



PRIME MINISTER

FOR MEDIA

EMBARGOED UNTIL DELIVERY

INAUGURAL FRANK FORDE MEMORIAL ADDRESS
DELIVERED BY THE PRIME MINISTER, BOB HAWKE AC MP
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REFORM - THE NEVER-ENDING CHALLENGE

It is a great honour to be asked to deliver the inaugural Frank Forde Memorial Address, and a pleasure to be able to do so here in this city of Rockhampton, with which Frank Forde was so closely connected throughout his long career.

Although this is the occasion of the first Memorial Address, it is also a continuation of the series of addresses begun in Frank Forde's lifetime in 1973.

One of the enduring sources of the strength of the Australian Labor Party lies in its sense of continuity. It is a Party which always looks to the future, yet always draws strength from its past.

And these lectures themselves provide a very pleasing and satisfying example of that sense of continuity.

They were established on the initiative of Keith Wright, then Member for Rockhampton in the Queensland Legislative Assembly, as a tribute to the man who had entered the Queensland Parliament as Member for Rockhampton in 1917. They have been continued on the initiative of Keith Wright as the Member for Capricornia in the House of Representatives, as a tribute to the man who represented Capricornia in the Federal Parliament from 1922 until 1946.

The inaugural address to honour the man who had been briefly Prime Minister of Australia in 1945, was delivered by the Prime Minister of Australia, Gough Whitlam, in 1973.

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I had the honour to deliver the next in the series in 1975 as National President of the Party and President of the ACTU.

The first official task which I had to undertake in the House of Representatives as Prime Minister of Australia was to move a condolence motion placing on record the House's appreciation of Frank Forde's long and meritorious public service.

He had been born at Mitchell in July 1890 - at the very time of the tumultuous events here in Queensland which gave birth to the Labor Party. Barely a month after his death, on 28 January 1983 at the age of 92, the Australian Labor Party was once again called to the leadership of this nation by the people of Australia.

Now the honour falls to me, as Prime Minister, to inaugurate the Frank Forde memorial address.

And so I say, in recalling these facts, that these addresses themselves, in honouring one man and one life of long service to the Party, to Queensland and to Australia, express our sense of continuity and also honour the service of the countless thousands upon thousands, men and women, who have served, sustained, and strengthened the Australian Labor Party and the Australian Labor movement, now for nearly a century.

Because this is the inaugural memorial address, it is appropriate that I should set out, briefly, the principal facts of Frank Forde's long career.

Frank Forde was born at Mitchell in Queensland on 18 July 1890. After completing his education at the Christian Brothers College in Toowoomba, he joined the then Postmaster-General's Department.

It was at that time that he first joined the Australian Labor Party. In 1917, he was elected to the Queensland Legislative Assembly where he remained until 1922 when he decided to enter Federal politics. He was elected to the House of Representatives as member for Capricornia, a seat which he was to retain successfully until 1946.

During the time of the Scullin Government, Frank Forde first achieved ministerial rank, first as

Assistant Minister for Trade and Customs, from October 1929 until February 1931, and later as Minister for Trade and Customs from February 1931 until January 1932. During his time he also served as Acting Minister for Transport.

After the defeat of the Scullin Government, he was elected Deputy Leader of the Federal Parliamentary Labor Party. In 1935, he was defeated in the contest for the leadership by only one vote. The man who became leader was John Curtin. From then, to the day of Curtin's death in July 1945, Frank Forde remained Curtin's loyal deputy. He was Deputy Prime Minister from October 1941 and Minister for the Army throughout the war.

After the sudden death of John Curtin in July 1945, Frank Forde briefly became Prime Minister. When Ben Chifley was elected as Leader of the Australian Labor Party, Frank Forde continued as his deputy and Minister for the Army.

In 1945 he was a member of the Australian delegation to the conference which established the United Nations. Surprisingly, in 1946 he was defeated at the general election. Frank Forde's contributions and talents were not lost to the country when he lost his seat at the 1946 election. He was appointed to the position of High Commissioner to Canada, a post which he filled with considerable distinction until 1953. In 1955, at a time of great turbulence in the Australian Labor Party,

Frank Forde re-entered politics when he was elected to the Queensland Parliament after a 33-year absence. He was beaten in the closely contested State election in 1957.

The great years of achievement remain of course, the war years, as Minister for the Army and Curtin's Deputy.

As Minister for the Army, Forde was deeply involved in the higher direction of the war.

