



PRIME MINISTER

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TRANSCRIPT OF INTERVIEW, TERRY WILLESEE, 19 SEPTEMBER 1985

WILLESEE: Well, the tax changes have been quite a bold move by the Government. And, as we suggested last night, carried out at a somewhat calculated political risk. But the Hawke Government has done it. Mr Prime Minister, thanks for joining us.

PM: MY pleasure, Terry.

WILLESEE: Any reservations tonight.

PM: No, no reservations, Terry. I think that we have gone through a long period now where we have met our commitment to the Australian people to talk with them, listen to them. And I think that the tax package that was brought down, Terry, meets their requirements of fairness. They want a fairer go, and they are going to get it. The capacity for government now to give significant tax cuts back to people comes from getting the money from those who have been avoiding and evading. The only people in Australia tonight who will be happy - I will have to correct myself, who will be unhappy - are those who haven't been paying their share. The fact that we will get it from them means that your ordinary viewer is going to be better off.

WILLESEE: What do you think is being said about the Hawke Government in company boardrooms across Australia?

PM: I think generally there will be good things being said, because, under the Hawke Government we have restored the profit level by something like \$6-7 billion - the percentage was 12% of the national income that they got. It is now up to historically high levels. Now, that is as a result of our policies. We are taking very little from them, but at the same time as we are taking some things from them in the fringe benefits area, we are giving them something that 30 years of conservative government never gave them, and which they regarded as intrinsically important - that is full imputation. There is now an end to the double taxation of dividends. That is very important to them.

WILLESEE: Mr Hawke, there has been some suggestion that the restaurant trade will suffer as a result of some of the decisions today. Do you believe that will in fact happen?

PM: Well, I think that some, there may be some adverse impact in some areas because with the cutting out of the expense allowances, that means that there probably won't be the same propensity in some areas. But I think that gradually people will adjust to it to the extent that companies want to entertain and so on. They will pick up the expense. But I simply say this, that if you are going to bring in fairness for the great bulk of Australian taxpayers, I think they take the view that they, the ordinary taxpayer, shouldn't be paying for yours and my meal in a restaurant if it has been paid out of an expense account.

WILLESEE: Also been suggested, Mr Hawke, that jobs will be lost. Is that a reality in the restaurant trade or do you think that is just part of the game?

PM: Well, what I am saying is that I and my Government have a responsibility for the whole economy. We have produced record employment growth because we have the right range of economic policies. Now, a proper taxation policy is part of the whole range of economic policies, is going to mean more sensible resource allocation. You haven't had proper investment decisions being made in this country, Terry, because there have been quite distorted incentives as to where you invest. Now there is going to be much more incentive for people to invest in shares.

WILLESEE: Yes, but Mr Hawke, I am talking about the by-product of your tough decisions. Mightn't there be people who will lose their jobs as an indirect result of decisions you have taken today.

PM: There could be some loss of employment in the restaurant area, I have tried to avoid that.

WILLESEE: Have you calculated a percentage of job loss?

PM: There has been no calculation. But what we have calculated is that a result of the putting of more money into the hands of a wide range of people, they are going to have the capacity to spend more, the levels of consumption should generally rise so that the overall employment impact of this tax change will be very positive.

WILLESEE: Mr Hawke, you have promised no capital gains tax, now we have it. Prior to the last election your government went, and Mr Keating went very quiet on refusing to confirm or deny there would be a capital gains tax. Now we have it. Have we been deceived?

PM: Terry, I don't know whether you have been watching another program earlier this evening, but you seem, you are terribly close to making the same mistake of another bloke with a similar name to yourself. I said in 1983, in the election campaign of 1983, no capital gains tax. And that was for that period of government that I was going to the people on then. And we kept that. We had to say look we are going to have this certainty. We have got to get about the business of turning this economy around. We did. We introduced no capital gains tax. I said when I went to the last election,

PM cont: look we have done all these things. We have turned the economy around to the point where it is the best growing economy in the western world. We have now got to approach the whole question of taxation and made it perfectly clear when I went to the people last time that all elements of tax, including capital gains tax, would be on the table. And let me say the capital gains tax which has been introduced is an eminently fair one. It doesn't apply to any existing asset, no existing asset will attract it. Secondly, it will only be on real gains.

WILLESEE: Is there not a chance however as a result of that capital gains tax, that in fact a death duty will come into effect?

PM: Absolutely not. Because the deeming a death proposition which was contained in the White Paper has been taken out. There is no death duty element of this capital gains tax.

WILLESEE: Has anyone in your Party said to you that the changes you have made are so radical that it may cost you votes and even power at the next election?

PM: There has been some concern earlier, in some quarters. I can say that now that the people in the Party have seen the whole of the package, and they weren't able to see it, there were some elements of it that you couldn't go to, they just had to be told today before we went into the Parliament.

WILLESEE: Do you now have complete support?

PM: I think there is complete support. There may be some people that will have some concerns about particular parts of it and say that part will need a bit more selling than others. But my impression is that now that they have seen the whole of it they think it is a proper and fair and saleable package.

WILLESEE: Do you believe you will get the support of the Democrats in the Senate on this?

