



# PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P.J. KEATING MP  
JOINT PRESS CONFERENCE WITH THE HON PETER BALDWIN MP  
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## **E & OE PROOF COPY**

PM: Well, thank you very much for coming. This is a, quite a proud moment for the Government in honouring yet another election commitment. I'm pleased and proud today, with my colleague Peter Baldwin, to officiate at the start of what's going to be a large change to income support in this country. And that is, with the Home Child Care Allowance, which is a substantial reform and one which will now funnel, I think, transfer a \$1000m from the budget and from what was formerly the Dependent Spouse Rebate, to the daily carer of the children - usually the mother. So, that's to say, there's about \$1b transfer from the wallet to the purse, and it's important to appreciate that this is not all. All of this new payment includes \$230m which the Government has added additionally to the old Dependent Spouse Rebate to make the Home Child Care Allowance a more progressive, responsive payment. It means we will, for the first time, have built a system of payments, in the main to mothers, directly to their bank accounts upon which other changes can be built. And, as you know, the Government is also contemplating - has announced, in fact - the parenting allowance which will be built on the same administrative system.

Now, there's also an improvement in the way the allowance worked, compared to the DSR - and my colleague Peter Baldwin will go into that in a moment - but it will mean that up to 120,000 more families will be assisted by the new measure. And there is, I think, 55,000 families who will be eligible for the Home Child Care Allowance who were ineligible for the Dependent Spouse Rebate. So, 55,000 families who were ineligible for the Dependent Spouse Rebate will get the Home Child Care Allowance, and up to 120,000 more families will be assisted because of the new income test.

The general point in all this is, of course, is that the Government has delivered mightily in income support to Australian families. In the period when the coalition was in office, the real value of family payments for low income families in particular, fell by more than 2%. Under this Government, we've given large real increases - over 30% - in payments for low income families and let me give an example: a low income family with two children now receive \$153 per week. We've of course indexed all family payments for the first time and we deliver payments directly into the hands of carers. And this means that under this Government nearly \$6b has been transferred to carers, usually of course, mothers.

And of course, we're committed to doing more, and in the context of the recent Accord negotiations, I announced the new maternity allowance for women who are not entitled to paid maternity leave. So, there's an important social change here. A set of payments directly - \$30 a week - directly paid to the carer at home, usually the mother, and this will be - apart from the value of the income support - it will be a step forward in developing a new payment system and a new relationship between the Commonwealth and carers, usually mothers, in this country. Now, I'd like you to see the advertisement which is a simple one. We're now going to run it for you, I think probably one or two times, and then I'll invite Peter Baldwin to say a few words, too.

Thank you.

(advertisement shown)

PM: Well, I invite Peter Baldwin now to add to my remarks.

PB: Thank you, and this, the Home Child Care Allowance is yet another major structural reform to the system of assistance provided by government to families with children. If you look at what's happened over the past few years, there has been a major effort in this area by the Government. We've seen the introduction of additional family payment and it's very substantial real increase over a period of years, and if you look at that part of the assistance to families there is a huge improvement. This payment takes that a step further by replacing the old with child rate of Dependent Spouse Rebate. It increases the amount of assistance available - and there will be about 840,000 families that will benefit from that somewhat increased level of assistance for each.

But more significantly, I think, the payment is made directly to the carer, as the PM said. And furthermore, there are about 55,000 low income families that don't have a sufficient taxable income to benefit fully from a tax rebate who will be on average, some \$20 a week better off as a result of this payment. It's also the case that it's a much more flexible arrangement whereby a partner who might come in and out of

the workforce, say that the child is sick for a number of months and a person needs to leave the workforce, they can go right straight back onto this payment rather than having to wait for the end of the financial year and reconciliation through the tax process.

So, in those respects it is a major improvement. It does represent a net significant addition by the Commonwealth in spending on assistance for families. It's worth around \$230 million a year more than the old Dependent Spouse Rebate and a lot of that expense is because, as I said, those low income families that couldn't benefit fully from the Dependent Spouse Rebate will gain significantly from this. If you look at the totality of assistance to families now, it is very significant particularly that targeted assistance to low income families where a low income couple with a couple of dependent children in aggregate can end up with around about \$150 a week in extra support provided by the Commonwealth.

So, it is very significant. It is not the end of our agenda in this whole area of assistance to families. In the White Paper we announced from July next year we will be paying the new Parenting Allowance which, as well as overcoming some significant disincentive effects to people joining the workforce, we will also provide significant additional income to low income working households - up to \$130 a week - through the Parenting Allowance. When the Parenting Allowance is introduced the Home Childcare Allowance will be integrated into it. So, what we are calling at this point, the Home Childcare Allowance, will in effect be the base level of the Parenting Allowance that will be free of any income test on the partners income and it will also be nontaxable.

So, as from July next year, significant further boost through the Parenting Allowance which will then subsume and integrate the Home Childcare Allowance. Put all that together and it is a very major agenda and in addition to that, of course as the Prime Minister has said, we are intending to look at a maternity allowance type payment as well.