But it can never be emphasised too strongly that all the members of the Curtin Cabinet, whatever their immediate ministerial responsibilities, were involved in planning for the peace.

As soon as the immediate crisis with its threat of invasion had passed, and it was certain that victory, however hard, however long, would be won, the work of post-war reconstruction began.

It is essential to understand this to appreciate fully the achievements of the Curtin Government.

It was not only a great war government, it was a government of reform and reconstruction.

Curtin and his colleagues deeply believed that just as the nation's resources had been fully mobilised for war, so they could be mobilised for peace.

And Curtin believed that, given leadership, the Australian people would respond to the challenge of rebuilding the post-war society, as they had so splendidly to the supreme crisis of war.

We can now see that World War II acted as a catalyst for change - enormous change - in Australia.

Australian society and the Australian economy were fundamentally reshaped in the years between 1942 and 1949.

The governments of Curtin and Chifley accepted the Federal government's overriding responsibility for the management of the Australian economy, set the goal of full employment, vastly expanded the manufacturing and heavy industry base, transformed the social security system, established the post-war immigration scheme, reformed the banking system, accepted, for the first time, a share of Commonwealth responsibility for education, health, housing, power and transport - in short, established the framework of modern Australia.

One reform of immense significance was introduced as a direct response to the urgency of the war effort.

That was the establishment of the uniform tax system in 1943.

As I have said, the war was the catalyst which shaped modern Australia.

But the important thing to understand about the Curtin and Chifley Governments is that they were determined to react positively and constructively to the challenges and opportunities offered by the conditions the war had created.

The war was the crucible for change. Vast changes were inevitable. But it was the Curtin and Chifley Governments which forged the shape of change.

They were not prepared to stand aside while without structure or direction change overtook the Australian people. They would not allow change to overwhelm a nation unprepared and ill-equipped to cope with change or to meet the tremendous challenges of the immediate post-war years.

Both those governments believed that it was the proper role of the national government to accept responsibility for change, to identify great problems before they got out of control and to take the tough decisions to rectify them.

In short, they believed in leadership.

And it was post-war reconstruction, initiated by Curtin and implemented by Chifley, which laid the foundations for Australia's growth and progress for the next quarter of a century.

In March 1983, Labor was once again called on by the people of Australia in a time of crisis and in a time of great change.

Our urgent and immediate task was to achieve economic recovery.

But like the Curtin and Chifley Governments, we have never accepted that our only responsibility was to solve the immediate crisis.

And while I have never pretended to compare, in scale and scope, the crisis faced by the Curtin/Forde Government, there is this parallel: unless the efforts and sacrifices of the Australian people and Australian governments to overcome both crises were used to secure positive and permanent change and reform, then those efforts and sacrifices would have been, indeed, in vain. That was the approach of the Curtin Government. It is our approach now.

If as a government and a nation we do not use the new strength and vigour we have achieved together in the economy, to equip Australia to meet the challenges and adjust to the changes over the long years ahead, then we would be as recreant to our responsibilities as our predecessors were.

The approach we have adopted can be summarised in the words I used in the Policy Speech I delivered on behalf of the Party last November. I said:

We offer a continuing, coherent program - a firm ordering of priorities to build a prosperous, fair and caring society; a strong and dynamic nation harnessing to the full the talents of our people to meet even more effectively the challenges and opportunities of an increasingly complex world and an increasingly competitive Western Pacific region, in which our destiny has placed us forever; and a nation in which, as we strive to meet those challenges and to

reach those goals, all Australians, whatever their background, can truly feel that they are involved, that each has a part to play, in the real life and growth of a great nation.

In our first term, the emphasis was on achieving recovery through reconciliation. Now in our second term the task is to sustain the recovery without inflation and to achieve the structural reforms needed to maintain the conditions for growth.

For too long Australians tended to assume that with our abundance of resources, growth would come naturally, without real effort, and that the world would readily buy our surplus production.

And the result was that, in the halcyon days, opportunities were squandered to place our growth and the maintenance of our standards on an even firmer footing.

Now, that growth has once again been achieved - and this time by the efforts, restraint and responsibility of the whole community - we must ensure we do not make that mistake again.

The structure of Australian industry is constantly changing. In the past that change has occurred haphazardly, often destructively for both those who employ and those who are employed, and all too often without any real concern for the economic and social implications for the community.

