never been analysed before. We put that before the people, and we say now here are various avenues which we as a society can move down to get a better, fairer more efficient tax system. Now, we will then expose ourselves to the community and say well look tell us what you think. And I'm sure that out of that process we are much more likely to get a tax system which is acceptable and workable. Not only have no regrets about the Summit, the more that its going ahead the more I'm sure its the right thing to do.

BUTTROSE: I suppose in a sense Andrew Peacock could be regarded as a strength.

PM: As a what?

BUTTROSE He could be regarded as a strength. Because I don't see much opposition coming forward from the Liberal Party. And this morning Andrew Peacock said, if I can quote, "Hawke is a man who no longer has a clear blueprint, and a schedule for his programmes. A man who has lost any common purpose, if he had one, in terms of leading his Party, and has therefore lost authority in the leadership of his Party."

PM: Well no-one takes any notice of Mr Peacock. But let me, and I regard him as an irrelevancy of course, but let me make some observations in regard to what he said. The reason that we are in this position of having a Tax Summit is because

the Party of which he was a leading member has been in control for thirty of the last thirty-five years as the Government of this country, and the fact that we have a tax system which is recognised as the worst in the western world is a reflection upon the lack of vision, principle, authority of the Governments of which he was a part. Governments in which I might say he was conspicuous by the absence of his contribution to any areas of economic thinking at all. Now, that's the first point. This Government under my leadership has the responsibility of fixing up the mess that we've inherited from thirty years of Peacock type governments. And the second point I make, is this, that Commissioner Costigan in 1981, in his report to Mr Peacock's Government, the Government of which he was a member, Commissioner Costigan said that in the last five years, that is from '76 to '81, the fastest growing industry in Australia was the tax avoidance and evasion industry. In other words, under the Government of which Mr Peacock was a prominent member, they allowed the ordinary tax payers of Australia to be bulked of billions and billions of dollars because they allowed the tax avoiders and evaders to get away with blue murder at the expense of the ordinary people of Australia. No wonder he won't come to the Summit he couldn't come with clean hands. He would be laughed out of court. So if you're going to have people judging the credibility of political leaders in the area of tax, Mr Peacock doesn't even get to the starting line.

BUTTROSE: Prime Minister I know we're coming to the end of the time, that you have to return to Cabinet, but just very quickly I'd just like to ask your reaction to the Builders Labourers Federation, well the long running campaign it's about to undertake to free Norm Gallagher.

PM: The processes of the law have been properly followed. I agree with the position of Premier John Cain.

BUTTROSE: Do you think that the Builders who were involved in the case should have been dealt with more severely as some BLF supporters are saying.

PM: Well I'm not here to interfere with the processes of the law. I mean one can have views about apparently different standards. All I'm saying is that I agree with the position of Premier Cain. The processes of the law have been followed, and there should not be interference by Government in those processes.

BUTTROSE: Thank you very much for talking with us this morning.

PM: Thank you Ita and all the best.