



PRIME MINISTER

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OPENING ADDRESS BY THE PRIME MINISTER
HON. R.J.L. HAWKE, A.C., M.P.,
NATIONAL TAXATION SUMMIT - CANBERRA - 1 JULY 1985

It is with sincere pleasure that I welcome you all to the nation's capital to take part in this historic National Taxation Summit Conference. And I do so not only on behalf of the Australian Government, but on behalf of the Australian people.

Your presence here, your participation in this Conference, represents in itself a remarkable demonstration of the strength and vigour of the Australian democracy and the Australian democratic process.

The ultimate significance of this Conference goes beyond the all-important question of reform of the Australian tax system. For I believe that such a Conference on such a fundamental question - one that affects almost every aspect of the life and well-being of the nation and its people - could be held only in a country confident in itself, confident in the strength of its democratic institutions, and profoundly confident in its future.

Such a Conference for such a purpose could only be called together, with expectations of a positive contribution to tax reform, in a country characterised by a deep, underlying, sense of mutual confidence.

It involves mutual confidence between Government and people: a people with confidence in the sincerity, integrity and responsiveness of their elected Government as the instrument for the fulfilment of their hopes and aspirations, for themselves, their families and their nation; and a Government genuinely prepared to consult, to listen, to share knowledge, information and experience, confident in its own integrity of purpose and above all, confident in the intelligence and maturity of the people.

It is on that basis of mutual confidence that this Summit has assembled. It is on that basis, of mutual confidence, that I am sure we here, in our representative capacities, will proceed over the coming week.

And my confidence that this will happen reflects some of my deepest convictions about the character and capacities of the Australian people.

Since the presentation of the Draft White Paper on Taxation Reform, an enormous range and diversity of views, have emerged. But there has been one common factor, notably on the part of the groups and organisations which have already held meetings to discuss the issue or have made submissions to this Summit. I mention, by way of example, the meetings of business groups, the trade unions, welfare organisations, Labor Party State Conferences and the women's conference here in Canberra last weekend.

For all the inevitable divergence of views at this stage, the common factor in all those deliberations has been a recognition of the seriousness of the issue and an earnestness of approach in the quest for significant and lasting reform of the Australian taxation system.

And I am confident that that earnestness of approach will characterise this Summit and continue throughout this Summit.

I have stressed the role of this Summit as part of a democratic process uniquely Australian.

And I mean that, in both a general and specific sense.

Specifically, this Summit - as with the entire process of tax reform - derives its legitimacy from the will of the Australian people, as expressed in the national elections on 1 December 1984.

It is of fundamental importance that this fact should be established from the outset of this Conference, because it is of central relevance to its purpose.

The Summit itself was undertaken as a crucial part of the process by which the Australian Labor Government would fulfil the undertaking I gave to the people of Australia in these terms:

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.

I invite you to remember that commitment in its totality. There is a definite linkage between ensuring continued growth - fairly shared - and tax reform.

But let me at once emphasise this point : we say as a Government that genuine and lasting tax reform is central to our mandate from the people, and that this Summit is an integral part of the process we undertook to achieve that reform. Nevertheless we do not claim for a moment that this Summit Conference has any prior obligation to endorse the specific proposals we as a Government, have put as the best way we believe we can fulfil our mandate from the people and carry out the covenant we have made with the people.

At this Summit, I reaffirm our commitment to the totality of their mandate. And that of course, means reaffirming our commitment to the nine principles on which we undertook to base both the process and the program of tax reform.

In return, I now seek from the participants in the Summit, and from all Australians a commitment to rational, calm discussion and genuine examination of proposals. In particular, I ask that any components of alternative packages be examined as part of the whole and not in isolation.

We have asked you to come here to be a crucial part of a continuing process in the long and difficult road to tax reform.

Indeed, this is a road which has led directly from the original Summit - the historic National Economic Summit in April 1983.

The need for tax reform was recognised in the Summit Communique as an essential part of the long-term task of national recovery, reconciliation and reconstruction.

The Economic Planning Advisory Council - the ongoing machinery established by the Summit - set tax reform as a major priority in the work of achieving sustained non-inflationary growth.

