

A PUBLIC POLICY CASE STUDY OF THE INTRODUCTION OF THE GOODS AND SERVICES TAX: TAX REFORM CAN BE SUCCESSFULLY ACHIEVED[†]

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ABSTRACT

The introduction of the Goods and Services Tax (GST) which took more than 30 years to implement in Australia is examined in this paper. We aim to address the enduring public policy question of the extent to which policies can be formulated on the basis of rational evidence-based decision making. The three landmarks for the introduction of the GST: (1) the National Tax Summit (1985); (2) *Fightback!* (1991, 1992); and (3) *ANTS* (1998, 1999) are used to demonstrate that rationality in decision making of policy makers re-emerged with each new attempt at policy formulation, despite being interwoven with complex political processes.

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I INTRODUCTION

The year 2015 marks the 40th anniversary of the release of the Asprey Report (1975),¹ which was the first report to recommend a value added tax (VAT). It paved the way for future tax reform and eventually led to the Howard Government's *ANTS* (1998) and the GST. The theme of the ATTA Conference 2015 – 'Tax: It's time for change' – is reminiscent of the 1972 federal Australian Labor Party (ALP) election campaign, 'Its time'. It is also the 30th anniversary of The Draft White Paper – *RATS* (1985),² which recommended a broad-based consumption tax (BBCT). Also, and most significantly, it is the 15th anniversary of the introduction of the GST in Australia in 2000. It is timely therefore to look again at the GST as tax reform successfully achieved in Australia.

The possibility of rationality in policy making, which has dominated the public policy literature in the 1960 and has re-emerged in other guises such as evidence-based policy,³ is the key focus adopted here in an effort to understand the long timeframe involved in the acceptance of the GST in Australia. Rationality is the starting point in policy making, and one of the principles of advice in the public sector – that is, rationality in the sense of neutrality. However the focus of the literature in recent years has been to explain the effect of the many other influences to be considered in the policy-making process.

Based on the assumption that sound economic and social analysis of the benefits and costs of tax reform must form the basis of such a policy, three major landmarks are examined to determine how rational and evidence-based decision making informed the introduction of the GST. The first landmark was the Hawke Government's National Tax Summit (1985) and Draft White Paper (1985), which was the first attempt by an Australian government to introduce a consumption tax called a BBCT. The second landmark was the *Fightback!* (1991) policy, which was an unsuccessful attempt by the then Liberal Party–National Party Coalition to oppose the introduction of a GST. The third landmark was the successful attempt by the Coalition Government, in the late 1990s, to negotiate with various groups. Before examining these landmarks, a brief review of the policy processes literature is provided. The article concludes with a discussion of the implications of the research.

¹ Kenneth Asprey, Taxation Review Committee, Commonwealth of Australia Parliament, *Full Report* (AGPS, 1975).

² Treasury, Commonwealth of Australia, *Reform of the Australian Tax System: Draft White Paper* (AGPS, 1985).

³ Huw Davies, Sandra Nutley and Peter Smith, *What Works? Evidence-based policy and practice in public services* (The Policy Press, Bristol 2000); Sandra Nutley, Isabel Walter and Huw Davies, *Using Evidence: How research can inform public services* (The Policy Press, 2007); Ray Pawson, *Evidence-based Policy: A Realist Perspective* (Sage, 2006); Brian Head, 'Three lenses of evidence-based policy', (2008) 67 *Australian Journal of Public Administration* 1–11; Brian Head, 'Reconsidering evidence-based policy: Key issues and challenges' (2010) 29 *Policy and Society*, 77–94.

II THE STUDY OF POLICY PROCESSES

Howlett states that policies are complex entities composed of policy goals and means arranged in several layers ranging from the general to the specific.⁴ He describes views of policy making in the mid-twentieth century as instrumental problem solving and a conscious matter of attempting to match the means of policy implementation to formulated policy goals.⁵ This approach is known as the 'rational comprehensive model'⁶ –rational because it follows a logical, ordered sequence, and comprehensive because it canvasses, assesses and compares all [or most] options.⁷ This rational model, used by Herbert Simon, has provided a starting point for many of the theoretical approaches to policy making, such as stage models and policy cycles.⁸ However, in practice, policy decision making is rarely rational (not every step in the policy process is undertaken) and rarely comprehensive (political realities, budgets and time limit possible options).⁹ Regardless of its problems, rationally-derived-evidence-based policy remains one of the principles of advice in the public sector. Since the early descriptions of the rational model, various authors have developed more complex and detailed approaches and come up with other influences and types of policy analysis. In the late 1950s Charles Lindblom outlined policy making as a set of incremental adjustments which he described as 'muddling through',¹⁰ while a combination of rational and incremental approaches resulted in the mixed approach used by Amitai Etzioni.¹¹

