A WEEKLY COMMENTARY

ON TARGET

• NEWS HIGHLIGHTS
• BACKGROUND INFORMATION
• COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"Fear of The Machine is fear of Leisure. Fancy grown men and women being afraid of the machines they have invented and made! If it were not tragic, it would be enough to make a cat laugh! Why not master The Machine by taking your Leisure - and using it? Incidentally, there is no other way of mastering The Machine. And there is no way of taking your Leisure, and using it, unless you have the right to draw "The Wages of The Machine." In other words: Social Credit is the only remedy."*

– *"Social Credit Clearly Explained"* by John Hargrave, 1945

AUSTRALIANS ALL LET US REJOICE AND PRAISE THE GST by Jeremy Lee:

Predictably, the Howard government has welcomed the first birthday of the GST with open arms. The Prime Minister himself has urged us not to view it in the short, or even the medium term, but for the long term benefits it will bestow on us.

The political eye, apparently, can see further than the jaundiced eye of the man and woman in the street, which is inclined to take results at their face value. And the results are foreboding. Nobody, including the politicians, claim that it has made taxation 'simpler'. The most creative spin-doctor can no longer get away with that one.

As far as the 'black' economy is concerned it has, contrary to Costello's predictions, burgeoned. ***The Weekend Australian*** (30/6-1/7/01) reported: *"Small operators and householders are the true culprits of the $76 billion black economy, and the GST is letting them avoid more, not less tax, the first expert report into the problem shows.*

"People doing jobs on the side for cash are responsible for 55 percent of the black economy, while business takes up the remaining 45 percent, the study by Christopher Bajada from the Sydney University of Technology says.

"The verdict released today ahead of the first anniversary of the GST undermines the Howard Government's core election promise that everyone would be a winner from tax reforms except tax avoiders ...."

IN THIS ISSUE: • *Australians Let Us All Rejoice And Praise The GST* • *More Tax Pain In The Pipeline* • *Privatisation Running Out Of Puff* • *The Odd Bit Of Sense In The Media* • *Harassment All The Way* • *Australia's Growth Industry: Insolvency*

The latest polls show 58 percent of income earners claim they are worse off since the GST was introduced. ***The Australian Financial Review*** (4/7/01) reported an Australia-wide survey by the National Association of Retail Grocers showed that the cost-of-compliance for small retailers, turning over up to $5 million, was 28.25 cents for every dollar of GST collected, compared with only 1.25 cents per dollar for the retail majors. The report went on: *".... And small retailers faced an ongoing compliance cost of around $1,000 per month, not including the cost of preparing the business activity statement. .... The survey, conducted by accountants Hall Chadwick, involved 285 stores nationwide ...."*

Meanwhile, a major nation-wide research project, conducted in every one of Australia's 632 local government areas, has come up with a picture that is going to worry the major parties. ***The Australian Financial Review*** (4/7/01) said: *".... Its conclusions, if borne out by the federal election, will bring out worries for both major parties, since they suggest that the old assumptions about the basic stability of the two-party system may be under threat, if not under siege, from an increasingly volatile rural and regional electorate .... It is possible for independents, or representatives of minor parties, to grab the balance of power ...."*

And so say all of us!

MORE TAX PAIN IN THE PIPELINE: As city costs burgeon, more and more Australians have opted for home-based businesses. The change has been made easier by the IT revolution, which allows a great deal of routine paper-work once done by roomfuls of secretaries and book-keepers to be carried out by computer.

According to the Australian Bureau of Statistics, Australia now has 615,000 home-based businesses, many of them employing a small number of workers. This apparently is not to the liking of the Australian Tax Office, which has in the pipeline the Alienation of Personal Services Income. This has erected another series of hurdles for struggling small businesses. Peter Switzer, writing in ***The Australian*** (5/7/01) described it thus: *"The tax office crackdown on personal services contractors threatens home-based businesses, consultants, self-employed professionals and tradespeople. The approach is insensitive and anti-business .... The tax office has savaged small business with the Business Activity Statement and the Alienation of Personal Service Income legislation. ..... Small business woes started with the Ralph Committee, which made the recommendations that inspired A New Tax System or ANTS which produced the GST. But John Ralph, who headed up the review of business taxation is a classic big-business captain of industry. Not surprisingly, ANTS has the big end of town written all over it .... This tax change could have a devastating impact on young entrepreneurs wanting to have a go in business .... By letting the tax office off the leash, Mr. Howard is worrying more than 615,000 home-based businesses run by more than 811,000 owners...."*

The implications of all this were spelled out in a special front-page box in ***The Australian*** (6/7/01), when veteran economic commentator Robert Gottliebsen said: *"Prime Minister John Howard and Opposition leader Kim Beazley should unite to end the retrospective bastardization of 1.4 million Australians by deferring the Business Tax (Personal Services Income) Act for one year....... Via unfair retrospective action, tens and possibly hundreds of thousands of businesses are facing the most severe punishment possible. For many it means the end of their businesses ....."*

Which will weigh heavier with the Coalition? The ever-present desire to squeeze as much blood as possible from the mangled corpse of a once-free-enterprise Australia? Or the fact that a federal election looms ever closer?

PRIVATISATION RUNNING OUT OF PUFF? According to an OECD report, over the last decade the world-wide figure for privatization deals was $US1 trillion ($A1.9 trillion). But this year the figure will drop to about $US100 billion. ***The Australian Financial Review*** (4/7/01) said: *" ....The slowdown will continue, the OECD predicts in its 'Financial Trends' publication, released yesterday, because existing privatization programs are maturing and the number of potential new privatization candidates is shrinking. Governments have largely worked through highly competitive sectors such as banking and manufacturing and less competitive sectors like utilities and infrastructure are left with the assets most difficult to privatize for political and regulatory reasons ...."*

Of Australia's position the OECD report said: *" .... During the second half of the 1990s, revenues from the sale of assets by State and Federal Governments in Australia earned an average of $US11 billion ($A20 billion) per year, making Australia's one of the most active privatization programs in the OECD .... Privatisation in Australia has basically affected a broad range of sectors, including banking, manufacturing, electric power, telecommunications, oil and gas...."*

Only Hungary and Portugal had bigger proceeds from privatization relative to GDP that Australia.

