

114/95



# PRIME MINISTER

**STATEMENT BY THE PRIME MINISTER, THE HON P J KEATING MP**

**PETER COSTELLO'S "RADICAL NEW TAX PLAN"**

The Federal Opposition's secret tax plan, uncovered by the Business Review Weekly, would lead Australia down the path of social decay and urban blight already travelled by the United States.

Despite his denial it is now clear that the Shadow Treasurer, Peter Costello, held secret talks between Victorian, West Australian and South Australian Governments on introducing new State-based income taxes and consumption taxes.

The hitherto confidential talks demonstrate that in only one important respect has the Liberal Party changed its approach to Commonwealth-State relations from that proposed in Fightback! three years ago - the Commonwealth GST.

Reluctant to advocate publicly a Commonwealth GST, John Howard's Coalition now intends to achieve the same result by "cooperative" agreements with State Governments.

This "radical new tax plan" would have profound implications for taxation and undermine the Federal Government's capacity to meet its national responsibilities for social programs.

Far from "breathing new life into federalism", the "swingeing cuts to Federal government spending and responsibilities" proposed by the Opposition would hollow out the Commonwealth, while deserting those now assisted by the Commonwealth role in housing, health, education and welfare.

Peter Costello's mantra of "cutting duplication" is code for shifting Commonwealth education, health and welfare functions to the states.

The Coalition may seek to deny this but Mr Costello's plan outlined in BRW is simply fleshing out Mr Howard's commitment in his first 'headland' speech to wind back specific grants to the states.

Mr Howard said the Coalition would *"revert to the practice of former coalition governments of winding back Section 96 for specific grants to the States. That will mean States themselves will have greater freedom of choice when deciding their programs and priorities."*

We already know what the Victorian, South Australian and West Australian Governments' priorities are. Already today in terms of their own funding the Liberal state Governments have made major cuts to spending on social programs.

In Victoria Jeff Kennett has cut spending on public health by \$260 million, he has closed almost 300 schools and reduced teacher numbers by 8,000.

In South Australia, Dean Brown is looking to cut spending on health by \$40 million and privatise public hospitals. He has already cut spending on education by \$40 million.

And of course, as you would expect, Richard Court has an agenda for the widespread privatisation of the public health system in Western Australia.

If the states had the "freedom" John Howard wants to cede to them they would be under no obligation to maintain public health, education and social welfare programs.

That's what cutting back Section 96 Grants to the States means.

Freed from many of its social responsibilities a Federal Coalition Government would then blame the subsequent tearing of Australia's social cohesion on the States.

Their model is the US Republicans' Contract with America, which passed the buck - but not the bucks - to the States.

I reiterate our firm opposition to the Federal Government cooperating with the introduction of State income taxes or of a new consumption tax.

I also reiterate our continuing opposition to closing down the Commonwealth's role in health, education, housing and welfare.

**BRISBANE**  
**20 October 1995**