Head claims that the emergence of evidence-based policy in recent times has been an attempt to retain some of the fundamentals of rationality. Head states:

For public managers and political leaders, the opportunity is apparent for continuous improvement in policy settings and program performance, on the basis of rational evaluation and well-informed debate of options.¹²

Head links the growth in popularity of evidence-based policy to the growth in the social sciences in recent decades and the need for political culture that can allow substantial

⁴ Michael Howlett and M. Ramesh, *Studying Public Policy: Policy Cycles and Policy Subsystems* (Oxford University Press, Don Mills, Ontario 1995), 81; Michael Howlett, *Designing Public Policies: Principles and Instruments* (Routledge, 2011), 16.

⁵ Ibid.

⁶ Howlett, above n 4, 18.

⁷ Glyn. Davis et al, *Public Policy in Australia* (Allen & Unwin, 1993), 160–1.

⁸ Herbert Simon, *Administrative Behaviour* (Plenum, 1957); David Easton, *The Political System* (Knopf, 1953); David Easton, *A Systems Analysis of Political Life* (Wiley, 1965a); David Easton, *A Framework for Political Analysis* (Prentice Hall, 1965b); William Jenkins, *Policy Analysis: A Political and Organizational Perspective* (Martin Robertson, 1978), 17; Brian Hogwood and Lewis Gunn, *Policy Analysis for the Real World* (Oxford University Press, 1984), 4; James Anderson, *Public Policy-Making* (Holt, Rinehart and Winston, 1984), 19; W. Parsons, *Public Policy* (Edward Elgar, 1995), 79–81.

⁹ Peter Bridgman and Glyn Davis, *The Australian policy handbook* (Allen & Unwin, 2004), 48–9.

¹⁰ Charles Lindblom, 'The Science of "Muddling Through"' (1959) 19 *Public Administration Review*, 78–88.

¹¹ Amitai Etzioni, 'Mixed Scanning: A "Third" Approach to Decision Making' (1967) 27 *Public Administration Review*, 385–92; Amitai Etzioni, 'Mixed Scanning Revisited' (1986) 46 *Public Administration Review*, 8–14.

¹² Brian Head, 'Three lenses of evidence-based policy' (2008) 67 *Australian Journal of Public Administration*, 1–11.

elements of transparency and rationality in the policy process.¹³ He states, ‘This in turn may facilitate a preference by decision-makers for increased utilization of policy-relevant knowledge’ and because ‘the associated research culture will encourage and foster an analytical commitment to rigorous methodologies for generating a range of policy-relevant evidence.’¹⁴

Howlett reminds us that it is fundamental to government that public servants use resources and expertise to formulate effective policy;¹⁵ however, more recent literature on policy process takes a broader view, aiming to address the context and incorporating a range of policy influences and actors. These include the ‘policy networks’ and ‘policy communities’ approach used by David Marsh and Rod Rhodes,¹⁶ the ‘advocacy coalition’ approach used by Paul Sabatier and Hank Jenkins-Smith,¹⁷ and institutional analysis used by James March and Johan Olsen.¹⁸

The policy network approach offers a way to analyse the clustering of interests in the policy process.¹⁹ Rhodes described policy networks as based on central-local locations and involving and exchange relationships where participants manoeuvre using their available resources to maximize their influence over outcomes.²⁰ Marsh and Rhodes claim that the policy network is closely associated with pluralism and emerge out of the complex interdependencies of decentralised government structures and the limits to rational policy making and the factorizing and professionalization of policy systems but noting that policy networks are only a component part of any explanations of the process and outcomes of policy making.²¹

The advocacy coalition approach sees the policy process from formulation to implementation as involving an ‘advocacy coalition’ comprising of actors from all parts of the policy system.²² This framework considers the role of policy orientated learning and

¹³ Brian Head, ‘Evidence-based policy: principles and requirements’ (2010) 1 *Strengthening evidence-based policy in Australian federation*, 13–26.

¹⁴ Ibid 79.

¹⁵ Michael Howlett, *Designing Public Policies: Principles and Instruments* (Routledge, 2011), 63.

¹⁶ David Marsh and Rod Rhodes, *Policy Networks in British Government* (Oxford University Press, 1992); Rod Rhodes, *Beyond Westminster and Whitehall* (Unwin Hyman, 1988); Rod Rhodes, *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*, (Open University Press, Buckingham 1997).

