THE SENATE

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX IMPOSITION—EXCISE) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX IMPOSITION—CUSTOMS) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX IMPOSITION—GENERAL) BILL 1998
A NEW TAX SYSTEM (GOODS AND SERVICES TAX ADMINISTRATION) BILL 1998

A NEW TAX SYSTEM (GOODS AND SERVICES TAX TRANSITION) BILL 1998

A NEW TAX SYSTEM (AUSTRALIAN BUSINESS NUMBER) BILL 1998

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A NEW TAX SYSTEM (END OF SALES TAX) BILL 1998

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A NEW TAX SYSTEM (COMPENSATION MEASURES LEGISLATION AMENDMENT) BILL 1998

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A NEW TAX SYSTEM (LUXURY CAR TAX) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—GENERAL) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—CUSTOMS) BILL 1999

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—EXCISE) BILL 1999

A NEW TAX SYSTEM (INDIRECT TAX ADMINISTRATION) BILL 1999

A NEW TAX SYSTEM (WINE EQUALISATION TAX AND LUXURY CAR TAX TRANSITION) BILL 1999

Second Reading

SPEECH

Tuesday, 20 April 1999

BY AUTHORITY OF THE SENATE
Senator FAULKNER (NSW) (11.01 am)—A GST based tax system has actually gone through the policy mill twice, in 1985 and 1993, and both times it was comprehensively rejected. In 1995, John Howard admitted that he would never contemplate a GST again. Australians have never supported a GST and they never will. At the last election, the Liberal Party received less than 49 per cent of the two-party preferred vote for the House of Representatives and, even now, polling published last week shows that 54 per cent of the electorate rejects the GST, while only 40 per cent supports this policy.

So why are we here debating this stinking dead cat? We know that John Howard is awkward and uncomfortable in the international sphere. We know that he despises public health and public education—`public' anything. We know that Mr Howard wants to keep the Constitution locked in 19th century aspic and so is opposing the republic and attempting, through the tawdry exercise of attempting to write his own preamble, to throw the referendum.

We know that John Howard early last year decided that he needed a plan to look like a real Prime Minister. This realisation came after he had concocted the $10 billion black hole, a shabby exercise to slash necessary services which hurt and enraged millions of Australians. After looking at the polls and finding Australians comprehensively underwhelmed by his leadership, Mr Howard decided to introduce a GST—something he said he would never, ever do.

Why tax? Tax is the only area where the Prime Minister gets truly passionate. He loves fiddling with the tax system. He actually looks vaguely enthusiastic when he talks about tax. So Mr Howard and Mr Costello ran a softening-up exercise, claiming that the tax system that we have was ramshackle and falling to bits. The eminent economic modeller Professor Dixon was asked point-blank if the Treasurer was correct in claiming that the taxation system was ramshackle and falling to bits. He answered:

I just hated all those adjectives, to tell you the truth. I looked at that ANTS document, looking for a substantive argument. `Ramshackle', `1930s', `Botswana'—this is not economic argument. This is just some sort of lightweight rhetoric.

In evidence before the Senate select committee, Professor Dixon told the committee that you had to ask whether it was indeed worth while even bothering to convert to a GST based system. In fact, it is predicted that the budget surplus will be around $8 billion or $10 billion. And when the Treasurer stands in the House on budget night and announces the size of the surplus, ask yourself if this is the surplus of a ramshackle tax system and if this is the result of a deteriorating tax base.

But the Prime Minister had decided that he was going to look like a fearless leader by advocating a new tax system. So, last August, 17 days before the election was called, he and the Treasurer released their election proposal and then proceeded to spend $20 million of public money promoting it. Mr Howard knew that to win the election he would have to engage in a spin exercise so huge and so ruthless that it would dwarf any precedents.

The Prime Minister went for broke. Let me provide a few statistics. At least $8 million worth of television advertisements were shown around the country, outspending the entire annual budget of Pepsi and outspending Toyota, McDonald's and Coca-Cola combined, over a three-week period. The government ordered the printing of 50,000 copies of their glossy ANTS publication, launched with great fanfare on 13 August, and they are now in the process of pulping 42,000 copies, at great cost to the taxpayer.

