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FRIDAY OCTOBER 14 2005 KEEPING THE NATION INFORMED $1.20 INCLUDES GST FREIGHT EXTRA ($1.40 TAS)

- Costings sought on 30pc top rate
- Economist to set minimum wage

Costello's secret tax cut plan

Steve Lewis
Michael McKinnon

PETER Costello's Treasury Department has secretly costed plans for a flat tax and a top marginal rate of just 30 per cent, arguing these could boost employment and reduce tax avoidance.

Just days after the Treasurer savaged Malcolm Turnbull's plan to slash the 47 per cent marginal rate, *The Australian* has obtained documents revealing Treasury examined similar options in the lead-up to the May budget.

Obtained under Freedom of Information laws, the documents also reveal that Mr Costello's chief of staff, Philip Gaetjens, asked for detailed costings from Treasury on a suite of reforms, including a flat tax.

''You requested further material concerning strategic tax and retirement income issues at the recent meeting between the Treasurer and the executive board,'' Treasury said in a minute to Mr Gaetjens dated December 21 last year.

Reforms put forward by the Coalition's own backbench ''ginger group'' — including cutting the top marginal rate — were also costed by Treasury as it examined ways to make Australia's tax regime more competitive.

But the Treasury analysis shows the cost of cutting the top marginal rate to 30 per cent would place a huge load on the budget.

The economic agency estimates it would cost the budget more than $16 billion a year by 2008-09, making it too expensive unless the Government extracted significant savings elsewhere.

However, a flat-tax proposal was much more affordable. Everyone would pay 30c in the dollar tax and the $6000 tax-free threshold would be abolished. There would be a rebate for low-income people so that no one would be worse off.

The cost of introducing a flat tax of 30 per cent was more affordable, provided it contained several offsetting savings measures.

However, it helped only 20 per cent of taxpayers, or 12 per cent of households.

''Both examples (of tax reform) would make the personal tax system simpler and more transparent, with reduced incentives for tax arbitrage and stronger rewards for workforce participation,'' Treasury said in the analysis.

Arriving in China last night ahead of a meeting of the G20 group of finance ministers, Mr Costello played down the significance of the Treasury modelling.

''Work on all sorts of issues is going on all the time,'' a spokesman for Mr Costello said. ''No significance attaches to it. What is significant is government policy.''

The tax debate has generated tensions within Coalition ranks, with Mr Costello telling a backbench committee earlier this week that Mr Turnbull had significantly under-costed his preferred plan.

The high-profile backbencher has suggested cutting the top marginal rate to a maximum of 35 per cent, arguing it is necessary to make Australia more competitive by rewarding hard work.

Mr Costello unveiled an alternative $21.7 billion tax package in this year's budget, but he refused to cut the top marginal rate of 47 per cent. He instead focused on raising the top threshold, which from July next year will not cut in until a person's income passes $125,000.

He argues the budget reforms are fairer and also deliver work incentives. But they have not satisfied business groups, and some of his own backbench, who remain committed to cutting the top marginal rate.

The documents obtained by *The Australian* also reveal that as early as October last year Treasury had considered two other options for a flat-rate tax of 30 per cent applying to all taxpayers. One involved lifting the tax-free threshold from $6000 to $14,000 and scrapping all work-related expenses. The other involved abolishing the tax-free threshold, with a tax offset of up to $4200 to compensate low-income workers.

Treasury estimated the options would cost up to $10 billion a year in net terms ''after offsettings savings are taken into account, including from the abolition of work-related expenses''.

But it also raised concerns with any push to cut the top marginal rate. It concluded the reforms came ''at a substantial revenue cost'', while also questioning how equitable the changes would be. ''High-income earners receive the greatest tax cuts,'' Treasury found in its 30 per cent flat-tax analysis.

Just days before Christmas, Treasury sent Mr Costello's office the latest package of reforms in the released documents to be considered. These included ''analysis of a flat tax'' — a single rate of 30 per cent, applying from the first dollar of income earned.

The plan was clearly affordable without pushing the budget into deficit, rising from $7.7 billion in 2005-06 to $10.1 billion in 2008-09.