We are therefore committed to encouraging, with the co-operation of business, trade unions and relevant levels of Government, the orderly restructuring of Australian industry. We want to see an industrial structure which is competitive, export-oriented and capable of providing increased, secure and satisfying employment.

We have demonstrated that this can be done in the steel industry which was facing extinction when we came to office. And we have shown it can be done in the motor vehicle industry.

If we are to maximise our own economic growth we must increasingly, as I have often put it, mesh our economy into the rapidly expanding economies of North-east and South-east Asia and the Pacific. Our policies will continue increasingly to be directed towards ensuring that we contribute to and benefit from the growth of these countries, not only in agricultural and mineral products but through a range of processed and manufactured goods and services, applying the best technology available.

We must, as a government, as a nation, continue to work systematically on long-term structural reforms designed to raise the capacity for sustained growth: in trade; in education; in the effective use of technology; in business deregulation; in manufacturing and rural industry, transport and other key economic sectors; and in taxation reform.

All these reforms involve difficult decisions. Many of them involve radical changes in conventional attitudes which have become entrenched over the years. But a government which shrank from the task of making those decisions and seeking to change entrenched attitudes would be unworthy of the great responsibility entrusted to it by the people of Australia.

True, there is always an alternative. There is always the soft option. There is always the temptation to settle for drift, decay and decline - the conservative approach so admirably summed up by Sir William McMahon as Prime Minister in 1972, when he announced: "We have made the decision to make no decision".

That was the approach of our predecessors throughout their seven years. More than anything else, it was their lack of political courage in office which led to the accumulation of the massive distortions and inequalities, not only in the tax system, but throughout the society and the economy.

So often they knew the right thing to do. They knew the urgent, necessary thing to do. They knew the action that should be taken in the best interests of the nation and the people. They knew what to do to give Australia a more competitive banking system. They did not have the courage to do it. Similarly, their nerve failed them when it came to the deregulation of the financial system and the floating of the dollar. They knew what should be done. They lacked the political courage to act.

And in no instance was their lack of courage and will so manifest as in their approach to Australia's tax system.

It was under their regime that tax avoidance and evasion became a national scandal and an indelible disgrace to the coalition which let it happen. When they had thrown the national economy into its worst crisis for fifty years, the tax avoidance industry was the fastest-growing industry in Australia, as Commissioner Costigan said in his interim report in December 1981.

Indeed, by then, with economic growth at zero, it was the only growth industry in Australia.

And to understand fully the urgency of the reform we are now tackling, it is necessary to put it squarely in the context of the legacy of those seven years of wasted opportunities and abdication of responsibility to the people of Australia.

We have now embarked upon a great national debate on tax reform. The starting point for any rational debate must be an understanding of the consequences of doing nothing, the consequences for the millions of ordinary Australian taxpayers - the middle and lower income earners who are bearing the brunt of the massively increased reliance on personal income tax under the existing system.

Let us understand clearly the dimension of the problem.

Today thirty-nine percent of full-time earners in the workforce are paying income tax at the forty-six cents marginal rate. Without significant reform, that number will be far in excess of fifty percent within three years. There would be three million out of the five and a half million full-time earners paying the forty-six cents marginal rate. That is, we are approaching the situation where for more than half the workforce, every extra dollar in the pay packet will be eroded by half.

Thirty years ago, the upper income earners - those above the present-day equivalent of \$35,000 - paid more than half the personal income tax collected in Australia.

Now, those in the upper income range account for only twenty percent.

And what has happened, of course, is not only that average earners are being pushed into the higher marginal tax brackets, but as PAYE taxpayers, they are bearing the burden of the tax avoidance devices available only to the wealthier sections of the community.

And these are some of the factors influencing our preference, as a Government, for a broadening of the tax base.

We are convinced that only in that way would we be able to ensure that tax is paid accordingly to capacity to pay.

The fact is, that as the system is now operating in Australia, the direct tax system has ceased to be genuinely progressive. It is just not achieving the purposes of equity and justice or efficiency which have been the reasons for Labor's traditional preference.

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We have now to look at the reality. We have to look at the totality of the system. And the reality is that the chief losers from the system as it is now operating in its totality are the ordinary working men and women the great Labor Party was formed to protect and advance.

But beyond our special responsibilities as a Labor Party, there are our wider responsibilities, as a Labor Government, to all the people of Australia.

We derive those responsibilities from the mandate twice given to us by the people.

And the clearest part of the renewed mandate conferred on 1 December 1984 related to our commitment to tax reform.

