

Australian mining tax deal to slash benefits for low-paid

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As the result of a backroom deal struck between the Abbott government and the right-wing populist Palmer United Party (PUP), the Australian parliament this week swiftly passed a bill to repeal the previous Labor government's mining tax and phase out a series of welfare payments and low-income tax concessions.

The package negotiated with mining magnate Clive Palmer's party and other cross-bench senators sets the stage for similar horse-trading to try to resolve an acute political crisis over major structural austerity measures in the government's budget, which was handed down in May.

Abolition of the mining tax remained a central demand of the corporate elite, even though the previous Labor government designed it to ensure that the mining giants paid little or nothing. Companies such as BHP Billiton and Rio Tinto insisted on its removal, claiming that it caused bureaucratic red tape and damaged Australia's reputation with global investors. Up until this week, Palmer's PUP, posturing cynically as a champion of working people, refused to support the tax's abolition unless related welfare items were retained.

Under the deal, PUP's three senators voted to scrap the minerals resource rent tax in return for delaying the abolition of the welfare measures associated with the tax, rather than immediately abolishing them as the government had wanted to do. It also further postpones increases to employers' compulsory superannuation contributions. The government calculates that these changes will still reduce public spending by \$50 billion by 2023.

Under the agreement, the government will abolish superannuation tax concessions worth \$500 a year for people on low incomes from July 2017; an annual welfare top-up payment of \$215 from December 2016,

and a "school kids bonus" of up to \$810 a year, from 2016, and immediately for households on annual incomes of \$100,000 or more.

Phasing out the tax concessions and welfare supplements will deal a substantial blow to low-paid workers and their families, on top of cuts to health care, education and other social services already imposed when the main budget appropriation bills were passed in June.

As the PUP-negotiated deal was announced in parliament, Finance Minister Mathias Cormann released a letter conveying the government's appreciation for "the very constructive approach taken by the Palmer United Party in helping to remove the mining tax in a fiscally responsible way." Cormann also thanked the other senators involved in negotiating the package: Ricky Muir from the Australian Motoring Enthusiast Party, David Leyonhjelm from the Liberal Democratic Party and Bob Day from Family First.

Employer groups also have generally welcomed the delay in increased compulsory contributions into employee superannuation funds. The previous Labor government had planned to phase in an increase from 9 percent to 12 percent by 2019–20. The Abbott government had proposed a two-year delay but, under the deal with the PUP, the full 12 percent will not be introduced until 2025.

The compulsory superannuation scheme introduced in the 1990s was billed by the Labor government as a boon for workers. However, its main purpose was to reduce public spending on pensions while providing a huge pool of cash to the financial markets. Employer contributions, as well as being tax deductible, were also offset by deals with the trade unions for reduced wage increases.

Sections of the financial elite have objected to the

delay claiming it will strip an estimated \$128 billion from the huge pool of money—currently about \$1.8 trillion—in the hands of the financial markets via the superannuation funds.

Other voices, including former Prime Minister Paul Keating, whose government introduced the scheme, criticised the delay as short-sighted as the current superannuation contributions do not provide an adequate retirement income. Some 80 percent of retirees still receive pensions, the same level as 20 years ago.

Palmer and the government have responded with the absurd claim that the delay will benefit workers by putting more money in their pockets, because employers will grant pay rises instead. The opposite is the case. Real wages have already fallen over the past year and business leaders are demanding further reductions to be “internationally competitive.”

Following the mining tax repeal, similar deals are being canvassed to push through additional highly unpopular big-ticket budget items that require separate legislation. These are structural measures to reduce social spending and dismantle welfare entitlements over the next decade. They include imposing upfront fees to see doctors, increasing the pension age to 70, cutting young unemployed workers off the dole for months at a time, and deregulating university fees. Palmer’s PUP has already floated so-called compromise versions of these plans, and has been in negotiations with various government ministers for weeks.

Corporate media outlets pointed to the wider implications of the government-PUP package. *Australian* columnist Dennis Shanahan declared it was a “huge political and policy win” for the government. “It demonstrates the Coalition can negotiate legislation through the Senate and undermines the impression of a Senate deadlock and an ungovernable nation.”

The *Australian Financial Review* insisted that the deal had to be just the beginning of a stepped-up drive to impose the full budget agenda. “[T]he Abbott government can still claim to be inching forward on its mandate to fix the budget,” its editorial stated yesterday.

These newspapers have spearheaded incessant demands by the financial elite for structural cuts to welfare and other social spending, in order to drive

down business taxes and wage levels, and boost profits. Last month, confronted by widespread, ingrained public hostility to its austerity offensive, the government dropped claims of a “budget emergency” in order to give itself time to strike deals behind closed doors with the PUP and other senators.

The PUP package makes a mockery of the claims, maintained for months by Labor and the Greens, assisted by the organisers of “March Australia” protest rallies, that the budget would be blocked in the Senate. These rallies were used to defuse the immense opposition to the budget, and divert the anger back into the parliamentary framework. Palmer’s party was even lauded at these protests, alongside anti-Liberal demagoguery designed to promote illusions that the return of another Greens-backed Labor government would moderate the assault.

In reality, the previous Greens-backed minority Labor government began the wholesale cutting of welfare, including by pushing sole parents onto sub-poverty level unemployment benefits, generating the first real decline government outlays in post-World War II history. Moreover, Labor and the Greens helped pave the way for the PUP package, and other similar deals in the works, by passing the budget’s appropriation bills in June.

These bills gutted health and education funding, especially grants to the states, while boosting military spending by 20 percent over two years, on top of increases already made by the Labor government. As the Labor and Greens leaders declared in parliament, they voted for the budget’s main bills to prevent a political crisis—one that could paralyse the government and trigger a movement that could escape out of the control of the political establishment.



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