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PRIME MINISTER

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PRIME MINISTER INTERVIEWED ON CHANNEL 7 (BRISBANE) STATE AFFAIR
(INTERVIEWER MIKE DARCY: ANCHORMAN GLENN TAYLOR). 27/6/85 6.30 pm.

- GT: A major split has appeared in the Federal government's campaign for tax reform. The powerful Centre Left of the Labor Party, headed by Queensland's Bill Hayden, has declared it will be opposing the government's preferred tax plan. It seems no one wants to buy the package which the Prime Minister and Treasurer have been trying to sell around Australia over the last couple of weeks, and time's run out. The tax summit starts on Monday and Mr Hawke finished his campaign for support in Brisbane today. He speaks with State Affairs' political reporter, Mike Darcy.
- MD: Mr Hawke, the climb to the summit very difficult for yourself and Mr Keating?
- PM: I wouldn't describe it as difficult, there's been a lot of hard work but our goals were clear and we knew the dimension of the task and the degree of emotions out there ranging from hostility in some areas to scepticism through to just straight uncertainty, and I think that Paul in particular has had the main carriage of it, has done an excellent job. I've tried to assist. I think it's meant that by the time we get to the summit on Monday that an unprecedented public debate will have taken place and it should mean that people when they get there are going to have to not just utter prejudices but they're going to have to substantiate positions, as we will.
- MD: Up until now there's been a lack of enthusiasm right around Australia about the preferred options.

PM: The lack of enthusiasm has perhaps been more reported than the enthusiasm. I can say now that I've spoken to thousands of people and received a very good response. A lot of people have said well we were worried but now we understand and we approve. I think it's in the nature of things that you tend to get the report about opposition rather than agreement...

MD: Well where is the agreement coming from...?

PM: From ordinary people.

MD: There seems to be discontent in rural Australia you've got the....

PM: Let's take it one by one you've got the National Farmers' Federation is not opposed to the totality of the package, they think the idea of a consumption tax makes sense they have the qualification about the application of it to their fuel inputs and that's an understandable concern. It's correct to say that the Farmers' Federation are against the totality of.....

MD: No rural Australia. You've had the scene of tens of thousands in the streets ...

PM: No no....

MD: Yes, but they're coming down to Canberra also to...

PM: Let's get it quite clear that those rallies have not been about the tax proposals as such they've got a concern, which I understand and I've said so, about rising farm costs, because they are being hit to leg on the international markets by the operations of the Europeans and they are correspondingly more concerned about farm costs, and that's what they've been rallying about around Australia - in a sense, justifiably. But it hasn't been against the tax package.

MD: But they're turning up to Canberra.

PM: Of course they are and it would be very silly of them in a sense not to - they've been rallying round Australia and they're going to have the spotlight on Canberra on Monday, they'd be silly not to.

MD: The ACTU's uncommitted, the building unions have rejected the consumption tax outright...

PM: The ACTU's left it's option open.

MD: Right. There's opposition from some sectors of the business community...

PM: There's also great support from some sections.

MD: Well, lukewarm reception..

PM: No the Business Council of Australia when they had their second consideration of it, came out with a very strongly supportive statement.

MD: What about welfare agencies? For example the Salvation Army this morning was reported as saying they're going to be out of pocket by \$5 million.

PM: Well on the assumptions they make but it's that area that I'll be listening to very very closely at the tax summit because we certainly are not going to do anything which is going to adversely affect the needy in this community and I believe the welfare community has an obligation to put their case which they will discharge and if they can show the need for some sort of adjustment and fine tuning so that the needy are not disadvantaged we'll take that aboard.

MD: Well what about consensus? The polls seem to indicate that Australians at the moment are not prepared to accept any changes or reforms on tax.

PM: I don't accept that...

MD: There was an ABC poll last night, there was the Taxpayers' Association poll which they say 80 per cent of consumers rejected and 91 per cent of business

PM: Yes sure, I just make this general point about polls - if you let me write the questions I'll tend to guarantee the sort of answers I'll get and that I want. Now that's not to say, I'm not trying to discount there's a lot of opposition, of course there is, but there is also much more agreement than anything else on the fact that the existing system has had it and something's got to be done, and something will be done. It's a question of whether we can get broad enough support for exactly the option that we think at this stage in all the evidence is the best way of doing it, and as I've said from the word go we'll listen to what people have to say at the summit and if there's a need for some sort of qualification to better match the broad community attitude then we'll do that. But we will continue to put, as on the evidence I believe the case to be now, the preferred option.

