

Scott Morrison says there won't be any big spending cuts this election year

7.30 Report, broadcast: 17/02/2016

Reporter: *Sabra Lane*

'Modest' relief for the average income workers about to slip into high tax brackets is in store this year says Federal Treasurer Scott Morrison. But the Opposition's ridiculed the the Treasurer for their lack of policy specifics when it comes to the budget.

Transcript

LEIGH SALES, PRESENTER: When Malcolm Turnbull challenged Tony Abbott five months ago, he said one of the reasons was that the then Prime Minister couldn't provide the economic leadership Australia needed. He said the Government had to set out an economic course and make the case for it and that every month that passed was a month of lost opportunities.

Yet five months into Malcolm Turnbull's leadership, Australia's still waiting for his government to articulate a comprehensive economic plan beyond ruling out changes to the GST and an innovation statement.

Superannuation, negative gearing, income tax, bracket creep, industrial relations - all areas where the Turnbull team is yet to spell out a detailed approach.

In a speech today to the National Press Club, the Treasurer Scott Morrison once again said Australia had a spending problem and then ran through what we already know about the state of the economy and the challenges ahead.

The Treasurer will join me in a minute, but first this report from political correspondent Sabra Lane.

SCOTT MORRISON, TREASURER: How can I, as Treasurer, how can the Government, back you in? In three months' time, I will come back here and I will be talking to you about what was actually in the Budget. That day is not today.

SABRA LANE, REPORTER: Scott Morrison's first address to the National Press Club as Treasurer was his version of Economics 101.

SCOTT MORRISON: But revenue is substantially not the problem. And if you look at this chart, what it shows is that most of the work bringing the budget back to balance over the next few years has actually been done by revenue.

SABRA LANE: He didn't unveil any new policy. It was a scene-setter for his first budget, due in three months, and an explanation of the forces at work with the global and Australian economies, complete with a series of graphs.

Mr Morrison also explained why the Government junked the GST hike, that jacking it up to 15 per cent would only deliver between nought and 0.3 per cent growth.

SCOTT MORRISON: This government will not be taking a GST increase to the next election. The times are not right for that.

SABRA LANE: He says the hike would have allowed \$30 billion in tax cuts and cautions other

options won't deliver anywhere near as much.

SCOTT MORRISON: If you're not dealing with that scope and scale, you're obviously looking at far more modest measures.

SABRA LANE: He's warned repairing the nation's budget will take many, many years, that the best way to lower taxes is to cut government spending.

CHRIS BOWEN, SHADOW TREASURER: More than five months as Treasurer and today we got 46 minutes of waffle, slogans and platitudes from Scott Morrison.

SABRA LANE: The shadow Treasurer has labelled the speech a monumental failure.

CHRIS BOWEN: A government which has been so subsumed with their internal problems, with their ministerial resignations, with their campaign to increase the GST, they've not been able to come up with one single positive idea for Australia's future.

SABRA LANE: Miranda Stewart is the director of the ANU's Tax and Transfer Policy Institute.

MIRANDA STEWART, ANU TAX & TRANSFER POLICY INSTITUTE: The Treasurer did seem to suggest actually that spending constraint would be what would get the budget back to balance and that he would be using some sort of tax reform, possibly something on the tax base, negative gearing, possibly something on superannuation in order to fund modest tax cuts. So he doesn't see tax doing a large amount of work. He seemed to be trying to kind of calm us all down a bit on the tax reform debate.

SABRA LANE: Mr Morrison said during the speech that Joe Hockey had cut \$80 billion in previous budgets, but spent \$70 billion of it on new government initiatives.

STEPHEN BARTOS, former Finance dept deputy secretary: I think he was trying to distinguish himself from the previous treasurer by saying that if they're going to do hard work in the coming budget, they're going to bank that for the benefit of the future. They're not just going to go out and spend it. Now that's a really actually tough message in an election year because you would expect them, if they do make savings, to immediately turn round and turn them into election promises.

SABRA LANE: The Treasurer says he'll try to deliver modest tax relief to average income workers. The Government is clearly worried by the prospect those workers will be pushed into the second highest tax bracket soon due to inflation. While Mr Morrison's rubbished Labor's new policy on negative gearing, the Government's also examining it along with superannuation concessions as a way to help deliver that modest relief.

STEPHEN BARTOS: We've got to deal with the fact that we make the family home a sacred cow in Australia.

SABRA LANE: Stephen Bartos is public finance expert and a former Deputy of Finance deputy secretary.

STEPHEN BARTOS: If we had as many tax concessions and welfare concessions for garden gnomes as we did for family homes, Australia would be awash with garden gnomes and we'd have the most expensive garden gnomes in the world and no-one who wanted one would be able to afford them if they were young. That's what we do with housing. It's really stupid.

SABRA LANE: Scott Morrison and Chris Bowen are old sparring partners. When Labor was in government, Mr Morrison shadowed then Immigration Minister Chris Bowen, leading a powerful attack against Labor's decision to abandon the offshore processing of asylum seekers.

SCOTT MORRISON (July 18, 2013): And we will not cease until it's done.

SABRA LANE: Chris Bowen eventually persuaded his party to adopt Coalition policy.

CHRIS BOWEN (Oct. 31, 2012): Yes, the Labor Party's changed its position. Political parties change their mind when faced with different circumstances.

SABRA LANE: For years Mr Morrison had Labor and Mr Bowen on the back foot. Now, the contest's been flipped.

The Opposition's released detailed economic policies on negative gearing, taxing multinationals and curtailing super concessions. The Government's still mulling over what it's going to do. The specifics might come at the Budget.

Six months out from an election in a year the Government won't be able to splash cash on voters, the economic leadership Mr Turnbull promised in his bid for the prime ministership is perhaps proving a lot harder to deliver.

STEPHEN BARTOS: I don't envy the Treasurer. No, it's a tough job and the things that are necessary are not popular. The only way we'll get through it is if people start to realise that Australia faces some very big risks, that our budget situation is very risky. If there's another global financial crisis - that's less likely than more, but it could happen. If that happens, we don't have a big, fat budget surplus to fall back on anymore.