

14 August 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON. JOHN HOWARD MP
RADIO INTERVIEW, ALAN JONES RADIO 2 UE**



E&OE.....

JONES:

Prime Minister, good morning.

PRIME MINISTER:

Good morning Alan.

JONES:

How's the health?

PRIME MINISTER:

The health is excellent. It's good to be back.

JONES:

Is that John Howard being John Howard's doctor or the doctor for John Howard?

PRIME MINISTER:

No the doctor said I had made a very full recovery. He said: you're raring to go.

JONES:

Well you proved that yesterday. You made much at the beginning of that press conference yesterday of the Reserve Bank Governor saying that the speed limits are off. You would be aware, wouldn't you, that those sort of comments don't mean much to a quarter of a million long-term unemployed.

PRIME MINISTER:

Well they may not when they're first uttered but they actually do because the way to get unemployment down is to have more economic growth because more economic growth generates jobs. I repeat, more economic growth generates jobs. If we can run the Australian economy at 4 - 4.5% growth, we will generate more jobs and unemployment will come down.

JONES:

Do you ever think though from the people to whom you speak, and you're travelling all over the country that there are jobs out there. For example, there are 40 000 bridges that need repair. There are dams needed in drought stricken parts of Australia. There are hospitals that are totally unsuited to modern hospitalisation. Now those jobs are waiting to be done. We don't have money perhaps which is cheap enough for those people to be encouraged to embrace those jobs.

PRIME MINISTER:

Well some of that activity of course has got to be paid for by the Government. Some of it is infrastructure which the Government has got to provide. A lot of it has got to be provided by the private sector. We will be providing \$2.2 billion of job creating infrastructure through the environmental fund, the Natural Heritage Trust and the Federation Fund and one of the criteria that I'm attaching of the Federation Fund is that they have to be job generational projects as well as projects that add to the sum

of the national infrastructure but if you're talking about interest rates for the private sector, well one of the brighter things of the last 18 months is the way in which interest rates have come down.

Now clearly, people listening to this programme, particularly those in small business would say: well, we'd like to see them come down further. I understand that but they are markedly lower, markedly lower than what they were 18 months ago and whilst we would all like to see further progress on that front, the fact nonetheless is that the cost of money in the Australian community is 2 - 2.5% at the very least lower than what it was 18 months ago. If you are paying off a housing loan, in some cases it's 3 - 3.5% lower than what it was. To the average family that is a very large amount of money.

JONES:

A lot of money, a lot of money.

PRIME MINISTER:

It is real dollars in the pocket after tax.

JONES:

I will come to tax reform in one moment. I just want to ask you one question because the one thing that could torpedo a lot of what you have in train is this whole business of drought. When you were Treasurer last, Malcolm Fraser faced this awful problem of having to fork out billions and billions of dollars as the country was just driven asunder by drought and I have proposed this thing for some time now and I just would like an opinion from you on it. I mean, the Ord River, I've been saying, every second throws 50 tonnes, 50 tonnes of water is released into the Ord River every second but 90% of that goes into the Timor Sea. Should we be spending money to harness that water so that the productive sector of Australia is not constantly ravaged by drought? In other words can you build a pipeline from that area where there is plenty of water into the areas of Queensland and New South Wales where they desperately need it?

PRIME MINISTER:

I have to say Alan, I haven't examined that particular proposal myself in recent years. I do know from earlier experience that whilst on the surface it sounds do-able, there's not a lot of support even amongst the more adventurous areas of the agricultural sector for it. Look, I have to honestly say to you, there's no point in wasting your time, I have not looked at that proposal in recent years. I am interested that you are advocating it but I frankly haven't looked at it.

JONES:

I will drop you a note and see if we can't get some thought on it. Now just on reform, you talked yesterday about a framework of options for tax reform but then I thought that in the five principles you stated you might have closed off some. For example, you said no increase in the overall tax burden. Do we have enough money coming in to do the sorts of things that are needed to be done in a modern society?

PRIME MINISTER:

Well the answer is that there are always loopholes in any tax system and when I talk about no increase in the overall tax burden, I certainly don't rule out tightening the system so that those who are dodging their liabilities in the future meet them. What I am talking about is I am not in the business of loading a new layer of tax on the existing layer of taxes. I mean, the essence of this reform is that you've got to alter the balance between direct and indirect tax so that individuals are paying a lower rate of personal income tax and in the process you've got to improve and modernise the indirect tax system, and what I sought to do yesterday was to lay down the four or five major guiding principles.

But I want to say to the Australian people through your programme, Alan, that I am not interested in increasing the overall tax burden. I am interested in making it a lot fairer. I am interested in ensuring

that people who slip through the net at the top end and any other end, that those people are caught up. I mean, it is aggravating in the extreme if you are a PAYE tax battler, you're having your money taken out each week when you hear of people through all sorts of dodges, the cash economy as well as some people at the big end of town not paying their fair share. Now part of the process will be to ensure that the system is fairer.

JONES:

Right, on that basis then, and you're talking about the battler and this is where there is massive imbalance, your total tax receipts this year are \$127 billion. Now you get a further \$68 billion from sources other than taxation. \$127 billion. \$60 billion will come from that battler, the PAYE, only \$18 billion from companies. Now, are foreign companies paying their share of tax?