¹⁷ Paul Sabatier and Hank Jenkins-Smith, *Policy Change and Learning: An Advocacy Coalition Approach*, (Westview Press, 1993); Paul Sabatier and Hank Jenkins-Smith, ‘The advocacy coalition framework: An assessment’, in Paul Sabatier, *Theories of the Policy Process* (Westview Press, 1999), 117–66.

¹⁸ James March and Johan Olsen, ‘The new institutionalism: Organisational factors in political life’ (1984) 78 *American Political Science Review*, 738; James March and Johan Olsen, *Rediscovering Institutions: the organizational basis of politics* (Free Press, New York 1989); James March and Johan Olsen, ‘Institutional perspectives on political institutions’ (1996) 9 *Governance*, 248–64.

¹⁹ Michael Hill, *The Public Policy Process*, (Pearson Longman, 2005), 74.

²⁰ Rod Rhodes and David Marsh, ‘New directions in the study of policy networks’ (1992) 21 *European Journal of Political Research*, 181–205.

²¹ Ibid.

²² Paul Sabatier ‘The need for better theories’, in Paul Sabatier, *Theories of the Policy Process* (Westview Press, 1999), 3–17, 9.

aiming to take in the role of the major actors and other casual factors in policy formulation often stretching over an extended time period.²³

The re-emergence of institutional theory has seen the analysis of governments and their organisational forms to explain the formulation of policy and policy outcomes. The new approaches to institutional analysis stress policy learning and policy entrepreneurs (leaders often situated at the intersection of policy networks). Eccleston²⁴ argues that new institutional analysis can help understand policy change and the roles of economic forces, policy ideas and political actors. Examining tax reform in Australia, he argues that in Australia political institutions and practices, which were historically entrenched, hampered the tax reform process. He sums up the obstructions faced by tax reformers as including, a short electoral cycle (less than three years), a doctrinaire and autocratic bureaucracy, constitutional constraints, fragmented and parochial interest groups, potentially antagonistic state governments and an obstructive Senate and political opponents who actively promoted community opposition to tax reform.²⁵

Eccleston also highlights the concept of 'policy learning' by key interest groups and others, arguing that interest group mobilisation and coalition building were important factors in bringing acceptance of taxation reform in Australia.²⁶ He states that by 1996 there was awareness among business groups and welfare groups that Australia's indirect tax base was in need of reform, and that this opened up possibilities for reform, particularly with the advocacy of important actors from the welfare lobby, whom he termed 'policy entrepreneurs'.²⁷

In an analysis of preferences and reasons for tax reform shifts, James²⁸ adapted the analytical approach of Canadian political scientist, Simeon, whose framework attributes policy reform outcomes to the socio-economic environment, relative power of participants, community cultural traits and institutions that progress reforms.²⁹ Identifying Australia as a 'slow burner' approach she notes the power of the major interest groups in Australia in resisting reform and Australia's political conservatism and scepticism of political elites.³⁰ James stresses that tax reforms outcomes are highly contingent on the social and political environment and calls into question accounts that present tax reform outcomes as inevitable or as mere technical advances.³¹

This brief overview of approaches to policy making indicates policy making in an advanced democracy such as Australia is a complex and multi-layered phenomena. A

²³ Hank Jenkins-Smith and Paul Sabatier, 'Evaluating the advocacy coalition framework' (1994) 14 *Journal of Public Policy*, 175.

²⁴ Richard Eccleston, *The Thirty Year Problem: The Politics of Australian Tax Reform* (Australian Tax Research Foundation, 2004); Richard Eccleston, *Taxing Reforms: The Politics of the Consumption Tax in Japan, the United States, Canada and Australia* (Edward Elgar, 2007).

²⁵ Ibid 116.

²⁶ Richard Eccleston, 'The thirty year problem' Political Entrepreneurs, Policy Learning and the Institutional Dynamics of Australian Consumption Tax Reform (2006) 24, no. 2 *Law in Context*, 117.

²⁷ Ibid 78.

²⁸ Kathryn James, 'An Examination of Convergence and Resistance in Global Tax Trends' (2010) 11 *Theoretical Inquiries in Law*, 496.

²⁹ Ibid. 486. James cites Richard Simeon, 'Studying Public Policy' (1976) 9, no. 4 *Canadian Journal of Political Science*.

³⁰ James, above n 28, 488.

