

THE SENATOR'S REPORT

..Not Standing Again

The WA Democrats Division's call for nominations for the 2007 federal election closed on the 30th June 2006. This forced me to make a decision I had been pondering. I wrote to the members, and this is an edited version of what I said:

I have given the matter long and careful thought, and much as I value my place in the Senate I think it time to step aside. I gave a promise to the voters of Western Australia that I would serve out my full term until June 30 2008. I intend to honour that promise. You can be assured I will continue to put in the effort required to represent the people of Western Australia. I want to convey my deep gratitude for the strong support the WA Division has given me over the years. I have tried to repay that support by doing my very best. I do wish you and the Democrats in WA every success in 2007.

To those who wrote and rang with your often kind thoughts – a sincere thank you.

Of course my decision was greeted with a resurgence of the graveyard stories that this is another sign the Democrats



are 'doomed'. While one would be foolish to think it isn't a hard election ahead for the Democrats, one would be equally foolish to write them off altogether, for two principal reasons - an expected backlash against the Senate being in Coalition hands, and the Democrats brand still has high recognition.

Senate under attack

After winning Government, winning the Senate is the next biggest political prize in Australia. No one should under-estimate the effect of Coalition control of the Senate. This Government was much more considered and accountable when the Senate was in non-Coalition hands, when the Senate was able to restrain and modify Executive will.

Since the very beginnings of government, citizens have learnt to fear the Executive, and democracies have tried to institute checks and balances. Power can only be controlled by a countervailing power. While the power and intent of the Executive

Government is challenged occasionally in the Coalition Party Room, with very little effect, on the floor of the Senate Government members are obeisant to the Executive. For the vast majority of Government Senators, in contrast to the UK and USA parliaments, there is no tradition of, nor stomach for, standing up to the Executive.

On my website is a briefing note on how the Coalition has handled the Senate since taking control. Among the lowlights are that the Senate rejected 3 references to Committees in 2003-04 and 16 in 2005-06; and that the average Committee time for the Senate to review bills has fallen by 30% from 39.04 to 27.44 days – this time includes advertising, submissions being written, committee hearings, and reports being written. The number of non-government Senate amendments accepted in the House of Representatives was 340 in 2003-04 and 3 in 2005-06. Suddenly all wisdom and absolute perfection resides in the Coalition!



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Income Tax Reform Still a Distant hope

Mr Costello's recent income tax cuts did not resonate with Australians, since it was not real reform. The overall problem with the package was its excessive generosity to better off Australians, compared with the benefits to lower income Australians.

The Democrats say a structural income tax reform plan should include raising the tax free threshold significantly to take millions of Australians out of the income tax system; indexing the rates to account for bracket creep; broadening the base by cutting out tax concessions that are inequitable, inefficient, outdated, unnecessary, or distortionary; reforming the tax welfare intersects to encourage welfare to work and remove inequities; and ensuring nominal tax rates remain fair and competitive.

I attempted to index the \$6 000 tax-free threshold to CPI. Our amendment was revenue neutral. Over four years, indexing the \$6 000 tax-free threshold would cost an estimated \$2.4 billion and could be paid for by keeping the top tax rate at 47% instead of 45%. Indexation of tax thresholds is a policy strongly supported by many Australians, including many academics, professionals and businesses.

The sustained high-powered campaign to lower the top tax rate of 47% applying to our best-off Australians, contrasted starkly with the lip-service given to addressing much higher effective tax

rates applying to our worst-off Australians.

I posed a challenge to the Treasurer – would he work to make sure no Australian would suffer an effective marginal tax rate greater than the new top tax rate of 45%? A challenge is easy, but what would it cost and could it be done?

Effective marginal tax rates up to 70 per cent apply to low income Australians when income tax and the removal of welfare are combined when moving from welfare to work. High EMTRs affect the willingness to work.

The present government has both exacerbated and relieved the problem to some degree. Creating Part B of Family Tax Benefit stacked another income test onto those already faced by women re-entering the workforce. Reducing taper rates reduced EMTRs for some and extended assistance further up the income range. However it also increased EMTRs for middle income families.

Very high EMTRs have been reduced as the objective of unemployment assistance has changed. They had to come down to encourage part-time and casual work amongst recipients. The problem to be addressed is how to produce lower EMTRs without compromising the other equally important objectives of family assistance and low income support.

EMTRs are produced by the overlapping of income tests on Government payments and

subsidies and income tax rates. The more payments, subsidies and rebates a family attracts the higher the EMTRs. Not only the income tax rates, but a low income rebate and a Medicare levy both modify the tax rate and have phase-out ranges that can add to EMTRs.

Family assistance is broken into two parts which overlap and inevitably produce higher EMTRs when combined with tax rates, levies and rebates. Families with Youth Allowance dependants face further stacking when the family income test for YA is added. Other families may have further complications due to public housing subsidies.

All the reform approaches involve quite radical restructuring of tax and welfare systems, but Government action to date has just modified EMTRs to some degree through reduced tapers and tax rates. Without fairly fundamental recasting of tax and welfare interaction any further adjustments to the existing system may tend to shift the EMTRs to another income or benefit group, and like squeezing a balloon, it won't get smaller but just bulge out in a different place.





AWA's

The new AWAs must go, but statutory individual contracts must stay. The new AWAs under the WorkChoices legislation are just unacceptable. Under the old Workplace Relations Act, while AWAs needed improvement and greater protections built into the system, they were workable. The new AWAs are almost always take it or leave it contracts; duress is not policed; there is no global no disadvantage test; there is no requirement to bargain in good faith; and the minimum conditions underpinning the contract are derisory.

