

# Australian political crisis deepens with humiliating defeat of PM's state taxing plan

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2 April 2016

Prime Minister Malcolm Turnbull suffered a humiliating defeat at yesterday's Australian Council of Australian Governments (COAG) meeting with the state and territory leaders.

Just 48 hours after publicly floating a supposed grand plan involving the restructuring of the Australian federation to give the states income tax powers, Turnbull was forced to "withdraw" the proposal.

The COAG communiqué declared: "There was not a consensus among the states and territories to support further consideration of the proposal to levy income tax on their own behalf." This dashed Turnbull's hopes of getting through at least a face-saving formulation that the COAG leaders "agreed to consider" the plan.

"There isn't anything like a consensus," Turnbull acknowledged at the COAG media conference. His model was "finished," he declared. "It's withdrawn, it's not acceptable."

Two days earlier, Turnbull had suddenly announced that he would ask the state and territory chief ministers to agree to "the most fundamental reform to the federation in generations." But he provided no details, and reportedly gave the COAG leaders nothing in writing, even at the meeting itself.

This defeat provides yet another insight into the accelerating crisis of Turnbull's government. The *Australian's* political editor Dennis Shanahan wrote today it "made it look like the new Prime Minister cannot deliver on his big ideas because of a lack of authority, negotiating skill or preparation."

Turnbull, however, was not the only one involved. The entire cabinet apparently signed off on the proposal. According to the *Australian*, Cabinet Secretary Arthur Sinodinos and Treasurer Scott Morrison had worked on the plan, along with Assistant Productivity Minister Peter Hendy, a former business industry spokesman.

In reality, Turnbull's "grand idea" was a scheme by his Liberal-National Coalition government to make the state and territory leaders bear the blame for sweeping cuts to health,

education and other social spending.

Under the proposal, in return for partially restoring income tax powers to the states from 2020 onward, the federal government would slash its grants for public hospitals and other social programs. Most significantly, it would cease providing any funding at all for public schools, while continuing to finance religious and other private schools.

The chief ministers, both Coalition and Labor, immediately threw out the plan, fearing popular opposition and an electoral backlash would erupt over deep cuts to the already chronically-underfunded state public hospital and school systems.

According to the *Australian*, the draft communiqué "seemed to keep Mr Turnbull's idea alive," but two Labor premiers—Victoria's Daniel Andrews and Queensland's Annastacia Palaszczuk—"spoke out at 10.30 a.m., one hour into the meeting, to ensure a new sentence was inserted to drop the proposal."

Treasurer Morrison, Turnbull's chief finance minister, reportedly backed that move, further pointing to the rifts and crisis wracking the government. The chief ministers agreed to consider rival—but equally vague—proposals by Morrison to "share personal income tax revenue with the states" and "reduce the number of tied Commonwealth grants to the states."

The tax-shifting scheme was Turnbull's second desperate manoeuvre in two weeks. It followed his abrupt move on March 21 to threaten a rare "double dissolution" election of both houses of parliament on July 2, in at a bid to break a deadlock in the Senate, where a number of so-called independents have blocked key government spending cuts since 2014.

Six months after ousting his predecessor Tony Abbott, Turnbull is trying to answer mounting criticisms from the corporate media and financial elite that he has done nothing to deliver on his promise to better "sell" the full austerity offensive that Abbott had failed to inflict on a deeply disaffected population.

Since Abbott was deposed via a party-room coup last

September, the economic situation has worsened sharply. The two-decade mining boom has further imploded, driven by the slowdown in China and the intensifying global impact of the 2008 financial breakdown. Continuing falls in export commodity prices, mine closures and corporate collapses have badly eroded big business profits and share prices. Government tax revenues have been hit, causing multi-billion dollar blowouts in state and federal budget deficits.

While the chief ministers sank Turnbull's plan, they had no basic differences with imposing the burden of this sharp reversal onto the backs of the working class, including via severe cuts to public hospitals and schools.

At the COAG media conference, various premiers protested, for electoral purposes, about the "fiscal gap" between their depleted revenues and the expenditure needed to maintain services. However, they effectively endorsed the \$80 billion cut to health and education funding over the next decade that was unveiled in the Abbott government's 2014 budget, but blocked in the Senate by the combined votes of the Labor opposition and various independents.

For all their posturing about this "gap," the Labor premiers joined their Coalition colleagues in expressing gratitude for a pitiful \$2.9 billion in hospital funding offered by the federal government for 2017–20, to supposedly make up for the \$57 billion due to be cut by 2024–25. They also agreed to no extra funding for schools, to cover the \$23 billion already cut from the education budget, in return for "discussions on new funding arrangements" by early 2017.

Turnbull declared that the financing of hospitals and schools would have to take place within "the existing fiscal envelope" by "stretching our dollars further" because all governments faced "serious structural budget problems."

What this will mean in practice is a deepening crisis in public hospitals and schools. Even more hospital beds will close and waiting times will lengthen further, endangering the lives of increasing numbers of patients. Schools in working-class and regional areas will be deprived of the most essential facilities and support services.

Turnbull also punctured the fraud that has surrounded the extra \$80 billion in funding, which was promised to the chief ministers by Julia Gillard's Labor government at a 2011 COAG meeting. Turnbull observed that the pledge was "never credibly funded."

In fact, the 2011 package was concocted just as the mining boom was starting to show signs of ending. In response, Gillard began gutting social spending, including by cutting sole parents off welfare benefits, but held out the phony prospect of expanded funding for schools and hospitals in the decade ahead.

The continuity between Labor's cuts and those brought forward under Abbott and Turnbull was underscored by a

provision in yesterday's COAG communiqué. It said that the \$2.9 billion hospital funding agreement "preserves important parts of the existing system, including activity based funding and the national efficient price" to reduce "unnecessary hospitalisations."

These were mechanisms fashioned by the Labor government to drive down health funding by setting ever-lower "efficiency" prices for medical procedures.

Media commentators expressed bewilderment at the COAG debacle. *Australian* editor-at-large Paul Kelly, for example, commented that this had been "a bizarre end to a bizarre week." At the same time, Kelly claimed it was a "precious defeat" for Turnbull because it spared him from going to the looming federal election saddled with an "over-ambitious big idea" that "exposed the brittleness of his government."

This alarm is driven by corporate and financial requirements for the government to do much more than slice \$80 billion off health and education spending. The ruling elite is demanding a full-scale assault on social spending, along with the slashing of jobs, wages and working conditions.

Today's *Australian* editorial declared the need to end the "unaffordable" level "of 'free' health and education services" and the "largesse" of welfare payments. It concluded that Turnbull had to "sell that unpopular but vital message to voters."

Hidden away in the COAG communiqué was information that police powers are being boosted, and fundamental legal and democratic rights overturned. Under the cover of "countering violent extremism," the chief ministers agreed to draft two draconian sets of matching federal and state laws. One would give police greater powers to detain suspects without charge, and the other would permit the indefinite detention of "high-risk" offenders after they finished prison sentences.

As with the previous measures introduced in the name of combatting terrorism, these provisions set new precedents, which will be used more broadly against those regarded as a threat to the government and the existing economic and political order, including workers and young people fighting the ever-escalating assault on fundamental social rights.



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