On the day the election was called, and on the days after, on 1, 2, and 3 September, $188,254 worth of newspaper advertising appeared in 98 regional newspapers, because cancellation requests had come too late. More than $2 million was spent on GST information call centres, which never properly worked over the 15 days of their operation. It was strange that, in the raft of government advertisements, there was never one mention of the proposed revenue raising mechanism, the GST. All that Australians saw was table after table of income tax cuts—that were not to be fully funded by the GST but largely by the existing surplus.
When the ANTS package was announced on 13 August last year, there was no time for detailed debate—just a series of too-good-to-be true cameos of families and incomes. Mr Howard and Peter Costello invoked the integrity of Treasury modelling with their ‘no losers’ claim. After all, if you cannot believe in Treasury, who can you believe in? On the Sunday program this week the Prime Minister asked Laurie Oakes, ‘Have you seen in your lifetime in politics, have you seen an incumbent government be so open in the detail of a major policy in an election campaign as we were last time? What a joke. I recall that John Howard said on the record in the Sydney Morning Herald in 1987:

I think part of the disillusionment of people with politicians is their dogged determination to try and have it both ways—to be a macho generalist but benignly specific.’

John Howard wheeled out his macho generalist general, Mr Costello, who ignored specifics throughout the election campaign. During the campaign period any independent economic modeller who stuck their head up and got into the specifics of the tax plan, such as job losses, and dared to criticise the integrity of the package was buried in an avalanche of derision.

Kim Beazley took John Howard to task. We fought the campaign mainly on tax, and Labor clawed back 20 seats—a massive comeback. The Liberals won less than 49 per cent of the two party preferred vote in the House of Representatives while, in the Senate, 61 per cent of the vote was recorded for parties which wholly or partly oppose a GST. You do not have to be a rocket scientist or even Peter Costello to work out the intention of the voting public in that electoral statistic. The electorate had applied, at minimum, an amber light to this chamber. The voters said, ‘Either don't pass the GST, full stop; or don't pass it in the form the government wants.’

After the election John Howard went into firm denial that the Australian electorate had sent him a message, and he is still in the land of denial. He repeated the word ‘mandate’ like some form of desperate mantra. He abused the Senate. He got people such as Senator Coonan to fly kites about Senate reform. Peter Costello abused all and sundry trying to stop a Senate committee, a committee that was always an inevitability. He said, ‘You don't need an inquiry. I can make available all the material that senators want. We have all the material they require.’ We know the government had no material on the employment implications of a GST—they never modelled it; on household expenditure effects and the interaction with the social security system; on health outcomes of taxing food and over-the-counter medicines; on the effect of the GST and diesel price cuts on cleaner fuels and the environment. All four areas were cynically ignored.

What the Treasurer was offering the Senate, prior to the committee, was cameos based on the rosiest assumptions he could come up with—a 100 per cent flowthrough of savings up the GST food chain, and a 1.9 per cent inflation effect. It was a massive cover-up from the Treasurer. What he had prepared was astonishingly inadequate for a government claiming to be intent on a renovation of the Australian tax system. Instead he used Treasury to prepare pre-election rhetoric rather than a full-scale micro and macro examination of the policy proposal.

John Howard in his usual pig-headed performance on the Sunday program last weekend said that his tax package was subject to an exhaustive debate and that every opportunity was given to the people. The tax debate raged on through the election using information that was at best superficial and, at worst, just plain wrong. It was up to the Senate committee to expose this deliberate and fraudulent tactic. And they did. Labor wanted a single Senate select committee to thoroughly vet the proposed tax system. We still think it would have been the best model. But we ended up with a workable committee.

Let me talk about the committee process. It was a long hard slog over four months. The 1,500 or so groups and individuals who put in submissions had a very short time to do it. The Senate funded extra modelling. The discussion between senators and witnesses was also extremely informative, despite the spoiling tactics of the coalition. As evidence came out and informed participants, many changed their views. ACOSS originally came to the table arguing that food should be excluded to protect the poor. By the end of the process ACOSS had shown that 990,000 families and their two million children will be worse off with the GST. Even on the last day Professor Harding changed her view after hearing new evidence from Treasury about the integrity of the compensation measures.

Thanks to the Senate, the public has a better understanding of what Mr Howard is contemplating. This is the parliamentary process at work exposing the hype and the lies that Mr Howard and Mr Costello had presented to the public over their 17 days of taxpayer funded gloss—or to quote one modeller, Professor Dixon, their
'lightweight rhetoric' and, as the father of Fightback, Dr Hewson, referred to it, 'the Goebbels chant of "There will be no losers".'

It is a great pity that the committees had not gone to work prior to the 1998 election on these issues. But I believe we have a situation where the opposition has more than caught up with the government on the realities of a GST. And we have certainly caught the government out. When Mr Howard, on the Sunday program, said of pensioner compensation, 'That is a promise we made in the election campaign, and that is being honoured in full, and nothing that Harding, or Warren, or Hewson or anybody else has said has blown a hole in it,' Laurie Oakes replied, 'Well, I think the rest of the world would disagree with you, Mr Howard.'