Additional reporting: David Uren
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Treasury's tax plan
- All income taxed at 30 per cent
- Rebate so those earning less than $63,000 aren't worse off

Winners
- **$63,000 to $80,000:** 2c in dollar
- **$80,000 to $101,280:** 7c in dollar
- **$101,280+:** 17c in dollar

Cost
- **2005-6:** $7.7 billion

Balancing act: New Fair Pay Commission head Ian Harper is served by Vicki at a cafe in Carlton, Melbourne, yesterday Picture: David Geraghty

Faith and duty call on new umpire

Brad Norington

IAN Harper says he brings his Christian faith to everything he does.

And he cites his strong religious convictions as a chief reason for accepting the job as head of John Howard's new Fair Pay Commission.

''It is consistent with my duty as a Christian, being concerned with the circumstances of the less well-off and vulnerable, rather than the top end of town,'' Professor Harper told *The Australian* yesterday.

From next year, when the Prime Minister's industrial relations laws are expected to begin operating, Professor Harper, 49, will chair a new five-person tribunal, based in Melbourne, with the role of setting the minimum wage.

His task will be to look after the needs of the unemployed and low-paid in place of the Australian Industrial Relations Commission, which has controlled wages for decades but lost Howard Government support after granting rises seen as too high.

Professor Harper performs a rare balancing act in his daily life.

His working hours are spent in the material world as a financial markets economist and executive director of the Centre for Business and Public Policy at the Melbourne Business School.

Outside work, his strong spiritual calling is his commitment to Anglican evangelism, a conservative wing of his church that draws closely on scriptures for inspiration.

Professor Harper, a devoted parishioner of St Jude's Anglican Church in Melbourne's inner-city Carlton,was a lay preacher at his previous parish.

And like his colleague on the Melbourne Business School board, John Ralph, a Catholic, he tithes 10 per cent of his earnings to the church.

Professor Harper's devotion to his faith was not always so.

He attended an Anglican school in Brisbane and developed a fascination with church pipe organs, which he still lists as one of his recreational interests.

But he lacked what he calls a ''live faith'' until the late 1980s.

''I believed in God, but I didn't accept Jesus Christ as saviour or the claims of the Bible — no.''

The turning point in his life that drew him to God was a marriage crisis — he calls it his ''hard conversion''.

Professor Harper addressed the potentially competing strands of his life in a speech to the Centre for Independent Studies two years ago, called ''Christian morality and market capitalism: friends or foe?''. Nowhere, he wrote, had he read in the Bible a warning to shun material prosperity.

''Market capitalisation is, in the end, a servant of humanity in the interests of improving our material lot on this earth.''

Professor Harper was guarded yesterday about endorsing the Government's view that the level of Australia's minimum wage has adversely affected unemployment.

Admitting no specialty in labour market economics, he said he had written only once on the subject, 25 years ago, about the relationship between ''unemployment and unfilled vacancies''. His conclusion? That structural unemployment grew in the 1970s.

Professor Harper has two sons and a grandchild. He and his wife live in inner-Melbourne's Fitzroy.

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Anglican to rule on fair pay

Brad Norington

JOHN Howard has tried to stifle the rage of churches and unions opposed to his workplace reforms by appointing a leading economist and conservative evangelistic Anglican to head his Government's Fair Pay Commission.

Ian Harper will chair the new five-person government tribunal that will take over the job of the Australian Industrial Relations Commission in setting the nation's minimum wage.

The Prime Minister insisted yesterday that Professor Harper's commission would be completely independent and not a ''surrogate'' of the Government.

''You don't appoint people of repute and ability and eminence to a position like that and then say, 'Oh, but I'm going to tell you how to conduct your daily business','' Mr Howard said.

But the appointment of Professor Harper, executive director of the centre for business and public policy at the Melbourne Business School, drew immediate criticism from unions and churches.

While unions claim the Fair Pay Commission will be a sham, with Government orders to cut the real value of the minimum wage for the low-paid, church leaders oppose plans to reduce minimum working conditions.

Anglican Archbishop of Sydney Peter Jensen attacked the Howard Government for threatening the sanctity of Sundays and potentially turning workers into ''robots'' as they lost shared time with their families. Yesterday, Dr Jensen said he was pleased to hear news of Professor Harper's appointment but he declined to comment further, saying he did not know the professor well.