The Democrats strongly believe that a mix of agreement making - collective bargaining, awards and individual agreements - provides necessary flexibility in a modern economy, but all agreements must be fair to both employees and employers, and there must be an adequate safety net for workers. It is true that collective agreements are often better for workers, but that is not always so, and individual agreements are a part of working life. Common-law protections are not sufficient for workers on individual contracts. Statutory provision must also be made for them.

A bad Electoral bill

The badly named Electoral Integrity Bill recently passed the Senate. Not only does it undermine Australia's proud history of leading the world in enfranchisement, it also weakens funding and disclosure rules and reduces accountability.

The non government political parties all opposed early closure of the rolls which will disenfranchise tens (perhaps hundreds) of thousands of Australians; increasing the disclosure threshold from \$1 500 to \$10 000; and allowing multiple donations to be undisclosed, meaning separate donations from the same donor to nine divisions of the same political party will be undisclosed, up to \$90 000.

The Coalition used its Senate numbers to reject every single non-Government amendment in the Senate. The Coalition even voted against ensuring that annual returns on funding disclosure should be legible.

In the debate I expressed great concern that the cost of politics was becoming so great as to act as a real barrier to entry. Never mind the extremely high cost of campaigning in Federal elections, even the cost of nominating has become unreasonable. The nomination deposit for a House of Representative's candidate has now jumped substantially from \$350 to \$500 and for a Senate candidate from \$700 to \$1 000. If a political party stood 150 Lower House candidates that would now cost them \$75 000 in nomination deposits; and 3 candidates for every Senate ticket in 8 Territories and States would now cost them \$24 000 - total \$99 000. This is refunded if a party achieves 4% but there is no way every minor party and groups of independents would get 4% in every electorate.

Small Step Forward

I took the opportunity to refer some bills to the Senate Economics Legislation Committee to examine alcohol related issues.

As a party, the Democrats continue to be the strongest advocates in parliament for further alcohol tax reform to encourage responsible consumption. The Committee chair, Senator Brandis, grasped that nettle and has made recommendations for the government to consider the long-term adoption of a volumetric tax system for all alcohol products and has recommended that the government commence planning and consultations with relevant parties as a step towards this goal.

He quite rightly used a long-term approach. It is a difficult issue and needs careful management. His other recommendation in this area was that the government apply the same tax and excise treatment to low- and mid-strength ready-to-drink alcohol products as it applied to similar strength beer products.

The tax and excise structure for RTDs should incorporate the three-tiered structure currently applied to beer, with the 1.15 per cent excise-free threshold that applies to beer extended to low- and mid-strength RTDs but not to full-strength RTDs with 3.5 per cent alcohol by volume and above.

WA Electoral Funding

When one vote one value was being introduced in WA I wrote to WA MLCs Alan Cadby and Giz Watson saying that Labor wanted it so badly that they had a unique opportunity to extract major accountability and electoral reform as part of the package. The opportunity was missed and no *quid pro quo* was demanded.

Now with the proposal to introduce public funding for political parties contesting WA state elections the opportunity must not be missed a second time. In return for public funding of WA election campaigns a *quid pro quo* should be exacted.

The Australian Democrats have long believed that political parties and individuals contesting elections should receive public funding. Some strongly disagree. What all should agree on is that the receipt of public funds in return requires better political governance, higher political standards, accountability and full transparency.

Many of the world's democracies now have some form of public funding for political parties. In Australia it was first introduced in NSW in 1981. The *Commonwealth Electoral Act* was amended in 1984 to provide the same for federal elections. Public funding of elections also occurs in Queensland, Victoria and the ACT.

One argument for public funding is that it helps reduce the dangerous influence and control of political parties exerted by big individual, corporate, and union donors. Large donations from these sources continue to grow exponentially. That is the rub of course – there is no indication that the majors will reform the current donations system. The minimum *quid pro quo* the public must demand must be that political parties produce an annual report that fully details their financial statements, the sources of their income and what it is spent on. Political parties should at least be subject to the public accountability regime that applies to listed corporations and unions. At present they have less transparency than a local sports club.

Such reporting occurs in the UK and should do so here too. It was recently disclosed that Cherie Blair had billed her husband's Labor party nearly 8,000 pounds for hairstyling during last year's general election. This sort of revelation reassures the public that nothing, even the most petty detail, is being withheld.

Political governance should be a reform priority. At the least this should include party constitutional requirements similar to the Corporations Law standards for the constitutions of companies; one-vote, one value in internal party affairs; and control of a party being vested in its members. These reforms would oblige political parties to meet minimum standards of accountability and internal democracy and would go some way to addressing the scourge of branch-stacking and pre-selection abuse that is widely reported to occur in many political parties.

Further reforms must be demanded to WA funding and disclosure laws, including that professional fundraising be subject to the same disclosure rules applying to donations; that political parties must disclose who lies behind hidden money donated to trusts, foundations or clubs or return the money; that donations or loans from foreign overseas individuals, or overseas entities be banned; and that donations with strings attached be prohibited.

Unplugged - political donations in WA

I thought you would be interested in this extensive detailed new section on my website - an analysis of Political Donations WA 1992-2005.

You can either find it under www.andrewmurray.org.au : Issues or under <http://www.political-donations.org.au/>