It is a very major effort in this whole area of assistance to families. We pay enormous attention to equity in the structure of these things, which I might say, is a sharp contrast with the Coalition. Every proposal that has surfaced from them whether it be income splitting, whether it be lumping together all the child payments and childcare assistance and splitting it up on a per capita basis means significantly dramatically lower levels of assistance to low income families and additional assistance to families with incomes over \$100,000. In vertical equity terms there is simply no comparison between our approach to this issue and that of the Coalition party. So, I think this should be recognised for the major reform it is. We are exceeding our election commitments in this area. This is a more costly package than the one

we described during the election campaign and, I think, that is another important point that needs to be recognised. Thank you very much.

PM: I think we would be happy to take a few questions if you would like.

J: Mr Keating, the Catholic Bishops have accused your Government of using women as guinea pigs in the tests on the contraceptive drug RU486 and say they are going to take their fight directly to you. How do you respond to that?

PM: Well, I am in receipt of no approach by the Catholic Bishops at this point. They may approach me, but as I understand it the drug trials will be conducted in accordance with proper procedures and in the informed consent documentation has been complied with under the rules of the National Health and Medical Research Council. Anyway, I'll wait and see what the Bishops have to say.

J: It could be assumed Prime Minister, that the Bishops are targeting you on this issue because of your Catholic background. Are you entirely happy with the testing?

PM: I'm not here to be debating that principally, but this.

J: Prime Minister, on another issue, Alexander Downer says that you haven't visited Aboriginal communities and he has thrown out a challenge for you to follow his footsteps.

PM: What? Visit them and take their land while I'm at it. Is that the idea? I should visit while I announce they are going to repeal the Native Title legislation. We saw Dr Hewson visit them in that sham a year or so ago when the Aboriginal people of this country opened their hearts and their hospitality to him and when we brought the Bill into the House of Representatives to pass it, he said 'it was a day of shame'. A day of shame. And, can I just say, yesterday when Alexander Downer was credited with softening his stand on this he said 'I have said that if we have to, we will repeal the legislation and put new legislation in place, but let's just see how things pan out.' In other words, he will repeal the Native Title Act and the Liberals will put a new Native Title Act in place. That's softening his stand. Well, if that is a softer stand, I mean, the thing he might tell us is what he is going to tell the Western Australian Liberals next time he visits there.

J: How far are you prepared to go in terms of modifying the legislation to meet the concerns of Justice French and also of the NFF and the miners?

PM: Well, the Government has always been, I think, very sensible about the Native Title Act. I mean, it was a complex piece of property and cultural law that was written from a clean sheet of paper, developing a

very large body of legislation and we've always said that at some point in time as we see the Act operate there may be cause for remedial changes and the person we would take advice from in this, of course, is the Mr Justice French amongst others.

J: Mr Keating, do you think the Childcare Allowance is part of a wide stream of family assistance the Government seems to have brought on tap over the last few years. Can you explain the rationale for the continuation of large funding into the family groups particularly when quite a lot of it is unmeans tested

PM: Well, I don't think that much of it is unmeans tested. The very large payments, I think, something like \$3.6 billion which is the additional family payment or the old Family Allowance Supplement has a very tight means test about it. The whole point of it was to deliver very strong payments, but within a defined income range. And then, of course, the basic family payment or the old Family Allowance is income tested because the DSR was non-income tested, it's being paid across the board at \$30 a week, but the basic structure of the payments has been they are income tested therefore the Government is capable of delivering much greater amounts to particular categories of families. And that is, I think, one of its strengths. It's one of the points that Peter made a moment ago about the equity in the system of family payments under the Government - under the Labor Party - has been to basically to help those who need the help most.

J: So, what do you have to say then to the suggestions from people like Peter Walsh that the tendency in the growth of welfare payments that will have implications for the tax base downstream, that the tax base is simply too narrow to sustain the ...

PM: I don't ... I mean, Peter might want to add some words to this. What the Government has done over, now, a decade is to dramatically change the priorities of former governments in their spending and direct it to where we thought the priorities might best lie. And, quite a deal of this has gone into targeted social security and family payments. But, I don't see any demographic trend which is going to change this other than, of course, with the aged pension which, of course, is income tested and asset tested and for which we now have occupational superannuation. So, the notion that we have got a set of payments that are going to put up some inordinate pressure on the Budget, I think, is wrong. I don't know whether you want to add to that Peter.

PB: Well, just by way of addition, there have been a number of studies done of the impact of the changes that have been made in the social security system over the past decade and there is not the slightest doubt that we now have a more efficient and effective instrument for

poverty alleviation than we did at the start. We have around about 90 per cent in net terms, when you take account of tax clawbacks of social security payments, now going to people who would otherwise be in poverty. It is a very carefully targeted scheme and it has become a lot more targeted over the past decade with the result that we do have the resources to raise the real level of assistance to those who actually need it.

J: But, you would have to concede though with this home childcare allowance there is no benefit to equity or to income redistribution?