So what about these promises? Let us look at John Howard's ambit claim and what the Senate committees discovered. Launching the new tax system on 13 August 1998, John Howard said:

It will boost growth. It will boost jobs. It will improve fairness. It will create greater incentive. It will improve the business climate. It will reduce the operating costs for business in country Australia. It will simplify and make more humane and sensitive the interaction between the tax system and social security system.

There were seven promises in a couple of sentences. After the Senate committee hearings it is obvious that not one of those promises stacks up. Not one. All of those promises are rotten-to-the-core, non-core promises. Treasury admitted that the government's claims on growth were simply an assumption. Most modellers, who do not take the rosy assumptions which were imposed on Treasury by Peter Costello, state that either there will be little change in the employment levels or, at worst, almost 120,000 people, mostly in the service industry, will lose their jobs as inflation pushes a new round of wage demands and as employers fail to pass the savings up the GST food chain. Only the government believes there would be an immediate 100 per cent passing on of savings. Not one other pro-GST or anti-GST advocate could swallow that assumption.

The Prime Minister has never explained how a GST will create greater incentive—after all, it is a tax on everything. The new compliance cost to small and medium sized businesses is estimated to be $7,000 and most will have to employ accountants to keep track of their tax payments and claims—to fiddle with inputs, exemptions and the various categories of taxed and non-taxed items from now until forever.

As for John Howard's claim that the new tax system is more humane, it is just plain wrong. More importantly, it is deliberately deceptive. It is the central deceit in the whole GST debate. There is no doubt that the poor will lose and that is one of the main reasons why Labor is implacably opposed to this tax.

Mr Howard said of his cameos, 'These figures have not been dreamt up in the Prime Minister's office. They have been run through the rigour of Treasury cynicism when it comes to figures.' Mr Costello said at the Press Club that there had been 'lots of modelling' done on the tax system. When, finally, realistic assumptions were examined, Professor Ann Harding told the ABC last week:

What the modelling by Professor Warren and myself and others on the NATSEM team showed was that the package, as structured, is not very fair.

This is what one of the architects of Fightback, the much quoted Professor Neil Warren, said in the Financial Review last Tuesday:

The Government's compensation package is not adequate . . . those groups who are neither taxpayers or welfare recipients are largely forgotten in ANTS . . . and thirdly, the compensation package, while it might appear to work in the short term, will fail in the long term.

This is the result of proper, independent modelling with realistic assumptions on the effects of the GST as they flow through the economy.

Labor's greatest concern has always been for those on low incomes. People on fixed and low incomes will come off second best if these bills are passed by the Senate. As I have already said, the Warren-Harding team has stated that there will be losers—and the losers will multiply into the future. Even Treasury admitted, in the final phase of the Senate hearings, that the compensation promised by the Howard government would evaporate. This surprise admission brought Professor Harding back to the witness table saying that she would have to review whether food should be left in the GST framework.
Labor has never believed the government's claims about this tax. We knew from the experience of 1985 and 1993 that it was fundamentally unfair. In the last six months, we have seen the best of politics and the worst. We have had a sleazy election strategy from the coalition—a sleazy and deceitful strategy in that campaign—contrasted with the Senate buckling down and getting on with the job of what the electorate expects of it: a thorough examination of this GST legislation.

We have seen the grand plan concocted by Mr Howard unravel before his eyes as the flaws in this legislation and the GST have been exposed. The ANTS package is a bit like the *Titanic*—this huge vessel that might look okay but they have covered up the fact that they have skimped on the lifeboats. What happens when we hit the first economic iceberg? The rich on the top decks will probably be okay, but the steerage passengers are going to drown.

If this GST is passed by the Senate, it will change the equities in our tax system forever. It will be a cruel blow to those on low incomes, to pensioners, to veterans, to self-funded retirees, to people who work hard in charities, and to Australian families in general.

You only have to look at the graph on page 29 of the Auditor-General's report into the tax advertising campaign to understand that, if the Senate passes this legislation, it will in fact be condoning the most cynical political manoeuvrings that this nation has ever seen—that we have ever had the misfortune to experience.

In the end, what the government is forcing on Australia is just plain unfair. The means it has employed to get to this point have been absolutely fraudulent from the start. The GST must be voted down. Labor will do all that it can through this debate—the second reading debate and the committee stage debate—to ensure that the GST is defeated in the Senate.