

Summits need to embrace reality



NEXT month we are going to have a summit of business groups, unions, welfare groups and others to work out where the country should be going.

That was the original idea of Parliament, to bring together representatives of the people to decide on the country's future.

But it seems people have lost a little confidence in that forum. So the idea is to get some of these "outsiders" to "kickstart" the reform agenda.

The summit is being sponsored by two newspapers, which have agreed on a logo and a title: National Reform Summit. They are running daily opinion pieces on what should be done. I wish them well. But I do urge a little realism about the usefulness of such summits.

We are told there was a very successful summit in the early 1980s. I will come back to that. But that was 30 years ago. People seem to have forgotten the much more recent experience we have to draw on. Let me remind you of the 2020



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summit held in 2008 at Parliament House, Canberra. Kevin Rudd summoned what he described as 1000 of Australia's "best and brightest people ... to help shape the nation's future".

Of course it didn't, but if you were invited it allowed you to claim you were in Australia's top 1000. Needless to say, I was not.

The 2020 summit called for a root-and-branch review of the tax system. It was big on reviews. The review, authored by former Treasury secretary Ken Henry, duly arrived in 2009 and was duly ignored apart from one thing, a mining tax, which raised no money and has now been abolished.

We are lucky it has been abolished because the way it was originally conceived the Government would now be paying

miners rather than taxing them under current conditions.

And don't forget the National Tax Forum of 2011. It was a two-day event opened by prime minister Julia Gillard in the Great Hall of Parliament, Canberra. It brought together the business groups, unions, welfare groups — all the people who will be there again at next month's summit — to map out the future of the tax system.

Crossbencher Rob Oakeshott insisted on the summit as part of his support for the Gillard government and promised it would lead to real outcomes on tax reform.

It's hard enough to remember the summit let alone anything that came out of it.

Then there was the Tax Summit of 1985. The really big idea at that summit was the so-called "Option C", which was a 12.5 per cent consumption tax like the American retail tax. It was not nearly as comprehensive as a GST. But the summit killed it off. At the time it was a real setback. It would take

another 15 years to get indirect tax reform with a comprehensive 10 per cent GST introduced in 2000.

Then there was the National Economic Summit of 1983. Basically, the idea was to tame union wage demands with an accord that involved centralised wage fixing and increased spending financed by Budget deficits.

The good thing is that the government subsequently changed course on the Budget. Wage fixing is still a problem in Australia today. No one would advocate anything like the system that came out of the 1983 summit.

THERE is a lot of wishful thinking around that if we could only get everyone to agree with each other, we could do great things. We might. But the experience of reform — particularly tax reform — is that it has never enjoyed sweet, happy agreement. When it has been done, it has been done against ferocious opposition.

The GST never had bipartisan support. Labor lost an election on it

and still voted against it when the legislation was put to the Parliament.

The states (who were real beneficiaries of the money) did not campaign for it. Some of them shamelessly campaigned against it and then lined up for their share of the proceeds.

The formal, signed, agreement that passes over the revenue to the states records the "in-principle" objection to GST from New South Wales, Queensland and Tasmania. By the time GST was in effect, the Kennett government had been defeated and Victoria also had a Labor government. That meant that four of six states opposed GST "in principle".

Having been burned by that experience, I can say that the current Government is absolutely right to say it will not put its survival on the line to raise more money for the states to spend. If they want it, they should ask the voters to authorise them to increase state taxes.

The truth is that more political careers have been made

campaigning against tax changes than campaigning for them.

Malcolm Fraser won campaigning against capital gains tax in 1980. Paul Keating won the unwinnable election campaigning against GST in 1993. Julia Gillard won campaigning against a carbon tax in 2010.

When she introduced one, Tony Abbott won campaigning against a carbon tax in 2013.

The only exception is Kim Beazley, who narrowly missed with his campaign against GST in 1998.

Whatever next month's summit decides, let's remember that in a parliamentary democracy, reform will still require political leadership endorsed by electoral success. That is why it is the exception rather than the rule.

The summit should go well. It has a huge advantage over the parliamentarians. The summiters will never have to account to the people who are paying all those taxes.

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