

Australian government facing defeat over energy policy and company tax cuts

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There has been renewed political turmoil since the Australian parliament resumed this week. During the long winter break, the Liberal-National Coalition government suffered serious blows in five simultaneous by-elections on July 28, two of which it did not even contest.

Such is the hostility toward the government that in one electorate, just north of Brisbane, the Queensland state capital, its vote fell below 30 percent. Neither of the two other main parliamentary parties, Labor and the Greens, fared much better in any of the seats, pointing to deepening political disaffection after years of falling wages, social spending cuts and soaring living costs.

Already, it is clear from the events of this week that the government's two signature policies are in tatters. They are multi-billion dollar tax cuts for the largest companies and a so-called National Energy Guarantee (NEG) to resolve a decade-long impasse over energy policy, which has blocked corporate investment and sent electricity prices sky-rocketing.

Increasingly, Prime Minister Malcolm Turnbull's government seems incapable of legislating either of these policies, both long demanded by the financial elite.

Despite formal denials, the government is preparing to abandon the tax cuts, perhaps after one final token effort to get them through the Senate. The NEG bill, which has yet to be made public, seems doomed also, unless the opposition Labor Party backs it. At least 10 government members are reportedly threatening to cross the floor to vote against it.

The frustrations in the ruling class with the government, which has barely clung to power since winning only a one-seat majority in the 2016 election, are intensifying. These have been aggravated by the global uncertainties generated by the Trump administration's pursuit of trade war and militarism, which particularly imperil Australian capitalism's lucrative Chinese markets.

The turmoil wracking the government has now reached

the point of media speculation that Turnbull could soon face a leadership challenge, or a defeat on the floor of parliament. Turnbull must call a federal election by May, but his government may not last that long.

Various groupings within the political establishment, including the Coalition's most right-wing elements around Turnbull's ousted predecessor Tony Abbott, and the pro-business Labor Party led by ex-trade union boss Bill Shorten, are positioning themselves to capitalise on the government's anticipated fall.

Any government formed as a result of such machinations will be even more authoritarian and committed to imposing the requirements of big business than any of the five short-lived Labor and Coalition governments since the 2008 global financial breakdown.

Australian columnist Nikki Savva, a veteran former Coalition ministerial adviser, yesterday spotlighted Labor's moves to reassure the corporate aristocracy that its policies will protect their profits, regardless of its campaign rhetoric about opposing inequality and handouts to the "big banks and transnationals."

Savva offered an inside view of last week's closed-door business briefing hosted by the Labor Party. Corporate executives paid \$11,000 a head to confer and dine with Shorten and other shadow ministers, tipping more than \$1 million into the party's coffers. Savva wrote of "exuberant Labor apparatchiks" advising business leaders, "only half joking," to "get accustomed to saying 'Prime Minister Shorten'."

At Tuesday's Coalition party room meeting to endorse the government's proposed NEG, Turnbull and his supporters secured a majority, but about a dozen MPs threatened to vote against the NEG bill in parliament, which would leave Turnbull relying on Labor's support.

The dissidents include some prominent figures, such as ex-National Party leader Barnaby Joyce and Andrew Hastie, who chairs parliament's security and intelligence

committee. Several government ministers are rumoured to be considering resignation, including Home Affairs Minister Peter Dutton, the most senior member of the government's conservative faction and regarded as a potential leadership challenger.

Abbott seems intent on bringing Turnbull down. He described the government's explanations of the NEG as "merchant banker gobbledygook." That was an obvious reference to Turnbull, a former merchant banker. Turnbull in turn branded opposition to the NEG as "idiocy."

While bitter, these differences are not primarily personal. Abbott and his camp are hostile to the NEG because it cuts across the interests of the coal mining industry, which recently reclaimed its status as Australian capitalism's No 1 export, expected to be worth \$58.1 billion this financial year. Despite the closure of some antiquated coal-fired plants, coal continues to fuel about 63 percent of the country's electricity supply.

Abbott and others are demanding the removal from the NEG of an already inadequate target of reducing carbon emissions by 26 percent by 2030, derived from the UN Paris climate accord. They are calling for the creation of a multi-billion dollar fund to subsidise the building of new, supposedly environmentally "clean," coal-fired plants.

For years, the financial elite has been demanding bipartisan support for some kind of emissions-trading scheme to provide certainty for corporate investors by boosting profit prospects for power generation, including "clean" or green projects. Turnbull's NEG is an attempt to straddle between the two camps by facilitating investment in renewable energy plants, while leaving the door open to more coal projects.

Acutely aware of intense popular unrest over retail electricity prices, which have almost doubled since 2005, the coal-aligned dissidents are also demanding that the NEG include a mechanism to cap prices.

Working-class households are paying hundreds of dollars a year extra for electricity, exacerbating a worsening social crisis, with household debt levels the highest in the world. Small businesses and farms are also being hit, while large corporations are able to negotiate lower bulk prices.

Turnbull and his supporters, backed by most of the financial elite, have fatuously claimed that the NEG will stoke investment in the industry, supposedly increasing supply and curbing prices.

Yesterday, however, in a last-ditch bid to avert defeat, Turnbull said the government would resort to what the *Australian Financial Review* called "heavy-handed

intervention" to prevent electricity companies gouging customers. No details have been provided of this scheme, which the government is said to be scrambling to present to another Coalition party room meeting next Tuesday.

All talk of capping or curbing prices is a hoax. Household charges have gone through the roof because successive governments, both Coalition and Labor, have privatised the electricity industry over the past two decades, creating a national "market" in which oligopolies inevitably drive up prices.

The Keating Labor government initiated this process during the 1990s, claiming that a "national competition policy" would deliver significant benefits to consumers by providing incentives to producers to be efficient, innovate and lower their prices. In reality, rampant profiteering developed.

This drive deepened under the Labor government of Julia Gillard. Its 2012 Energy White Paper demanded that state governments privatise the remaining electricity assets, then estimated to be worth more than \$100 billion, delivering bonanzas to the financial markets.

Over the past week alone, the "big three" power companies have announced record profits. AGL Energy, the biggest retailer and generator, reported that its before-tax operating profit jumped 20 percent to \$2.23 billion. Origin reported a before-tax operating profit of \$1.81 billion, up 21 percent, and Hong Kong-owned EnergyAustralia said its first-half after-tax profit rose to \$375 million, from \$129 million a year ago.

While seeking to exploit the government's apparent death rattle, the Labor Party, backed by the trade unions, is positioning itself to continue the pro-business offensive that it mounted under Hawke and Keating from 1983 to 1996, and under Rudd and Gillard, with the backing of the Greens, from 2007 to 2013.



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