



PRIME MINISTER

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TRANSCRIPT OF INTERVIEW WITH MIKE WILLESEE - 19 SEPTEMBER 1985

WILLESEE: ... It's been a long time coming, but the Federal Government's promised reforms of our tax system are finally on the table Prime Minister, thank you for coming.

PM: My pleasure, Mike.

WILLESEE: Today was the long awaited tax reform statement, but there was a tension of a kind - if I can divert for a moment - given to you defending yourself on the half million dollar payout for Mr Armstrong, the former head of the - Dr Armstrong, the former head of the Bicentennial Authority. You appeared to be in your defence in parliament today, angry and upset. Why?

PM: Well I was angry, Mike. I don't know about upset. Angry because from the beginning of this Government we took the view that we had inherited a Bicentennial Authority legislative structure and personnel which was entirely the creation of our opponents. We don't think that that structure is the ideal one, but we made a deliberate decision, Mike, that because of the importance of the planning for, and the ultimate celebrations of our Bicentenary in 1988 it was not appropriate to make any attack upon this, but to try and make it work. Now, they deliberately created a situation in which the government and the parliament has no control over the operation of the Authority. The responsibility for decisions within the Bicentennial Authority are with the Authority itself. And in the situation where the government and parliament has been denied authority over the way hundreds of millions of dollars are expended, it struck us as being entirely hypocritical that a great issue was being made of an amount of money which was, in comparison to the hundreds of millions of dollars, small. Now, in my handling of this, therefore, after my discussions with Mr Reid, I had deliberately handled it in a way which was going to create the least amount of disputation trying to create public fracas that could divert the attention, the involvement of the whole political community and the community as a whole, in this issue. We have nothing to hide, and indeed I said to the Leader of the Opposition, not only here will I talk to you, but I specifically arranged for the Leader of the Opposition to see Mr Reid so that he could be fully informed of everything that had happened. Now, against the concentrated attempts that we have made since we have been in office, to work within the parameters of lack of control and involvement of the government, created by our predecessors, within those parameters created by our opponents, we have tried to do the right thing. And now, you are having this politicisation of this issue. Now, that is why I was disappointed and angry.

WILLESEE: Prime Minister, I want to get onto tax now, so I will try and deal with this quickly.

PM: Did you mislead Parliament at any time over this matter?

PM: I have never misled the Parliament or the people on this issue. The statement of 11 September is a totally accurate statement.

WILLESEE: (inaudible) err on the side of generosity in getting rid of Dr Armstrong.

PM: What I said was this. I said that I believed, on the all evidence available to me, that a change in the chief executive position was appropriate. Now I said in those circumstances, Michael, quite straight-forwardly, that here was a position where he had to go, in our judgement. We couldn't have that capacity to do it. And to meet that situation, I said, all his entitlements should be, we believe, met. And in creating a situation where a man who expected to be there for another six years was going, that he should err on the side of generosity, in those circumstances. Now, what I was told, Mike, was that to buy out a contract that was six years to run, at a fairly high salary, that would mean a settlement of 400,000 plus. Now in fact, my concern that developed was in regard to that amount that emerged. It was not specified in terms of six times that annual salary, but came to be expressed in a different way. And so I have raised the question with the Chairman of the Authority as to whether there is any inappropriateness in the way that has been done, whether there is any suggestion of tax minimisation or avoidance. Now, I am awaiting a reply from the Chairman on that issue. And once we have received that reply we will deal with it, as is appropriate in those circumstances.

WILLESEE: tax payers, it must be very hard for a normal taxpayer to understand somebody who is perceived to be not the right man for the job, getting half a million dollars, I suppose, to go.

PM: I'm sorry, I don't follow your question. What are you saying?

WILLESEE: It's going to be very hard for the average taxpayer to understand how a man who is perceived to be not good enough for the job to be given half a million dollars to go.