In our preparation for this Summit, we have sought to discharge our obligations in the same way as we did at the Economic Summit - the obligation to provide the information on which informed judgements can be made, the obligation to indicate how we believe the community's objectives can best be achieved, and then - in the actual working of the Summit - the obligation to listen, to enter into a genuine dialogue, a genuine and meaningful exchange of information, views and ideas.

Equally, I stress at all times that this Conference and the outcome we hope from it, is in no way intended to be a substitute for the decisions and policies which must be the ultimate responsibility of the elected Government alone.

But we have always believed that effective policy cannot be made in a vacuum. We do not believe that in so complex a matter as tax reform we are the fount of all wisdom; or the repository of all available knowledge, especially as to how specific proposals may impact upon the daily lives of particular individuals, groups or interests, on whose behalf you yourselves are delegated to speak.

The very purpose of this Summit is to expose us all, not least those of us with direct responsibility for government decision-making, to particular viewpoints as well as the wider realities.

Nevertheless, if we are best to serve, individually and collectively, both those we represent and the community as a whole, it will require, from each of us, some capacity for the broader view and some tempering of narrower short-term sectional interests, with a sense of a wider, long-term, national interest.

I have put the Government's commitment to achieving significant tax reform in the context of the clear mandate we sought and received from the people of Australia at the last elections.

But in truth it would be a trivialisation of so important and far-reaching a matter as tax reform if it were to be viewed solely through the focus of the last election - or for that matter, the next election. Issues do not emerge at an election from a vacuum. They reflect reality; or at the very least, public perceptions of reality.

Tax reform is central to our commitment to the people because it is central to the economic and social objectives of a Government committed to growth, equity and efficiency.

But just as important, it is a problem perceived by the overwhelming majority of the Australian people - and correctly perceived by them - as impinging heavily and directly on their legitimate hopes for a better life in a fairer and more efficient society.

It is not a problem that can be responsibly or rationally approached by reference to election timetables, past or future.

The overriding consideration - and the starting-off point for meaningful, relevant, rational debate, here this week and throughout the community in the weeks and months to come - must be a realisation of the dimensions of the problem and a recognition of the consequences of doing nothing.

In particular, we all must have a clear understanding of the consequences of failure to achieve significant tax reform 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.

Today 39 percent of full-time earners in the workforce are paying income tax at the 46 cents marginal rate. Without significant reform, that number will be far in excess of 50 percent within 3 years. There would be 3 million out of the five and a half million full-time earners paying the 46 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 almost 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 20 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 mainly to the wealthier sections of the community.

It is true that tax avoidance and evasion on the massive scale which was allowed to take root and flourish from the mid-1970's transformed the personal tax system from a genuinely progressive system to a flagrantly regressive one, as it is exploited by some of the wealthiest and the most privileged sections of the community.

For its part, the Government will continue its attack on tax avoidance and evasion which has become the most regressive aspect of our tax system.

The Draft White Paper foreshadows further measures to extend that fight.

But it would deny all known experience to imagine that changes in laws and regulations, however desirable in themselves, can provide a lasting solution to the problems of avoidance and evasion.

The Draft White Paper points to one of the most serious aspects of this problem. It is not just the problem of a huge revenue loss.

The Draft White Paper shows how, as a direct and almost inevitable result of the operation of the present system, tax avoidance is becoming endemic and threatens to become entrenched almost as part of a way of life for a significant part of our great nation.

And that is something even more serious than the loss of revenue involved, because it goes to a loss in our national character, a loss to the quality and standards of our national life.

It will be seen, therefore, that in preparing for this Summit, and in our overall approach to the task of tax reform, we have had at the forefront of our concerns the need to restore equity, efficiency and integrity to the Australian taxation system.

It is becoming a system increasingly deficient in each of those fundamental qualities.

The Draft White Paper addresses itself comprehensively to these deficiencies and puts forward the Government's proposals to combat them. Of those proposals, the Government's preferred course is expressed in Approach C.

It contains, we believe, the elements required to achieve significant tax reform and the most effective way of achieving a fairer, simpler tax system which contributes to sustained economic growth.

