

Australian government in disarray after rejection of consumption tax package

Mike Head
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Just days after the introduction of its annual Budget, the Howard government in Australia is in turmoil following the collapse of months of intensive efforts to secure the parliamentary passage of its central political plank—the introduction of a Goods and Services Tax. A Cabinet meeting being held in the rural Queensland town of Longreach today has become an emergency gathering to consider the stunning blow that has been dealt to the government's plans.

On the face of it, the government's agenda was scuttled by a single speech in the Senate late last Friday afternoon. Right-wing independent Senator Brian Harradine announced that he would vote against the GST, leaving the government one vote short of a majority in the upper house. In reality, the political crisis goes far deeper.

In the first place, the GST is fundamental to the government's survival. Big business has long insisted on the switch to a sweeping consumption tax in order to slash corporate taxes at state and federal levels, as well as income tax rates for the wealthy. Treasurer Peter Costello foreshadowed a cut in the company tax rate to 30 percent. Moreover, the entire federal-state financial structure was renegotiated with the states to allow them to eliminate a battery of business taxes in return for receiving the bulk of the GST revenue.

In order to proceed with a GST in the face of overwhelming public hostility, the Howard government last October sacrificed its near-record majority in the lower house and called an early election, making the GST the focus of its election campaign. It narrowly escaped defeat. Support for both major parties—the ruling Liberal-National Party coalition and the opposition Labor Party—fell to post-war lows.

Now, just seven months later, after claiming for months that the election constituted a “mandate” for the GST, the government finds itself blocked in the Senate, totally lacking public support, bereft of any alternative GST package and beset by rifts re-emerging within its ranks. Government MPs have publicly indicated their dismay that the government had no “Plan B” in the event that negotiations with Harradine broke down.

Harradine himself was quite prepared to strike a deal with the government, in return for a few concessions. Government leaders, including Prime Minister Howard, spent months personally wooing the Tasmanian Senator with offers to implement aspects of his particular right-wing program, including the introduction of draconian legislation to censor Internet material under the guise of

cracking down on cyberspace pornography.

In a last-ditch bid for his vote, Howard and Costello met Harradine last Thursday and proposed trade-offs worth \$1.5 billion a year to supposedly cushion aged pensioners and welfare recipients against the inflationary impact of the 10 percent tax. Their offer merely increased pensions from 25 percent to 26 percent of average male weekly earnings, with a planned first-year compensation marginally increased from 4 percent to 5 percent.

These measures would still leave pensioners and welfare recipients far worse off in the long-term, not to mention the vast majority of working people struggling to survive on low and average wages. Harradine risked losing his own political support base if he backed the tax. As he conceded in last Friday's statement to the Senate, the GST is inherently regressive. It is designed precisely to shift the tax burden further from the rich to the working people.

Media opinion polls published today indicate that opposition to both the GST and the government has grown since the October election. Some 58 percent of those polled opposed the GST, up from around 50 percent last year, while only 36 percent backed it. The government itself has only 40 percent support.

In formal political terms, the government now has two options. It can attempt to cut a deal with the Australian Democrats, who will hold the balance of power in the Senate after June 30, or it can put the GST legislation to the Senate twice within three months, have it duly defeated, and then call a double dissolution election of both houses of parliament. Political, media and business commentators have described the latter course as “political suicide”.

For all the government's claims to have obtained a decisive endorsement last October, if it called a new election specifically on the GST it would almost certainly be defeated. Even if it scraped back into office again, there is no guarantee that it would command the numbers at a joint sitting of the two parliamentary houses. It would still lack a majority in the Senate because of the higher anti-government vote usually recorded in elections for the Senate.

Of even greater concern to the government is the fact that the corporate spokesman and media owners have made it perfectly clear that they are not prepared to wait any longer for the GST. They have lambasted the government for making a mess of its manoeuvres with Harradine and demanded that it reach an agreement with the Democrats as soon as possible.

“Mr Howard is left with the Democrats,” thundered the editorial

in the *Sydney Morning Herald* yesterday. “He has to face the question of whether it is worthwhile to implement some elements of his reform package at the expense of a much better system or wait like Godot for something to turn up to allow the whole package to be put in place.”

