



PRIME MINISTER

15 August 1997

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
DOORSTOP INTERVIEW - REDLANDS RSL
CLEVELAND, BRISBANE**

E&OE.....

JOURNALIST:

Well, Mr Howard, the focus this morning has been on jobs, how will tax reform directly assist employment?

PRIME MINISTER:

Any tax reform that leads to more productive Australian businesses, any tax reform that leads to more exports, any tax reform that encourages more investment, will make a huge contribution to higher economic growth and, therefore, feed directly into higher levels of employment.

We have got to increasingly see reducing unemployment in this country as a function of higher economic growth. And one of the reasons you reform the tax system - one of them - is to get a more productive economy and to bring forth more investment. So all of those things will help produce a better functioning, a stronger growing Australian economy and that will help jobs.

JOURNALIST:

When would you expect economic growth to exceed four per cent?

PRIME MINISTER:

I'm not going to try a prediction. The important thing is that this week the speech of the Reserve Bank Governor has pinpointed, again, the link between growth and employment. And most importantly of all, of course, he said, for the first time in years as a Reserve Bank Governor, that, in the short term at least, the speed limits are off economic growth. And that is not only a huge tacit endorsement of the Government's economic approach but more important than that, it is very good news for the unemployed of Australia.

JOURNALIST:

Mr Howard, the Opposition says the link between employment and a GST or tax reform is very tenuous.

PRIME MINISTER:

Well, I'd have thought the Opposition's position on tax will be even more tenuous this morning when the Evatt Foundation, at eleven o'clock, will declare that everyone knows that the existing taxation system has broken down and is in need of repair. Here you have a, sort of, unofficial public ally of the Australian Labor Party acknowledging and asserting what we are asserting. Yet you have Gareth Evans carrying on as though all you need is more economic growth and that will cure the tax system. I mean, he had 13 years to give us that additional economic growth and to cure the tax system and he didn't do it. But, I mean, I'll overlook that in act of great charity and simply focus on the fact that he is becoming increasingly isolated. His leader with him, they are marooned on an island of irrelevance as far as this tax debate is concerned.

You've got the Evatt Foundation - a Labor Party front - the Evatt Foundation saying stridently that it believes that fundamental tax reform is necessary. Now, of course it's necessary. Beazley and Evans new it was necessary in the 1980s. And one of their problems in this whole debate is that increasingly they will be seen as really not having their heart in what they're saying.

JOURNALIST:

But they looked at it and then abandoned it. I mean, that's their point.

PRIME MINISTER:

They got rolled by the unions.

JOURNALIST:

Mr Howard, in terms of tax reform, can you guarantee that no one individual will be worse off under your reforms?

PRIME MINISTER:

No, I'm guaranteeing that the overall tax burden will not rise. But tax dodgers and lurk merchants will certainly be worse off under my reforms, very much worse off, because they'll have to pay their fair share of tax. And, I therefore, cannot and will not give that guarantee. But I can give a guarantee that the overall tax burden will not rise. That's one of the principles underlying the reforms.

I mean, this is very much a policy that I could describe as an LPT policy - it's a Lower Personal Tax policy. And the drive and the thrust behind the tax reform is, as I said on Wednesday, to alter the fundamental mix within the Australian taxation system so that individuals, particularly in the middle income bracket, will be paying lower rates of personal tax. So, I'm all for it being seen very much as an LPT policy.

JOURNALIST:

Did yesterday's wages data reinforce the case for faster growth with low inflation?

PRIME MINISTER:

Well, I think it's another indicator of the stability of the Australian economy, of how the fundamentals have been strengthened during our first 18 months in government and how encouraged people who are concerned about the jobless should be that those fundamentals are so strong.

I mean, we have got the fundamentals right. Increasingly that is being seen as the case and that has made it possible for us to feel more optimistic about growth into the future.

JOURNALIST:

Prime Minister, you talked about middle Australia and tax reform, what about lower income people, how do you intend to help them?

PRIME MINISTER:

Well, one of the principles of our policy is that compensation should be payable in any tax reform system to those who are deserving of special attention. Now, obviously I'm not going to start defining those groups at this stage, but it is important that there be that compensation component and element and that's why it's one of the fundamental principles.

JOURNALIST:

What do you mean by compensation?

PRIME MINISTER:

Well, I mean exactly by compensation - ensuring that any undeserved loss is recouped.

JOURNALIST:

You've reassured retirees that people on fixed incomes won't be left worse off by changes to the tax system - what about another cut in deeming rates?

PRIME MINISTER:

Well, you have to understand that the deeming rate is very much linked to rates of interest and rates of inflation. I mean, the situation is that inflation in this country is very low. We have an almost unprecedented era of price stability. There are many people at this press conference, if I may say so, who wouldn't have experienced the low level of prices that we've had. And you have to go back to the 1960s to experience the low levels of inflation. Now, that flows through into the community. And when you have low levels of inflation and you have lower interest rates, well, obviously the need for higher levels in areas like that is much less.