The commitment was specific. We were specific as to the means we would use. We were specific about the ends, about our objectives. We were specific about the process we would adopt in pursuance of those objectives.

I know of no clearer mandate ever given by the Australian people. I know of no clearer commitment made by an Australian government.

It is necessary to emphasise this fact, because there have been attempts by our opponents - and by some commentators who should know better - to suggest that the road to the national summit on tax reform began with some half-hearted, half-baked campaign promise made on the run.

It is very simple to explode such a myth. All that is necessary is to refer to the Policy Speech.

In that speech - our covenant with the people - I set the priorities for a second term.

I said that after the maintenance of strong, economic and employment growth with low inflation, our major priority at home for our second term was:

A genuine reform of the Australian tax system to promote growth and to ensure that the benefits of that growth are fairly shared and bring lasting relief on personal income taxes to the millions of ordinary Australian taxpayers.

And then, in the detailed section on tax reform - the core of our domestic program - I said:

The second major challenge for our next term of office is reform and a complete overhaul of

our tax system. That will be of fundamental importance to the task of national reconstruction.

And I said:

A thoroughgoing review and reform of the entire tax system will be central to all our tasks in our second term.

I set out the nine principles on which our reform would be based:

- . First, there must be no increase in the overall tax burden, as measured by the share of Commonwealth Government revenue in gross domestic product.
- . Second, any reform must continue the process already begun by this Government, and provide further major cuts in personal income tax.
- . Third, taxation changes must contribute to smashing tax avoidance and evasion which remain as features of the tax system which the Government inherited.
- . Fourth, any reform must lead to a simpler system which therefore all Australians can understand more easily, and which therefore makes tax avoidance and evasion more difficult.
- . Fifth, any reform package must result in a tax system which is fairer, so that Australians are only required to pay tax according to their capacity to pay, and the overall system must be progressive.
- . Sixth, any tax reform must not disadvantage recipients of welfare benefits, and should reduce or remove "poverty traps".
- . Seventh, if any reform package which includes changes in indirect taxes is contemplated, it must be acceptable to the various groups in the Australian community whose response will determine whether we can maintain moderation in wage movements.
- . Eighth, any reform must provide the best possible climate for investment, growth and employment in Australia.
- . Ninth, any reform package must have widespread community support, including support at a

widely representative national tax summit of economic organisations and community groups.

So it can be seen that we sought the clearest possible mandate for tax reform. We received the mandate we sought. We accept the responsibility conferred on us by the people.

To do otherwise - to attempt to shift or shelve our responsibilities - would be to turn our backs on all we stand for as a Government and a Party. But it would be more than that; in a very real sense, we would be turning our backs on the people of Australia.

And no Labor Government which is true to the traditions of the governments of which Frank Forde was a leading member can ever do that.

The process of tax reform which was given its mandate by the re-election of the Labor Government more than six months ago will reach a crucial stage with next week's national summit.

The specific purposes of this conference are of course very different from those at the national summit of April 1983 which so successfully laid the foundations for national reconciliation and national recovery.

One great difference is this:

The Economic Summit was called to bring Australians together in the fight against the worst economic crisis for fifty years.

The full extent of the crisis was plain to every Australian. It was a tangible part of the daily experience of us all. Our predecessors were able to conceal the growing inequities and inefficiencies of the tax system, in a way it was impossible to conceal the damage wrought by their economic policies before 1983.

By comparison, next week's summit is called to deal with a crisis which has not yet fully developed. Anticipation and prevention of crisis is often the most difficult and challenging task of statesmanship. The threatened breakdown in the Australian tax system can be prevented only if we have the courage and confidence to act now.

So in the very nature of things, the task for next week's summit - for the Government, the participants, and ultimately, for the people - is far more complex than the task of the 1983 Summit.

But the great factor both Summits have in common, is that their success ultimately depends upon the intelligence, maturity, common sense - and if you like, the enlightened self-interest - of the Australian people.

In the final analysis, it was the people of Australia who made the 1983 summit work. And so it must be in 1985.

It was, in John Curtin's phrase, "the inherent qualities of the Australian people" which enabled the Government of which Frank Forde was so distinguished a member, to take Australia triumphantly through its supreme crisis. I for one, will never be prepared to concede that those inherent qualities are any less evident, any less capable of responding to leadership, than they were forty years ago.

And that is why - without in any way discounting the difficulties and complexities of the task ahead - I am confident of a final outcome which will prove of enduring benefit to the people of Australia.