Politically, the knives are out for Howard, with renewed speculation in the media that he should make way for his deputy, Costello. Such talk was last heard in 1997 when Howard appeared to be stalling on the corporate agenda of a GST, severe spending cuts and a wholesale onslaught on working conditions. At that time a “travel rorts” corruption scandal was used to whip the government into line, culminating in last year’s waterfront confrontation, which saw a frenzied bid to smash conditions in the maritime industry.

Business is particularly furious with the government because companies have already spent tens of millions of dollars preparing for the GST on the expectation that it would be introduced, as scheduled, on July 1, 2000. Many firms—from leasing finance companies to funeral directors—are already charging customers for the new tax. According to a report in yesterday’s *Australian Financial Review*: “Retailers, telecommunications companies, banks and insurance companies have spent millions of dollars on GST-compliant information technology and systems.”

The article quoted outraged and exasperated comments from many business leaders. Carolyn Mall, head of GST practice for Ernst & Young, one of the elite accountancy firms told the newspaper: “Accounting firms have invested significant time and money in marketing, people, education and tooling up for the GST. So have lawyers, economists, publishers and software developers.”

As for the Australian Democrats, they are anxious to reach an accommodation with the government and satisfy the dictates of the market. “We really do need to sit down and talk to the government,” the Democrats’ leader Meg Lees said yesterday. Within hours, Howard and Costello arranged to meet her this Thursday for what is now billed as a “summit” to thrash out a new GST plan. “We are going to the meeting looking for some common ground,” Lees said.

The Democrats have set out an alternative GST package, which would trim several billion dollars off GST revenue each year but otherwise deliver the tax intact, with the added advantage of enabling the government and business to claim that the poor had been compensated for its impact. The Democrats’ plan would exempt fresh food items, together with some transactions involving several of the country’s most lucrative industries—tourism, book publishing and house building. At the same time, because the Democrats still portray themselves as an environmentally-concerned party, they have proposed limitations on the government’s plan to scrap a \$3 billion-a-year diesel fuel tax.

This latter proposition has sparked conflict in the ruling coalition. John Anderson, the deputy leader of the rural-based National Party, declared last Sunday that he and his leader Tim Fischer would resign if an agreement with the Democrats scuttled the diesel fuel rebate. This rebate, which would boost the profits of the agribusinesses, mining giants and transport companies that dominate the rural economy, was the only significant benefit that

the National Party claimed to have won from the Howard government since it was elected in 1996. If the rebate falls through, the Nationals fear losing further support to the far-right One Nation party, which has successfully exploited rural discontent over the past three years.

Anderson also revealed the disarray and uncertainty in government ranks when he foolishly admitted in a media interview that the government could finance income tax cuts to lower and middle income earners out of its \$5.4 billion Budget surplus, without the GST. This earned an immediate rebuke from Costello, who declared that all personal tax cuts would be dropped unless the GST proceeded.

Howard and Costello face acute political embarrassment because both have adamantly refused to countenance any exemption for food, claiming for months that the GST package would be unviable if it did not tax the full range of food, as well as every other basic item, including clothing. Howard initially reacted to Harradine’s announcement by raising the prospect of a double dissolution, only to be told by the media pundits to think again.

In the eyes of the corporate elite, the Howard government has now endangered the third major push to impose a consumption tax. The first came in 1986 when the Hawke Labor government convened a tax summit to thrash out a GST-style package. Hawke forced his Treasurer, Paul Keating, to dramatically scrap the scheme on the floor of the summit at the last minute on the advice of the leaders of the Australian Council of Trade Unions, who warned that a GST would demolish what remained of Labor’s base of support in the working class.

The second drive came in the two-year lead-up to the 1993 federal elections, when the Liberal-National Party coalition, then headed by John Hewson, staked its entire election campaign on the introduction of a GST. Its decision to do so allowed the discredited Keating Labor government to cling to office until 1996. Howard won the election of that year only after declaring that the GST was off the agenda for all time.

Today the Howard government is in severe crisis, but it can stagger on because the working class remains politically sidelined. None of the parliamentary parties—including Labor—will ultimately oppose the corporate demand for a consumption tax. Yet the fate of the GST—and the government itself—is being left in the hands of various capitalist politicians. The extreme weakness of the government and the wider hostility toward the entire political establishment need to be translated into an independent movement of the working people, not just against the GST but the underlying economic order that is dominated by the requirements of corporate profit.



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