Again, I emphasise the need to examine the proposal as a whole - to see it as a package.

The proposals for broadening the income tax base and for introducing a broad-based consumption tax can not be isolated from the substantial reductions in personal taxation they make possible. Neither of these interdependent proposals can be separated from the compensation provisions which are an equally integral part of the total package.

No section of the Draft White Paper was accorded a higher priority or greater attention to detail than that dealing with compensation for the disadvantaged and for low income earners.

As a Government, we are convinced that this section of our community would not only be adequately compensated but would be significantly advantaged by the changes proposed in Approach C.

Since the release of the White Paper, the Australian community has made it clear that it, too, shares the Government's concern about compensation and insists that the Government be very certain that any change in the taxation system does not disadvantage that section of the community least able to protect itself.

Accordingly, I now give this undertaking : under Approach C, the Government would establish an independent monitoring authority to gauge carefully the effect of tax reform. Its function would be to ensure that, should there be any unforeseen effects to the detriment of those in the lower income areas, they would be drawn quickly to our attention, to be rectified at once.

We believe that all the necessary protections have been included in the proposal. But we recognise that all Australians require an assurance that the least privileged among us will not suffer as a result of the changes.

And I give that assurance unreservedly.

Further, we understand the concerns of Australians and particularly Australian housewives about price rises which could not be justified by any changes in the tax system.

We have faith that the great bulk of the Australian business community would play the game fairly and not seek to exploit changes for unfair or unnecessary gain.

We would be actively seeking the co-operation of business and the States to ensure that this would not occur.

There are two final points I should wish to make of great relevance to the conduct of this Summit. The White Paper makes it clear that our proposals for tax reform are revenue-neutral, although the vast majority of taxpayers would be better off. I cannot stress too strongly that tax reform is not about increasing taxes - certainly not tax reform proposed by this Government. On the contrary, it is precisely because the present system has allowed Governments over the years to increase the tax burden by stealth, that reform has become so urgent.

And second, we recognise as a Government that the overall level of taxation is a reflection of the overall level of Government expenditure. We have demonstrated as a Government our commitment to expenditure restraint, including through our trilogy commitment and in the May Statement. We will continue to exercise that restraint as central to the achievement of our economic objectives for this nation, consistent with our broader obligations as a Government.

In indicating the Government's preferred course, I again emphasise that we do not come to this Summit with a closed mind on any aspect of the Draft White Paper. And I would hope that that will be the reciprocal attitude of all the participants at this Summit.

Clearly, given the size and complexity of the problem, it would be unrealistic to expect complete agreement at this Summit about the best means of achieving tax reform.

But it would be a tragedy for Australia if there were no tax reform at all because each political group and every interest group, each from its own entrenched position, was insisting on its version of the best package.

We can not underestimate the magnitude of the task.

We all know that the main reason why tax reform has so long been ignored, is that it is hard.

But the threatened breakdown in the Australian tax system can be prevented only if we have the courage and confidence to act now.

It is certainly in that spirit that the Australian Government approaches this great task.

It is a test for us all - certainly for the Government, for all of us here at this historic Summit, and for the people of Australia themselves.

In a very real sense, it involves a test of the Australian character itself. It will be a test of our maturity. It will be a test of our intelligence. It will be a test of our commonsense. It will be a test of our capacity for enlightened self-interest. It will be a test of the sincerity of our claims as a nation to be a people who believe in the fair go and the fair sharing of both opportunities and obligations.

And it is precisely because of my confidence, my deepest-held belief in the reality of those qualities in the Australian people, that we have embarked upon this course, knowing all the pitfalls and pressures and difficulties; and why I am absolutely confident of an ultimate outcome which will be of enduring service and benefit to all the people of Australia.

My friends, we know there is one thing upon which we and the overwhelming majority of our fellow Australians agree : the existing tax system is disintegrating to the point where it has ceased to be either fair or efficient.

Ours is the responsibility to approach with resolution the task of examining the ways towards the creation of a new system which will meet the legitimate aspirations of our people.

Let us now set about that task.