JOURNALIST:

So pensioners won't be worse off if deeming rates are cut again?

PRIME MINISTER:

Look, pensioners gain enormously from price stability. The greatest thief of economic piece of mind, the greatest threat to the economic piece of mind of retired Australians is high inflation because it erodes the value of their savings. They don't have the capacity to replenish those savings.

Delivering price stability and low inflation to retired Australia is the greatest gift that any government can give to that section of the Australian community.

JOURNALIST:

Prime Minister, you'll be talking to an ACCI Conference tonight, will you be telling those people anything new about industry policy?

PRIME MINISTER:

Well, I've always got something new to say, Fleur, always. It's always worth coming to hear what I've got to say.

JOURNALIST:

Mr Howard, you said yesterday on the *Alan Jones Show* that you were sceptical to the point of hostility in relation to the ACT Government's proposed Heroin Trial. If that is the case, why did your Government agree to Dr Wooldridge giving the go ahead for that first stage of the trial and do you think that the decision should be reviewed?

PRIME MINISTER:

Well, the decision has a number of implementation phases. I don't think there's anything inconsistent with the totality of what I said yesterday on the contribution of the Federal Government. But there are a few more elements of this that have to unfold. I understand that considerations have got to be given to different things in relation to the trial.

Look, I plainly and many in my Government and Dr Wooldridge himself, because he said so, are unconvinced that there are enormous benefits to be derived from the trial. That doesn't mean to say that some people can't simultaneously have an open mind about it being conducted. But I remain, myself, profoundly sceptical of the view that the way in which you cure the problem of heroin and marijuana and, indeed, drugs that are now band, the way in which you cure the difficulties is to legalise it. Now, I don't mind saying that in the bluntest of possible terms.

There is a huge debate in the community. You get different points of view. I've had parents of children, whose lives have been claimed by hard drugs, say to me that the answer is not to lighten the penalties and to decriminalise. I've read parents in similar positions who've had an opposite point of view. And I respect the anguish in the community, particularly from the victims, and the victims are not only those whose lives have been claimed by these dreadful substances, but also the parents and loved ones of them. And it's an awful problem.

I just have to say as Prime Minister that I am profoundly sceptical that the way of the future is just to decriminalise everything. And I'm impressed by the reaction of people in organisations like the Salvation Army that have had to deal at the coal face with the problem. And I just think that we have to be honest and open enough as a community to debate the issue, talk about and not take positions that are insensitive to the other point. But having asked my view on the issue, I'm not reluctant to give it.

JOURNALIST:

Mr Howard, the Federal Government wouldn't be about trying to stop the trial if the majority of States support it, surely.

PRIME MINISTER:

Well, the Federal Government has a role in this, particularly in relation to the laws governing the importation of substances. So it's not as if it's something entirely within the warrant of State governments.

JOURNALIST:

[Inaudible]

PRIME MINISTER:

Well, I'm still seeking and am yet to receive formal advice on that subject so therefore I'm not going to say anything further. But I simply wanted to make the point to Peter that the idea that it is something entirely within the warrant of the States is just not correct because we do have a role.

JOURNALIST:

Dr Wooldridge and other health ministers actually have received advice that we need amendments to federal legislation. Did he advise you or Cabinet of that?

PRIME MINISTER:

Well, he is overseas at the present time and I understand that the advice - my understanding, and bear in mind that I've had one or two other things to deal with over the last few days - it's my understanding that the advice has only been forthcoming very recently.

JOURNALIST:

Mr Howard, does the Government have secret plans to overcome a possible crippling waterfront strike and crush the MUA?

PRIME MINISTER:

We would never want to crush a union. We have no enduring battle with any particular section of the union movement. We do want to crush low productivity anywhere in the Australian economy. We do want to see a more efficient waterfront. We don't seek confrontation. But we are prepared, in that area as, indeed, in all other areas of the Australian, to see the enormous benefits of the *Workplace Relations Act* flow through fully without interruption or without hindrance. And that has obvious implications for the Australian waterfront and for the impact of productivity levels in the Australian waterfront on the Australian economy.

JOURNALIST:

So no battle plan?

PRIME MINISTER:

Well, we have... governments always have plans but I don't want you to see any of those plans in a belligerent context because that would misrepresent us grievously.

JOURNALIST:

The Premier said the tax system in Australia is completely out of date and dangerously so - is he true?

PRIME MINISTER:

Well, I think it sounds very much like what I've said. I think it is. I hope he sends a copy of his speech to Mr Beattie and Mr Beazley. I wonder if Mr Beattie is on that island with Mr Beazley and Mr Evans. I mean, they really are becoming very isolated. I think the Australian taxation system is in need of major overhaul and that is why I've committed my Government to do so. I welcome the support of the Queensland Premier. And if all the State governments of Australia are prepared to join then I think we can give the Australian people a lower personal tax policy for the 21st Century, a more incentive driven tax policy and one that will help realise the full potential of the Australian nation into the 21st Century.

Thank you very much.

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