Ray Cleary, chairman of the Anglican National General Synod public affairs committee, attacked Professor Harper's appointment as a deliberate move by Mr Howard to silence the churches.

Claiming Professor Harper, 49, was ''very sympathetic'' to the Government's reforms and chosen because he held a different view within the churches, Dr Cleary said: ''I would have hoped

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Pinter the pause-master wins Nobel

LONDON: Harold Pinter, one of the greatest playwrights of the 20th century, has been awarded the Nobel Prize for literature.

He is the master of the hiatus, a virtuoso of threatening understatement, for whom silence could convey as much violence as the strongest language.

The author of more than 30 plays, Pinter also wrote poetry, prose and screen adaptations and has occasionally directed for the stage and acted in films and plays.

But it was as a stage voice that he made his name, a voice whose resonances — often expressed with the characteristic instruction ''Pause'', or simply three dots — ranged from the menace of Franz Kafka to the metaphysical comedy of Samuel Beckett.

The Swedish Academy, awarding the prize, said in his plays the 75-year-old ''uncovers the precipice under everyday prattle and forces entry into oppression's closed rooms''.

Harold Pinter

In London last night, Pinter said he was ''quite overwhelmed'' by the award.

''I had absolutely no idea,'' he said. ''I was speechless. I have to stop being speechless when I get to Stockholm.''

The son of a Jewish dressmaker, Pinter was born in London on October 10, 1930. His early encounters with anti-Semitism influenced him as a dramatist, and the wartime bombing of London affected him deeply. The dramatic idiom of early plays such as *The Dumb Waiter* (1957) or *The Caretaker* (1959) evolved gradually into an observation of social and linguistic tics, in which small talk, hesitations and disjointed conversation expressed his characters' turmoil and contradictions.

Enigmatic but coherent, Pinter was notoriously reluctant to explain the inner workings of his plays, even to his actors.

Growing success in the 1960s coincided with estrangement from his wife Vivien Merchant, the actress he married in 1956, and he began a long affair with journalist Joan Bakewell, a development reflected in the work of his middle period. The plays, particularly the screenplays, of those years — *Accident* (film, 1966), *The Go-Between* (film, 1969), *No Man's Land* (play, 1974) — are steeped in deceit, betrayal and pain.

But a growing involvement in politics — he was outraged by the US-backed coup against the Salvador Allende government in Chile in 1973 — and a personal partnership with the writer Antonia Fraser, whom he married in 1980, lent him new confidence and stability.

His political pronouncements became more frequent as his plays became shorter and more sporadic. And while the dark undertow remained, the emphasis shifted, giving way to explorations of the sexual threat and sadism in political repression.

AFP, AP

Al-Qa'ida hate letter reveals Mid-East plan

AL-QA'IDA has a dream of creating an Islamic super-state across the Middle East when the US leaves Iraq.

As Australian troops came under fire in the southern Iraq province of Al-Muthanna, it emerged that the terrorist network's second in command had ordered Abu Musab al-Zarqawi, leader of the Iraqi insurgency, to prepare a campaign of violence across the region to help achieve the al-Qa'ida vision.

Ayman al-Zawahiri, an Egyptian doctor considered to be al-Qa'ida's leading strategic planner, cautioned that slaughtering Shi'ite civilians could undermine their grand design by turning popular Muslim opinion against them. Al-Qa'ida's plan for the region is revealed in a 6000-word letter from Zawahiri seized by US troops, who believe it was almost certainly meant for Zarqawi.

In the first confrontation between Australian troops and insurgents in southern Iraq, a night patrol of three light-armoured vehicles came under heavy fire near the Iraqi town of Samawah. The Australian troops prepared to respond but the gunmen escaped.

The attack prompted warnings of a spike in attacks ahead of tomorrow's national referendum in Iraq.

Aussies under fire — Page 4
Al-Qa'ida's vision — Page 11

New innings for Warne?

WITH his marriage problems still unresolved, spinner Shane Warne relaxed in Sydney on the eve of the SCG Super Test yesterday in the company of a young model.

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