

Transcript

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 Compere: **FRAN KELLY** Summary ID: **W00038804198**
 Item: **KELLY TALKS TO HEATHER RIDOUT, CHIEF EXECUTIVE, AUSTRALIAN INDUSTRY GROUP, ABOUT HER INVOLVEMENT IN THE HENRY TAX REVIEW, AND THE GOVERNMENT'S RESPONSE TO THE REVIEW.**

INTERVIEWEES: HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP

Demographics:	Male 16+	Female 16+	All people	ABs	GBs
	4400	3700	8100	4100	5500

FRAN KELLY: Well Heather Ridout is the chief executive of the Australian Industry Group which represents most of the country's manufacturers. She was also a member of the Henry Tax Review Committee. Heather Ridout welcome to Breakfast.

HEATHER RIDOUT: Good morning Fran.

FRAN KELLY: Now you spent many, many hours over many, many months devising this tax reform package. The Government has picked just four measures to act on, are you disappointed in that?

HEATHER RIDOUT: Look I think it's a start. Certainly when you look at the scale of what we put forward, 138 recommendations, a huge report, it does look small but when you look at the measures of themselves and you see the resource super profits tax, reductions in company tax, changes to small business, super, and of course the tobacco



announcement which was also in the Henry Report, they're not small at all but in the context of this huge reform blueprint they certainly are.

FRAN KELLY:

Okay well we just heard Katie Lahey from the BCA and also heard from ACCI last night saying the Government should have been bigger and bolder in its response do you share that call?

HEATHER RIDOUT:

Look I think this is the start of a very big, long process which is not an optional process. We're going to have to do it and if we don't do it we'll end up with a very bad tax system, even worse, and that's paying a lot more taxes.

The Government hopefully will do more in the budget, there'll be more I hope about some of these other areas like simplification, savings et cetera. There's a lot more to be done there and then I think over the next few years we have to embark on some of the really hard things, the stuff that is unpalatable, some of which they've ruled out. But Fran I hope that people get in and start saying we need to have another look at these issues, both sides of politics.

It was always going to be a tug of war between caution by the Government, opportunism by the Opposition given we're headed into an election.

FRAN KELLY:

Sure.



HEATHER RIDOUT: We simply have to try to get more - a rational approach but it's pretty hard to get more out of it in this environment.

FRAN KELLY: Sure, there's no doubt policy and politics collided in the Government's response so far but what do the business peak bodies mean when they say they wish the Government had been bolder beyond a sharper cutting company tax, beyond that sort of immediate self interest? What do you think?

HEATHER RIDOUT: Well look, I think the proposals in Henry advocate for very strong robust bases. Land tax and non renewable resources, they've done some of that with the resource super profits tax, but land tax they've avoided all together. And your personal income tax we're looking for a lot more there and that really hasn't been addressed at all.

In terms of capital taxes there's a range of issues that have to be addressed there. Under savings there are the whole issues around negative gearing and the trade off between debt and equity implied by that. I mean there's just a huge number of things when you go through this report which we need to address: the whole rationalisation of the transfer system to encourage participation - that's a big issue and you know, so there's lots to do and it's all set out there in hopefully what will be a five to 10 year program for reform.



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FRAN KELLY: No you're optimistic obviously that all this work won't go to waste and over the next 10 years it will be acted on. The Treasurer described it as a reform of a life time. Do you think the Government has the right to make that fairly grandiose claim yet?

HEATHER RIDOUT: No. I don't think they can claim that they've made the reforms of a life time. I mean I think the resources super tax if it gets in place is a very important reform. The others are just changing one instrument. They're not actually changing the dynamics of the system and that's really what the Henry Report is all about, It's trying to set the structure of the tax system up to be more robust given all the challenges, the globalisation, the demography et cetera that Australia faces and what's been announced so far doesn't go to those things. It's a start but it certainly doesn't really change the architecture fundamentally of the system.

FRAN KELLY: Let's talk about the resources super tax that was a recommendation from the committee. It's what the Opposition has zeroed in on and criticised and we've heard the mining industry criticising it this morning. We heard one miner for instance saying that you can't take \$9 billion a year out of an industry every year and expect there to be no negative impact, no loss of jobs. Do you agree with that?

HEATHER RIDOUT: Well I think what's involved here is that we are exploiting non-renewable resources in Australia.



Once they're dug up they can't be dug up again. Prices for those are set to be very strong on the back of Reserve Bank and other forecasts for the next 20 years and what this is all about is saying are we getting the return on that investment, that licence we are giving companies to dig this stuff up on our behalf? And the Government's made its decision, they've accepted the Henry Report that we should do it through this super profits, this rent tax.

The industry has every right now to get in and advocate hard on the rate, the design of that system and the transitional arrangements for existing projects and try and get the fairest deal they can for the industry and that's what they'll be doing and that's what they have every right to be doing.

FRAN KELLY:

But you represent business for instance, are you not concerned that this is sort of killing the goose that lays the golden egg?

HEATHER RIDOUT:

Well I never like putting up taxes on business because I think we are the ones who write out the cheques for investment and employ people but I think in this case we do need to make the judgement as a community whether we are really taxing this industry in a proper way from a community point of view.

FRAN KELLY:

Okay. Strangely the Government has done some things that Henry, your committee, didn't recommend for instance it has increased the super



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guarantee charge from nine per cent to 12 per cent over time. your committee specifically didn't want that to happen. What's your reaction to that decision?

HEATHER RIDOUT: Well I think it's an interesting response. I mean there was always a tug of war between whether you put up the rate or you try and do something better with the system itself. We put forward a range of proposals which involved tax breaks for those at the bottom end of the income levels in terms of contributions, halving the earning tax, and a range of other things which would have got replacement incomes after retirement up to about 88 per cent for those on median earnings so we thought that was a pretty good effort and it didn't involve slugging employers and ultimately wage earners with three per cent more tax on their wages. I think the Government in their wisdom have gone the other way which was pushed very hard by, you know, the welfare bodies, the superannuation industry. We'll see. I think it's not necessarily my view the best way for it to tackle the problems.

FRAN KELLY: What's the big ticket item recommended that is not there, that you're disappointed about?

HEATHER RIDOUT: Look I don't think there's just one Fran, it's really more this whole issue of whether we're setting the system up to be more robust, even if we set it up at a very modest level and that means looking at all these bases and seeing whether we're getting it right.



I mean we've got all these inefficient state taxes sitting out there that simply aren't going to raise the money to even pay their 40 per cent of it, the hospital budget, let alone police, transport et cetera, so I think all those state taxes, those transaction taxes, stamp duty, insurance duties, all these things are sitting there as big inefficient taxes and that's one big area.

I think the personal area, the simplification area, got to do something about that. Seventy-two per cent of Australia's pay tax agents yet under 90 per cent of them hardly make any deductions. It's a really crazy sort of scene so that's another big area. So it goes on and I'd really encourage people to have a look at the Henry Report, summaries of it. It's a pretty dense document but it's an interesting set of proposals.

FRAN KELLY: Heather Ridout, thank you very much for joining us.

HEATHER RIDOUT: My pleasure Fran.

FRAN KELLY: Heather Ridout from the Australian Industry Group and the Henry Tax Review Committee.



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ABs = Managers, administrators, professions. GBs = Grocery buyers.
