

Another blow to the Howard government

Mike Head
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Former British prime minister Harold Wilson once remarked that a week was a long time in politics. The Howard government in Australia can now amend that to one day.

The unexpected defeat in the Senate last Saturday of its Bill to privatise the remainder of Telstra, the state-owned telecommunications company, has dealt a blow to the government's entire reelection strategy.

Prime Minister Howard and his cabinet colleagues had promoted the \$40 billion Telstra sale as a kind of political magic pudding, providing cash for a range of electoral bribes, including tax cuts, subsidised telephone services and compensation for people disadvantaged by the planned introduction of a consumption tax.

Before the vote, Howard, the leader of the Liberal Party, and his deputy Tim Fischer, who heads the National Party, spent days corralling rural-based National Party MPs into supporting the Telstra sale by pledging to reduce local phone call charges in remote areas, where the privatisation will see services decimated.

Fischer had boasted that with the Telstra package finalised, the government was 'back on track' and 'in the final straight' for an early election, just days after retreating from calling a double dissolution election (for both houses of parliament simultaneously) over the Aboriginal Native Title legislation.

For only the second time since Federation in 1901, the government had kept the Senate sitting on a Saturday, and in fact into the early hours of Sunday morning. It had even held the upper house back for a week of the winter recess on the expectation that it would pass the Telstra Bill.

A day before the defeat, Howard met for one and a half hours with an independent Senator, Mal Colston, who shares the balance of power in the chamber, only to have Colston vote with the opposition the next day.

Howard had previously pledged that the government would never rely on Colston's vote because the former Labor Senator is facing criminal charges of abuse of parliamentary travelling allowances.

Colston's vote against the Bill on Saturday night shocked both the government and the Labor leaders, who had only hours earlier attacked him for making a 'venal, mercenary and slimy, backdoor deal' with Howard to rubberstamp the sale.

The financial markets reacted swiftly to the debacle. International credit ratings agency Standard & Poors threatened the government with a downgrading, on the basis that the defeat undermined the government's commitment to cut official debt. 'The prospective failure of the Telstra privatisation increases the exposure of the Budget bottom line to a cyclical downturn in economic activity,' said S & P senior economist Stephen Kirchner.

With growing signs of global slump spreading from Japan and the rest of Asia, the money markets and the corporate sector are anxious for an election to be held within months, if not weeks, to clear the decks for new attacks on jobs and living standards. If an election is postponed beyond September the National Australia Bank has warned that the economy could be in recession, accompanied by rising interest rates. Already, business confidence is at a seven-year low and unemployment figures are over 8 percent.

What is more, the expected bonanza from the Telstra sale could evaporate. The \$40 billion price tag is based on the current dizzy spiral of international share prices, particularly for telecommunications and Internet stocks. A columnist in the *Australian Financial Review* commented on Tuesday: 'Meanwhile, the global market for telecommunications-related stocks is looking decidedly overheated and must crack soon, as must the Australian economy. The forecasts on which the Government's future Budget surpluses and the interest

savings from selling Telstra are based will need to be revised downwards soon.'

The government is caught in a political and economic pincer. The longer it delays an election, the worse will be the economy and, in all likelihood, the price it will receive for Telstra. The more it procrastinates, the greater the chance that the coalition government will unravel.

Now that an election is not on the immediate agenda, sections of the National Party, facing enormous discontent in the countryside, are openly opposing the Telstra plan and at least one National MP has called for his party to quit the government.

Meanwhile, the National Party's federal council and several state branches have passed resolutions demanding only a 49 percent sale. National Party Senators who voted for the Telstra Bill are being threatened with disendorsement. To add to Howard's woes, several Liberal MPs have joined the revolt.

There are similar rifts over the proposed Goods and Services Tax (GST), which has aroused intense opposition in rural areas as well as in the working class. Various National Party figures and at least one state Liberal leader have threatened to oppose aspects of the GST package, forcing Howard to delay its public release.

Elements within all the major parties fear being displaced by the extreme right-wing One Nation party, which has demagogically opposed the Telstra and GST plans while advocating the slashing of welfare, Aboriginal and immigration programs. Opinion polls suggest that National Party leaders, including Fischer and his deputy John Anderson, could lose their seats in the coming election -- a fate that may be shared by Labor leader Kim Beazley.

Whenever an election is held, the result could be a hung parliament, with neither Labor nor the Coalition able to form a stable majority. By presenting itself as an opponent of the political elites, One Nation could win a number of seats in the House of Representatives as well as the Senate, matching its success in the recent Queensland election.

The uncertainty and perplexity prevailing in all the capitalist parties was expressed by Mike Kaiser, the Queensland state secretary of the Labor Party. 'Politics used to be a nice linear equation but it's like a Rubik's cube now -- every time you move a piece the

consequences are unpredictable,' he said.

Whether the Howard government survives or not, the political unravelling is certain to continue. The money markets are escalating their demands for sweeping spending cuts and economic restructuring that will intensify the disaffection among broad layers of the population.

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