What else could we sell? Well, there are six Parliament Houses, plus a Territory Assembly, as well as their canteen operations and "private members' bars". We could flog off the MCG, Sydney Cricket Ground and the 'Gabba. And what about the Australian Tax Office?

But, it seems, we're beginning to scrape the bottom of the barrel!

THE ODD BIT OF SENSE IN THE MEDIA: We don't normally go along with much of what Greg Sheridan writes. He's a strong advocate for globalism and regionalism. But he has baulked at the proposal for an International Criminal Court, writing in ***The Australian*** (5/7/01) some eminent sense: *" .... We are going through a foolish and dangerous phase in which we are undervaluing the genuine sovereignty and prerogatives of the nation state. There are two principles in international life that are profoundly civilizing – universal human rights and non-interference by one state in the internal affairs of another. The second is not an absolute principle and can certainly be violated when some extreme action, such as domestic genocide, makes it necessary. But it is a hugely important principle, it is the only thing that protects small states from the depredations of big states.*

"I do not believe any mystical authority or power lies with the UN. Remember NATO undertook the Kosovo operation without UN sanction. Moreover, many nations represented at the UN do not have reliable or just legal systems. It would be ridiculous, for example, to have judges from Cuba, China or Russia deciding on the legality of domestic actions in the US or Australia .....

"It took a couple of billion dollars of aid bribes to make Serbia surrender Milosevic. Perhaps the same money could have convinced Serbia itself to try him. By all means punish Milosevic, but don't pretend we are moving to a system of international justice."

Meanwhile, Andrew Bolt wrote a scathing criticism of Victoria's new Racial and Religious Tolerance legislation in ***The Herald Sun*** (25/6/01), concluding: *" .... These laws are unfair, elitist, unnecessary and damaging. They will please only activists and professional complainers out for cash ...."*

HARASSMENT ALL THE WAY: Pauline Hanson of One Nation and Graeme Campbell, former Labor and them independent for Kalgoorlie, have reconciled their differences, and Mr. Campbell will lead a Senate ticket for One Nation in Western Australia.

Predictably, within days of this announcement, Senator Ron Boswell (the grim weeper) was quoted in ***The Australian Jewish News*** (6/7/01) in these terms: *"Pauline Hanson, by accepting former federal Labor and independent Mr. Graeme Campbell to head One Nation's Western Australian Senate ticket,* *has lost control of One Nation to elements sympathetic to the far right, National Party Senate leader Ron Boswell claimed this week.*

"Senator Boswell, who faces strong One Nation opposition in his home state of Queensland, has long been an outspoken opponent of the League of Rights, the anti-Semitic, extremist organization Mr. Campbell has frequently been associated with politically ...."

Senator Boswell's words – which the League of Rights expects to survive, somehow – were echoed by public affairs director of the B'nai B'rith Anti-Defamation Commission, Mr. Benseon Apple.

Following hard on these earth-shattering statements came the news that fresh charges are to be laid at Pauline Hanson's door, on alleged corruption in the original registration of One Nation in Queensland. No doubt we'll hear all the lurid details in the period leading up to the election, in an effort to deflect the obvious danger minor parties present to the two major Tweedledees-and-dums. Corruption in international cricket is nothing when it comes to Australia's electoral process!

AUSTRALIA'S GROWTH INDUSTRY: INSOLVENCY by Antonia Feitz: Two lines of business are enjoying not only solid but spectacular growth in post-GST Australia: insolvency lawyers and accountants.

Figures from the Australian Securities and Investments Commission show the rate of business collapses is inexorably rising. In the 12 months to April, 8,469 companies were wound up, a rise of 13 percent on the previous year. And the business information firm Dun and Bradstreet reported there was a 33 percent increase in bankruptcies in the first quarter compared to the same period in 2000 (***Sydney Morning Herald***, 28/6/01).

A large proportion of those failed businesses were small unincorporated businesses. Family businesses. They were ordinary men and women whose entrepreneurial urge to give it a go has resulted in their hopes and dreams deliberately destroyed by the Howard Government. Pre-GST many of them might have made it. Though John Howard's father was a small businessman it seems his son has no loyalty to his origins. The Howard Government was advised the GST would destroy tens of thousands of small businesses but it didn't care. They care only for the big end of town.

According to people in the insolvency 'industry' things are going to get a lot worse (but better for them!). They claim many small businesses struggling to survive are using their GST collections to pay bills because of the cash flow problem the loathed tax has created. But it's only staving off the inevitable.

David Purcell, a partner with Walker Insolvency Lawyers, told the ***SMH*** that the only reason there have not been more business collapses is because the ATO hasn't yet cracked down on businesses not paying the GST. Clearly the government doesn't want to face the political fall-out of small businesses' distress – yet. Purcell said, *"There has been a rise in insolvencies already but we have not seen anywhere near the full impact. When the eruption occurs then we will have an economic calamity on our hands."* Can't wait.

According to the splendidly named Ms. Christine Christian, chief executive of Dun and Bradstreet, because small businesses are "at the end of the food chain" with regard to the GST they won't survive. Such is the true nature of Australia's 'prosperity': insolvency lawyers and accountants are enjoying a boom while the hardest-working biggest generator of jobs – small business – is being destroyed.

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