PRIME MINISTER:

Well, there are obviously some large companies that are paying a very low level of tax but I just go back to your figure. You've got to remember that some PAYE taxpayers are on fairly high incomes. I mean, a lot of people who are fairly highly remunerated company executives and public servants, politicians, whatever you like, they are all in the PAYE tax system and it covers everybody who's on a wage or a salary.

JONES:

But if you're going to reduce that as you said you would yesterday...

PRIME MINISTER:

Particularly we are aiming to reduce it for people who are in the lower and middle income area. Now I don't at this stage on day one want to get into..

JONES:

The detail of it.

PRIME MINISTER:

..hypothetical numbers and so forth, it is too early for that.

JONES:

No I was just saying to you Prime Minister...

PRIME MINISTER:

The answer to your question is there is obvious leakage in the present system. One of the advantages of a broad-based, indirect tax is it is harder to dodge. Most people accept that if you have a broad-based, indirect tax you will collect tax from the cash economy that you are now losing out on.

(Tape break)

PRIME MINISTER:

... tax policy.

JONES:

Right but if you said in your third principle and you outlined five yesterday, no increase in the overall tax burden, major reductions in personal income tax, and your third point was a broad-based, indirect tax, what is that if it's not a GST?

PRIME MINISTER:

Obviously a GST is one form of a broad-based, indirect tax. It's just that we're not going to at this stage absolutely chain ourselves to that particular kind of broad-based, indirect tax but obviously that is one

broad-based, indirect tax. But the key to the thing is to have lower rates of personal income tax and give people more incentive to save and invest, give people a greater control over their own lives. I read a lady in the paper saying this morning that the beauty of a broad-based, indirect tax or GST was that it enables me to exercise greater choice. Now if you protect the vulnerable, you ensure that people who are now slipping through the net in the cash economy and elsewhere pay their fair share. You collect more revenue and you will end up with overall a much fairer system and very importantly for jobs, if we can get rid of some of the indirect taxes that now have an adverse effect on jobs like the effect of the wholesale sales tax on manufacturers, you can make our exports cheaper and more competitive and through that generate more Australian jobs.

JONES:

Is it not a problem that many people when they think tax think income and I could, it would take me a half hour to outline from Glad Wrap and toilet tissues and deodorant and fruit juice and flavoured milk and ice cream and tissues and toilet paper and baby oil and stationery, all the things that we buy every day, pay the price up and yet we're being taxed to the eyeballs for those things. What kind of relief can people expect from those in any kind of reform? For example I said this morning toilet paper, which most of us, to be fair, even Prime Ministers can't do without, has a 22% sales tax on it. Caviar is tax free.

PRIME MINISTER:

Well Alan, without once again going into figures, what I said in one of the principles yesterday was that we would look at having a broad-based, indirect tax to replace some or all of the existing indirect taxes. Now obviously one of those existing indirect taxes is the wholesale sales tax which is the very tax about which you have just spoken and one of the weaknesses of that...

JONES:

There's millions of them.

PRIME MINISTER:

There's millions of them and it would take you at least half an hour and the rate is in some cases as high as 32%. There's a luxury rate of 45%. There's another rate at 22%. I mean, they talk about particular levels of a GST or a broad-based, indirect tax. A large swag of the wholesale taxes are still very much higher than any figures that have ever been kicked around in the past for a GST so obviously, one of the reforms that will be looked at is to replace some or all of those with a single rate, indirect tax..

JONES:

You're after industry. You're to have an industry meeting. You're after employment. Don't we have an obligation to look after Australian things and Australian jobs when we've got one and a half million out of work?

PRIME MINISTER:

Yes we do. We do have that and that's why we took the decision on the motor car industry.

JONES:

I know you did.

PRIME MINISTER:

And that decision will bring forth investment and jobs. I mean, that was the sole criterion or the dominant criterion, of that decision and that was a pro-jobs, pro investment, pro-Australian jobs decision.

JONES:

If you were going to a sandwich bar in the city in one of your walks around the city and you wanted to have a sandwich and you ordered a chicken sandwich, would you be happy about having the fill being

processed chicken from Thailand, which may well knock out a processed chicken factory here in Australia? Can you think of anything more stupid?

PRIME MINISTER:

Well the final decision on that, Alan has not yet been taken so let's not..

JONES

No, but the final decision ought to be obvious, shouldn't it?

PRIME MINISTER:

Well the final decision must pay some regard to bona fide quarantine issues...

JONES:

And the viability of Australian business.

PRIME MINISTER:

It must pay, and you also have to understand that if you are not defensible in actions taken in these areas, other countries can knock out our exports as the Canadians did a few months ago and they cut our quota of beef exports because we had refused to allow Canadian salmon to come into Australia but Alan, your general point is right.

JONES:

Okay. Good to talk to you. Just one final thing, and on the timing of it, you won't be introducing tax reform before the next election?

PRIME MINISTER:

No, we will be announcing tax reform, the detail, but we will not be introducing. The measures to give effect to the new system won't operate from a date before the next election, let me put it that way.

JONES:

Okay, good to talk to you and thanks for your time.

PRIME MINISTER:

Thanks Alan.

ends