PB: What we are doing with the home childcare allowance is replacing the old Dependent Spouse rebate which was seen as, if you like, a horizontal equity measure rather than a vertical equity measure. It was seen as being something there to recognise the additional costs to families irrespective of their overall income of having children. So, it is bringing across into the outlays side - the Social Security side - a measure that has a strong horizontal rather than a vertical equity dimension. But, you can't look at that in isolation. You have to look at the totality of what we're doing and, as the PM said, the great bulk of our payments are highly targeted with a strong vertical equity aspect to them. They are focussed on the low income families, but this as the DSR it replaces is part of the rationale is a horizontal equity one.

J: But, on the revenue side, you've got the customs base coming down ...

PM: Look, Tom (Burton) we are not here to go through the Budget. Surely you are not saying at a launch like this we ought to have a discussion about budgetary trends on the revenue and outlay side.

TB: I'm just trying to explore what's the durability of this sort of round, talking in the general funding ...

PM: Well, it's paid as the Dependent Spouse Rebate. It was there anyway, but for the \$230 million we've added to it. But, the important point is, it's paid directly to, in the main, the mothers and that is part of the reform. There is a transfer here within families and it's going to the ones who need it most obviously and that's mothers. But, you know, to beg the question then about ... I mean, I know you are short of things for the column, but I mean, to get us here for 20 minutes talking about the the state of the budget.

J: One area of child care that has been identified as being deficient is long term day care places for babies and younger infants. What is the Government doing on that one?

PM: Well, we have extended apart from the building of long day care places we've also extended to the private sector, encouraged the private sector, to be in the child care business. And, that's where we

are going to see the substantial addition to places. There has been an absolute explosion in places for child care under this government, and after school care. And, of course, we have later in this financial year the generalised child care rebate which you might see in a similar presentation.

J: Is the aim to increase kids...(inaudible)?

PM: Well, I think we're now into column space. Is there...?

J: I think, perhaps, Tom's point is, we've had a tax cut war on both sides of politics, driven the tax base down, now we seem to have a lot written about both sides competing for the family...

PM: That's wrong, that's wrong. What has, in recent times, driven the tax base down, was the decline in economic growth. The notion that you've got to hang on to fiscal drag to actually lift the tax and if you give it back, you're in some way driving the tax base down, is for those who want the biggest possible surpluses and the lowest possible deficits in any circumstances. A group, I can say, well represented in this room, today.

J: My attendant question is, is the family going to be a policy battleground for the next election and are you planning more initiatives for families?

PM: Well, let me just say this, the Government now, over a decade, has carefully, studiously put into place enormous, equitable, beneficial changes for families. The most obvious being the additional family payment which is running at \$3.6 billion. And, as well as that, of course, there has been rent assistance and there are other things which go to families. There is Medicare, there are a whole lot of things which affect families other than direct payments. And, of course, there have been the tax cuts which have gone, the great bulk of them, to low income earners. When the Government was elected in 1983 the bottom rate of tax was 30 per cent. It is now 20 per cent. And the tax free threshold is greater. So, for families, there has been an equitable shift of income to low and middle income families and the last tax cuts were directed towards middle incomes. That's knocking the rate down to \$20,500.

So, the government has now, over a decade, put in steps, one after the other, into building blocks, to build a system of payments to families with particular focus on vertical equity. Now, this is another such building block reform. This sets up a system of payments directly in a linkage between the Commonwealth and the carers, mostly mothers. We're not doing it because the Liberal Party have another idea about how they could sneak their way back into office. It is being done, and it has been done over a decade, consistently, with a view to equity.

We're not responding to a set of poll driven things in research as the Liberal Party does - in its tax cut policies of the past and as it may well be doing, now. The fact is, it should be obvious to everyone, particularly everyone covering public life in this country who is in this room today, that this has been on now, for a very long period of time. We committed ourselves to the family allowance supplement, as it was then called, in 1987, the 1987 election. And we introduced it in 1988.

J: Mr Keating, what do you think of the States' attempt to reassert themselves in the federation, the new federation document they put out on Friday?

PM: This will be a useful discussion at COAG. COAG has become quite a useful body, I think, for progressing non-financial matters. And, ahead of each one of these meetings there is a certain, you know, ritual - like the dance of the brolgas, everyone is out there doing their particular dance and theirs came out last week.

J: What's going to be the biggest test? Is it going to be the rights and responsibilities, is that going to be the real stumbling block or is it simply the question of money, how big a bribe you have to pay?

PM: I think the Commonwealth-State relationship is a complex one, particularly as the Commonwealth is now quite heavily engaged and involved in micro-economic change and getting the states to the barrier on micro-economic reform. And, also seeing, as I think we believe, that the delivery of programs is best accomplished when there is - particularly in the social area - when there is a unanimity of view between the Commonwealth and the states about how that might best be done. Now, in working through these program reviews, as we have been in functional areas like health and community services and housing, we are making, I think, a lot of progress. And, we are getting better program delivery for the people who are to receive the programs while, at the same time, overlaying that is a discussion about the states' authorities and their efficiency, and competition policy. So, it is a complex set of interrelationships and that is the point of the discussion and the point of the meeting. Thanks very much.

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