³¹ James, above n 28.

common theme is the need to satisfy policy aims that have been formulated for the benefit of society but what constitutes this benefit is hotly disputed and influenced by interest groups and stakeholders and that solutions must be palatable to a broad electoral base. Returning to the question of rationality in policy making, Head identifies that knowledge forms the basis of policy making as arising from three sources: political knowhow; rigorous scientific and technical analysis; and practical and professional experience – all of which involve a range of influences and policy actors.³² In this article we aim to examine the role of rationally-derived-evidence-based processes at key turning points in the introduction of the GST in Australia to determine whether rationality can still play a part in the changing political landscape.

III BACKGROUND AND JOURNEY OF THE GST

The issue of a consumption tax was first raised in Australia in the 1970s in the form of a VAT, which was recommended in the *Asprey Report* (1975). The report had had been commissioned by the Coalition to review the Commonwealth taxation system. The *Asprey Report* concluded that the taxation system should place greater reliance on taxes on goods and services by a broad-based tax (a VAT), and recommended that Australia adopt a VAT or a BBCT in place of the then wholesale sales tax (WST). It took almost twenty years before the legislature had adopted virtually all the *Asprey* recommendations, and thirty years to adopt and implement the GST.

The 1980s saw the issue of a consumption tax raised again. In February 1981, Coalition Treasurer John Howard made a submission to the Fraser Cabinet, proposing a Retail Sales Tax (RST) (another version of a consumption tax) with a number of options, but Cabinet rejected the proposal. Three years later, Labor Prime Minister Hawke announced in October 1984 that a National Tax Summit (NTS) would be held to bring about consensus for tax reform. The issue was revived again in the early 1990s by the Liberal Party as part of an unsuccessful election platform. On 13 August 1998, prior to the election in October of that year, the Coalition released its tax package, *Not A New Tax: A New Tax System (ANTS)* (1998) – *ANTS*, which included a 10% GST, and a GST was introduced by the Coalition Government on 1 July 2000.

In assessing the broader political and economic environment, Morse (2011)³³ notes that Australia enacted GST legislation through ordinary political channels, without external pressure from a multinational organisation, without the pressure of an extreme national fiscal crisis, and without an unusual exercise of executive authority. Morse further notes that in Australia the GST-enacting centre-right Liberal National Party Government retained control for seven years after the reform. Morse outlines the Australian VAT (GST) story in four parts: (1) framing the GST as a relatively efficient tax; (2) building a coalition between business and social welfare interest groups particularly the Australian Chamber of Commerce and Industry (ACCI) and the Australian Council of Social Security (ACOSS); (3) emphasizing efficiency while addressing regressivity in the political and legislative process; and (4) the federalism solution included in the reform, which provided for the

³² Brian Head, 'Three lenses of evidence-based policy' (2008) 67 *Australian Journal of Public Administration*, 1-11, 5.

³³ Susan Morse, How Australia Got a VAT, *The VAT Reader*, Tax Analysts, 2011.

transfer of GST revenue to the Australian states and territories. All this took place through a complex and longitudinal process. Three major attempts to introduce a GST in Australia have been chosen for examination. The documents and events involved in the three major landmarks are summarised in Table 1 and will now be discussed in detail.

IV THE THREE GST LANDMARKS

The three landmarks are: (1) National Tax Summit (1985); (2) *Fightback!* (1991, 1992); and (3) *ANTS* (1998, 1999). Table 1 outlines key dates documents and events used to each landmark.

Table.1 GST Landmarks and their major documents

GST Landmark	Document/Event/Date
<p>Landmark 1:</p> <p>National Tax Summit (1985);</p> <p>Draft White Paper (1985):</p>	<p><i>Reform of the Australian Taxation System</i> (Draft White Paper) 1985, AGPS, Canberra. (June 1985).</p> <p><i>National Tax Summit: Record of Proceedings</i>, 1985, AGPS, Canberra. (1–4 July 1985).</p> <p>Hawke deal with ACTU (3 July 1985).</p>
<p>Landmark 2:</p> <p><i>Fightback!</i> Policy (1991–2);</p> <p><i>One Nation Statement</i> (1992):</p> <p><i>Fightback!</i> Policy Mark II (1992):</p> <p>Federal election: 1993:</p>	<p>Hewson, J. and Fischer, T. 1991. <i>Fightback!: Taxation and expenditure reform for jobs and growth</i>. Panther Publishing, Canberra. (<i>Fightback! Mark I</i>), (21 November 1991).</p> <p>Hewson, J. and Fischer, T. 1991. <i>Fightback!: It's your Australia</i>, (21 November 1991).</p> <p>Keating, P. 1992. <i>One Nation Statement</i>. AGPS, Canberra. (26 February 1992).</p> <p>Hewson announced <i>Fightback! Fairness And Jobs (Fightback! Mark II)</i> (9 December 1992).</p> <p>13 March 1993.</p>
<p>Landmark 3:</p> <p>Howard Government's tax package, <i>ANTS</i> (1998–9);</p> <p>Federal election:</p> <p>Senate Inquiry into <i>ANTS</i> (1998–9):</p>	<p>Treasury Department 1998, <i>Tax reform: not a new tax, a new tax system. (ANTS)</i> 1998. (Circulated by the Hon Peter Costello) 1998. AGPS, Canberra. (Released on 13 August 1998).</p> <p>3 October 1998.</p>