MD: But you are keeping your options open?

PM: Yes, but I'm not doing it just now, I've done it right from the very beginning in the election campaign.

MD: So there could be changes to the preferred options....

PM: There could be I've said that but this stage, on the evidence available to me, I don't see that there needs to be, but certain things have arisen which obviously need close examination and I've taken the view all along that we're not going to be pig-headed and say that this is what it must be, we're absolutely right, we're going to listen.

MD: You talked last night about the privileged. That the current system is set up to look after the privileged in our community. In trying to get at the privileged and the tax avoiders and that in our community are you really going to be hurting the average person or the disadvantaged of Australia?

PM:

The evidence is quite to the contrary. If you look at the simple Guide to Tax Reform we put out, there's the simple facts. You take the person on \$17,500 income per year you should get a tax cut of \$22.70, the increase of costs you'll be confronted with \$15.30, so it will be \$7.40 a week better off and so on. And, in regard to that those who are on social welfare payments it's calculated that for the single pensioner costs would go up by \$6 a week and we'll increase the pension by \$9 a week, so of course we're going to ensure that people are not only going to be not worse off, but are better off. We'll be able to do that to a considerable extent because, under the preferred option a large section of the people, those privileged people who have evaded and avoided tax will be caught by a consumption tax and that gives what we talk about as a fiscal dividend which gives you part of the wherewithall to help those who deserve help.

MD:

But every gets hurt by the consumption tax..

PM:

There's no point in saying get hurt. I mean it's no good saying they get hurt by paying the consumption tax and say you've finished it. The package is not just about a consumption tax, at the same time as this increase in price there's also an increase in the payments available. So make this point, people seem to say, or people perhaps including yourself seem to think, that this is the first time the tax system has had anything to do with people's capacity to buy goods and services. At this time the tax system determines your capacity, and the capacity of ordinary people to buy goods and services because you buy your goods and services with your after-tax income. Now because your after-tax income has been reduced considerably by having to pay too much tax in part because other people are avoiding theirs, you have a lesser amount of money with which to buy your goods and services than you should have. So the tax system now operates on the capacity to buy the level of your goods and services. So if we substantially increase the amount of

money that you've got in after-tax terms to buy goods and services, the prices of which yes have come up somewhat, you're going to be better off. Don't let's think that this is the first time tax system has impinged on goods and services. It's impinging now and in a very unfair way.

MD: Basically people want to know what they're going to get out of it - isn't that basically what it comes down to?

PM: That's reasonable too.

MD: You're saying that they're going to get - that the average person will be better off - so why isn't everyone embracing option C?

PM: Because it's natural enough that people will have their concern focussed upon things they see that might going to be hurting them. Let me say also about the Labor movement because there's a lot of opposition or non-acceptance in the labor movement. Now that's explained by the fact that historically the labor movement both politically and industrially has said that indirect taxes are bad and they've been right because the philosophy of that opposition has been right because by definition if you impose an indirect tax on goods and services poorer people are going to be hurt more than the well off. And so peoples attitudes have been shaped historically by that well-founded position. Now they haven't yet realised that it's not just a question of imposing indirect tax but a very substantial compensation package of \$2 billion. Now that \$2 billion interrupts, if you like, your history. So the poor will not in fact be adversely affected.

MD: But if you can't even sell it to your own ALP branches round Australia, how do you expect to sell it to the average person in the street?

PM: It may in fact be easier because you see people have been active in the Labor party and they've been imbued with this history I've referred to and I understand and accept that history, and I think they haven't been able to make a jump at understanding that we know our history as well as they do

and are dealing with it. All I can say is I've been round Australia and I've talked to thousands of people and some have come up and said sure we were worried but we now understand. I accept that where you're dealing with tax you're dealing with something of deep concern and people have their prejudices. We've gone about our task I think reasonably, of trying to explain and we realise of course that there's a lot more explaining to do.

GT:

The Prime Minister, Bob Hawke speaking there in our Brisbane studio with Mike Darcy. Indeed there's a lot of persuasive idea and merit to the notion of catching those people who don't contribute any tax at all. The way though is that there will be a lot of middle to high income earners who finish up paying both sides of the merry-go-round getting no tax relief and getting the consumption tax as well. Another question to be asked, of course, is how much will this new revenue-raising cost in terms of administration.

ends QT 8 pm.