PM: What I'm saying, Mike. It was in a situation where, under the legislation created by our predecessors it was not a question of the government saying, you go. The Authority under the Act, and under the articles of association of that company established by our predecessors, the decision and the responsibility for removing an employee and the conditions of that removal, are with the Chairman and the Board. Now, what I'm saying is that, in those circumstances, the Chairman put to me that that would involve a buying out of the contract and that represented something like six times the annual salary, to buy it out. And with the associated long service leave and annual leave provisions.

WILLESEE: ... (inaudible).

PM: Yes he has my support. I have asked, Mike, for a response from him as to whether the deal, which was in fact negotiated, in terms that were different from what he initially suggested to me, whether there has been any inappropriateness in the way that has now been done in regard to tax. Now, I have got to wait until I get that reply. If the reply is satisfactory, then of course there is no problem in that respect. If it is not satisfactory, we will have to deal with it at that point, but it is totally unfair to Mr Reid, or to anyone else to make pre-judgements at this stage until I get his reply.

WILLESEE: Prime Minister, on the tax reform.

WILLESEE: Prime Minister today we have your tax reform package. Is this the reform you wanted?

PM: Clearly, Michael, the Government's preferred position was option C, the more preferred one. But let me say this. You will recall that I said from the beginning, which goes back to the last election campaign. The reform package we ultimately wanted was one which satisfied all the principles which included a broad community support for the package. And quite clearly the option C element of the package that we put to the people didn't get that required support. Now we therefore attempted to bring in a comprehensive reform package which meets the broad principles that we set. We believe that we have done that.

WILLESEE: inaudible

PM: Well, I have already answered that question. I said at the end of last year there were nine principles. The ninth principle was that the package proposed had to have broad community support. The option C preferred package clearly did not have that. That is not being forced into a compromise. It was reacting to our own stated principle.

WILLESEE:

PM: No. On the contrary, there was no other way I would think in which you have got such an express and clear, unequivocal expression of the broad community position. We have got that and we have responded to it.

WILLESEE: You have already had a mandate to govern?

PM: Well that is true. And the mandate to govern that we asked the people for on tax was according to nine principles. We operated precisely according to that mandate.

WILLESEE: inaudible

In the future no Australian will have to pay more than half his or her income in taxation. That is still a lot isn't it.

PM: Well, let me say this. It is also a lot that is demanded of government in respect of government expenditures. They demand properly, high and increasing levels of defence expenditure. They demand and in appropriate terms increasing levels of expenditure on education. A whole range of goods and services that can only be provided by government. What we have done is to impose upon ourselves a constriction, a restraint that has never been imposed before. In other words, bringing down taxes in this historic way. WE have said to the people now we are not going to allow the deficit to blow out by now undertaking expenditures of government in a wild and extravagant way. The important point is that all the tax revenue that we are getting from these measures is going not to the government but going back to the taxpayers. Let me just add. We could get taxes down further if we cut out, I mean if I decided that it was silly to have the level of defence expenditure that we have now, we could reduce taxes, have less defence. We could have less roads. We could have less education. We could have all those things. What we have done more than any other government is to cut out unnecessary government expenditures. We have got the

PM cont: lowest level of growth now for six years. We are cutting back the deficit by more than half of what we inherited.

WILLESEE: I understand why you have instituted a capital gains tax. But how do you reconcile that politically with your election promise when you first sought the Prime Ministership?

PM: That was in 1983 and in that first government it was not done. We totally adhered to that promise. We went to the people at the next election at the end of 1984 saying that we would look at the whole tax system comprehensively. There was no attempt to say to the people of Australia in that last election that in looking at the whole tax system we wouldn't be looking at the possibility of capital gains. After all there has been an election since March of 1983.

WILLESEE: I appreciate that ...
I would like to recall a clip from your policy ...

PM: Well you can if you want to take up time that way, but it is a waste of time because that was in 1983 in regard to the life of that next parliament. That promise was totally kept. At the next election I put it on the table that capital gains tax would be on the table in the total tax review. So you show it if you wish, but it is irrelevant.