PM: Well, I had the opportunity just before coming into the studio of looking at the press release put out by Senator Chipp on behalf of the Democrats and it is a very welcoming statement. He points to some areas that they will want to talk to us about. And of course we will want to talk with them.

WILLESEE: You have no doubt made some enemies amongst the voters in the electorate. Do you think they will still remember this day come election time?

PM: I hope they do. Because come election time they will see this as the most sweeping, fairest, most equitable tax reform in their memory and they will be able to test that decision in the context of our whole economic policy which has produced a situation where Australia's economic performance is the envy of the rest of the world. And that has been translated already into 430,000 new jobs. By the time we go to the next election, it will be infinitely beyond the half a million new jobs that I promised in first three years. And those things with a fairer system where people are going to be able to keep much more of the extra dollar that they earn, that they the ordinary taxpayer are not going to be paying for the free lunch of a whole range of the more privileged people. They are going to remember those things. And they are going to be thankful for them.

WILLESEE: Mr Hawke, thank you very much for talking to us tonight.

WILLESEE: Well as you are aware it wasn't just tax changes that were announced in Canberra today. It was confirmed we will all be issued with identity cards, it will be called the Australia Card. It will come into effect from March 1987. Today we sought the view of privacy committee, the NSW Privacy Committee gentleman, Mr Jim Nolan, and we will hear his comments and then seek the reaction of the Prime Minister who is still with us.

Well, Jim Nolan, like it or not we now have an ID card, even it is without a photograph on it. Are we about to enter the era of big brother in Australia.

NOLAN: Well, we think so. We have said from the start that the issue of an identifying number raises serious privacy implications and that is why we are concerned that it has come up in the context of the tax debate. WE think it should have been considered quite separate and distinct from tax or any one particular other issue. It requires separate consideration because it is so important an issue.

WILLESEE: We are now going to be a number. We are not going to have a photograph. Where is the real danger? Where do you think the real danger area lies?

NOLAN: Well the basic significance of the proposal was always the number more so than the photograph. The real danger lies now in the fact that the number facilitates massive computer matching across a government and private sector records and we have said, again from the start that that raises serious problems of surveillance of the population in the absence of appropriate safeguards. In the United States for example, there is a positive obligation on the bureaucracy to notify the citizens of the way they are using personal information with these computer matching programs and the like. Now on the basis of what is proposed here so far, for the ID proposal, there is no similar proposal up before the Government as we understand it. And I would have thought that would have been at least the bottom line for any consideration of the way the system would work in practice.

WILLESEE: The thoughts of the NSW Privacy Committee. Well Mr Hawke you heard those comments. What do you have to say about them?

PM: I have this to say, very clearly and specifically. The question was asked where is the danger in the Australia Card. And the danger is very clearly identifiable. The danger is for those who have been into tax fraud and social welfare fraud. Because the purpose of this card is to stop people rorting the system and cheating on the system in terms of tax and in terms of those people who have been getting millions of dollars, hundreds of millions of dollars for unemployment benefits and other social welfare payments through fraud. That is where the danger is for those people. It is calculated that when the system is fully in operation it will mean another \$540 million going into the revenue from people who have cheated. That is where the danger is. And Mr Nolan ought to know what he is talking about. That is where the danger is. And it will be limited strictly under the legislation to the purposes to avoid that fraud that has been taking place on the revenue and in the outlay side. Now that is the situation and I would suggest if I could put to you the question, don't you think it is fair to have an Australia Card in this circumstance.

WILLESEE: Yes. I have no worries at all about the Australia Card. I think it is a good idea. There are those who don't think it is a good idea. There are those who think there are insufficient safeguards. ARE there sufficient safeguards.

PM: Yes, Terry. And I can assure you that in the drawing up of the decisions in regard to this matter we have very properly taken into account the concerns of those people who are worried properly about civil liberties. It will only be relevant to the areas of employment, certain financial and other transactions relating to tax and in regard to welfare payments. For those three areas and nowhere else.

WILLESEE: How do you feel about being given a number?

PM: I have no worries about being given a number because I am like you and like the overwhelming majority of our fellow Australians. We are honest. And if the provision of a number is going to mean that there is \$540 million of revenue coming from those who have cheated on the system which means one of two things. Less pressure upon the honest taxpayers, a greater capacity for government to look after the community, the honest community. Then if that means that I have got to have a number, then that is something that I am not only not worried about, but it is something that I would positively welcome. As I am glad to say you obviously do.

WILLESEE: Mr Hawke, the Treasurer said in his speech that the ID card would be needed to perform certain financial transactions. What sort of financial ...

PM: Just let me give you an example. One of the great difficulties in the tax collection area has been a matching up, Terry, between company returns where they indicate interest payments or dividend payments and then matching up the name "SMith" or "Jones" that is on that area of income that is going to someone and then matching with Mr Smith, Mr Jones. Now under the system of having the Australia Card, that will mean that that matching up will be infinitely easier. And so that those people who have been receiving income but not paying tax on it will now not be in that privileged position. And I believe that the overwhelming majority of Australians believe that that is something that ought to happen.

WILLESEE: Mr Hawke, thanks for talking to us and thanks for staying for the extra ...

PM: My pleasure.

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