

## Labor's Senate wall traps \$14bn in reforms



Treasurer Scott Morrison. Picture: Glenn Hampson

Rosie Lewis, Andrew Burrell, The Australian, 12:00AM May 22, 2017

At least \$14 billion in key budget measures faces a Senate blockade, undermining the Turnbull government's attempt to reset its reform agenda as crossbenchers begin talks with Labor in a bid to expand the controversial big-banks tax.

After confirming the positions of Labor, the Greens and independent senators on eight big-ticket items from Scott Morrison's second budget, handed down less than a fortnight ago, The Australian can reveal five of the measures are at risk of stalling in the upper house.

The Treasurer tried to change course on May 9 by delivering a "pragmatic" response to Senate objections and scrapping \$14.7bn in so-called zombie measures, in an economic blueprint labelled by some as "Labor lite".

Political conflict over the budget is set to dominate parliament this week as the government introduces its appropriations bills into the House of Representatives and they move to the Senate.

New budget measures in trouble include the 2.5 per cent Medicare levy meant to fully fund the National Disability Insurance Scheme, random drug testing of welfare recipients, the revised higher education package, "Gonski 2.0" school funding changes and the superannuation saver scheme for first-home buyers.  
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The Australian's analysis shows that only the 0.06 per cent levy on the big five banks, the abolition and replacement of the 457 visa and increasing the cost of roll-your-own tobacco products have enough support to pass the Senate.

The bank and tobacco taxes are expected to raise \$6.2bn and \$360m respectively over the forward estimates, while the 457 visa overhaul will save the government \$47.6m.

As a fight over the budget measures looms, some uncertainty emerged yesterday over the fate of the tax on the big banks — thought to be one of the safest budget items.

Labor, the Greens and Nick Xenophon's party have given in-principle support for the new tax but Senator Xenophon said his party's backing was conditional on its being extended to foreign banks operating in Australia.

GRAPHIC: Where the Senate sits

"It depends whether the ALP will come along with that. I think that's something that I will sit down and talk to the ALP about, but it makes sense," he said. Touching down in Western Australia for the swearing in of three One Nation state MPs, Pauline Hanson described the bank levy as "policy on the run" and said she believed any impost on the sector should not be treated as a tax deduction.

She refused to say whether she would support the tax or Senator Xenophon's push to expand its reach. "Being a bank levy, it is a tax deduction to the banks — if it was a tax it would not be a tax deduction," she said. "I don't think it was well thought out. I think it's going to impact on most Australians."

Opposition Treasury spokesman Chris Bowen said last week that applying the tax to foreign banks was a "legitimate issue" to be considered by a Senate inquiry into the government's bill, a probe the party says will help "finalise" its position. Labor still expects the levy to be voted on in June, in time for it to take effect from July 1.

The Australian's data shows that even without the support of Labor and Senator Xenophon, the government should be able to legislate the tax with the backing of the Greens and independents Derryn Hinch and Jacqui Lambie.

Mr Morrison has said there was a "big responsibility" on the Senate to help bring the budget back to balance amid warnings Australia's AAA credit rating was at risk of being downgraded in the next two years if key economic measures did not meet Treasury forecasts.

Senator Xenophon, who leads a crucial bloc of three upper house MPs, was somewhat optimistic about the government's chances of passing budget measures and left room to negotiate. "This is a real shift from the 2014 budget. It's got more chance with sensible negotiations of getting through than the 2014 budget — a lot of which has no chance," he said.

Legislating the higher education package looks set to be the government's biggest challenge, with only Liberal Democrat David Leyonhjelm and Australian Conservatives senator Cory Bernardi in favour of the changes.

The major saving, which includes imposing a 2.5 per cent efficiency dividend on universities and lowering the repayment threshold for students' HELP debt to \$42,000, would improve the budget bottom line by \$3.7bn over the next four years.

A push from Labor, the Nick Xenophon Team and Senator Lambie to limit the imposition of the 2.5 per cent Medicare levy to those earning more than \$87,000 may also trigger a stoush in the Senate and could force the government to seek a compromise.

The higher education overhaul and Medicare levy increase would improve the budget by \$11.9bn over the forward estimates, while \$2bn in spending — for the schools funding changes and first home buyers, which will allow Australians to withdraw voluntary contributions from their super account for a first home deposit — are also in doubt.

Support from the Greens, who are still to determine positions on a number of budget items, could prove critical.

The Australian spoke to Labor, the Greens, Senator Xenophon, Senator Hanson and One Nation whip Brian Burston, as well as Senators Leyonhjelm, Bernardi, Lambie and Hinch to confirm their positions on budget items.

Recently elected independent senator Lucy Gichuhi, who replaced former South Australian Family First Senator Bob Day, did not respond to The Australian.

Without the support of Labor or the Greens, the government needs to win over 10 of the 12 Senate crossbenchers for its legislation to become law. Senator Burston conceded it was the Senate's responsibility to "try to work constructively" with the government but insisted it was Labor rather than the crossbench blocking budget measures.

He said increasing the Medicare levy to fund the NDIS was "fair" and, although he personally did not support the random drug testing measure, believed One Nation may support the welfare crackdown despite no assurances from Senator Hanson.

Senator Hanson also raised doubts over whether she would support the government's \$18.6bn schools funding overhaul.