WILLESSE:

PM: Sure.

" ... let me make it beyond even all their powers of misrepresentation and distortion - there will be no new capital gains tax."

WILLESEE: Prime Minister, why I wanted to show ... stated was so emphatic, you were happy about it.

PM: I was absolutely emphatic about it. It was the appropriate statement to be made in the 1983 election. There had been so much misrepresentation by our opponents about this issue. And to have a certainty in the minds of the Australian people about the things that we were going to do in our first government to turn this economy around to rescue it from the worst recession in 50 years. That certainty had to be introduced. We governed completely according to that mandate and turned this economy around completely. We have moved it from the worst recession in 50 years to the best growing economy in the western world. Then I went to the people, having done that, at the end of 1984, and I said now I am coming to you again. We have done so many things, what we have got to tackle now is tax reform. And I said to the people, and they gave me another mandate, I said in tackling tax reform we will be looking at the whole range of issues including capital gains tax. Now they knew that and I got the mandate on that basis.

WILLESEE: ... in 1983 when you said that so emphatically, you were talking about three years of government?

PM: I was talking about that term of government. In fact, I went to the people in 1984. Now, Michael let's not muck around about this. Are you saying that because I said that in 1983 and then I went to the people again in the next election talking about my

PM cont: next term of government and said unequivocally that all the tax issues, including capital gains tax, will be on the table. That going to the people then for that new mandate I am now bound by something I said before. Are you saying that?

WILLESEE: I am asking you how you changed your mind from such an emphatic statement ...

PM: I will say it for ^{the} fourth time Michael. We seem always to get into this problem with you. I will say it for the fourth time. I went to the people again in '84 after having discharged my mandate brilliantly successfully in terms of turning the economy around with my Government, I said now we have done those things, we have done all those things. We have made a number of decisions. Now I am coming to you and saying I want another mandate. And in that mandate I want a mandate to look at the totality of tax reform. Now I have told you that four times. I will say it a fifth time if you like.

WILLESEE: inaudible

PM: Good.

WILLESEE: ... no longer such things as a tax free lunch. What about parliamentarians allowances?

PM: Parliamentarians will be subject to the same rules as the private sector.

WILLESEE: inaudible.

PM: What we mean is that in regard to their cash allowances they will be taxed in the hands of the recipients, of the members of Parliament.

WILLESEE: inaudible

PM: Well it means very substantially that the very high levels of allowances that have been paid and not been subject to tax will now be subject to tax. At the same time, the same rate and the same conditions as everyone else. And it is appropriate that that should happen. And you would have followed the press, you have seen that there has been some concern about it to the credit of the members of Parliament. And let me say I don't say it as Government members, I would believe that Opposition members would take the same view. If you are going to have tax reform it is appropriate that it apply across the board. And I think all members of Parliament, to their credit, will take that view.

WILLESEE: Members of Parliament of course get tens of thousands of dollars a year in what has been tax-free allowances, do they now have to justify that?

PM: Yes, they will require substantiation. There will no longer be a situation, Michael, where it is just there and it is not taxed. To the extent that they have expenses associated with the discharge of their duties and they wish to claim on those then they will, as in the private sector have to substantiate. The same rule for them as for the private sector.

WILLESEE: inaudible

PM: Well, if you come up here and you want to take out an MP and you from your meagre resources want to pay for the lunch, then they will be able to have it with you. If they want to reciprocate for reasons which they regard as appropriate, entertainment allowances will not be claimable, but if there are other expenses of office which they believe are attributable to the discharge of their office other than entertainment. Entertainment will not be claimable by anyone. Then they will have to do that the same as anyone else.

WILLESEE: inaudible

PM: Well, if equity applies, Mike Willesee should because he is infinitely richer than the Prime Minister.

WILLESEE: inaudible

PM: Would you like a bet?

WILLESEE: Thank you for your time.

PM: Thank you very much Michael.

ENDS.