<p><i>Intergovernmental Agreement (IGA) Mark I (1998):</i></p> <p>Howard Government's negotiation with the Democrats (1999):</p> <p><i>A New Tax System (ANTS) legislation (1999) ANTS Mark II:</i></p> <p><i>ANTS and GST Agreement (1999):</i></p>	<p>Senate Select Committee on a New Tax System, First report, February 1999. (18 February 1999).</p> <p><i>Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations.</i> 1998.</p> <p>(Australian Democrats' rejected the Government's initial offer on 26 May) (Negotiation for seven days).</p> <p><i>A New Tax System (Commonwealth-State Financial Arrangement) Act.</i> 1999.</p> <p>(On 28 May 1999 Howard, Costello and Lees announced an 'in principle' agreement on tax reform).</p> <p>28 June 1999, the Senate passed <i>ANTS</i> bills with amendments.</p> <p>30 June 1999, the House of Representatives passed the <i>ANTS</i> legislative changes.</p> <p>30 June 2000, the <i>ANTS</i> legislation and GST was implemented.</p>
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A. Landmark 1 – National Tax Summit (1985)

The economic recession from two successive quarters of negative growth in real GDP and the economic slowness between 1981 and 1983 were a major factor leading up to the calling of a National Economic Summit in April 1983 following the election of the Hawke Government.³⁴ Taking a pluralist approach the summit brought together major interest groups and represented an attempt at a corporatist style of government. In July 1985 the Hawke Government's National Tax Summit with representatives from government, trade unions, business, and consumer and welfare groups was held to discuss tax reform. In contrast to the National Economic Summit, little was achieved. Treasurer Keating failed in his attempt to gain support for moving the Australian tax system away from direct tax towards a consumption tax. This will now be explored in more detail.

³⁴ Michael Keating and G. Dixon, *Making economic policy in Australia* (Longman Cheshire, Sydney 1989) pp. 11–12; Eccleston (2004), above n 24, 77.

(1) 1 *The Draft White Paper (1985) – An Attempt at Rational Policy Making*

The National Tax Summit (1985) was built on The Draft White Paper – *Reform of the Australian Tax System* (1985) (DWP), which presented three options,³⁵ including the Government and Treasury's preferred option [Option C], detailed below. The Government wanted support from business, unions and welfare groups, and importantly the support from the Australian Council of Trade Unions (ACTU) for the BBCT, but consensus could not be achieved.

In terms of approaches to policy making, the DWP has elements of a rational approach as it attempted to gather sound evidence and set clear objectives and end goals, and was prepared by the professionals from the Treasury Department. The DWP was evidence-based, drawing on sources including research reports from the Organization for Economic Cooperation and Development (OECD) and its member country reports, taxation reports, parliamentary reports and papers, Australian Bureau of Statistics reports and court cases. It outlined the Government's primary objectives and end goals which were to make the tax system 'fairer' overall and more conducive to 'economic growth'. The document DWP (1985) emphasised the need to:

- Significantly reduce marginal personal tax rates;
- Improve the equity of the tax system, not least by increasing the tax burden on those engaged in avoidance and evasion;
- Rationalise the consumption tax regime; and
- Ensure that arrangements can be made to compensate the needy for the effects of any increase in consumption tax.³⁶

It then presented three alternatives for tax reform³⁷ accompanied by a detailed analysis. Option A essentially consisted of broadening the indirect tax base. Option B consisted of Option A with additional measures to broaden the indirect tax base through the introduction of a 5% RST and levying the existing WST at 10% on selected goods. The Government's-preferred 'Option C' entailed Option A tax base broadening plus a shift in the tax mix from income to consumption, with the introduction of a BBCT (or RST) of 12.5% (replacing the WST). Treasury predicted the revenue gains would allow a 30% reduction in income tax rates and additional compensation measures for low-income earners and pensioners.³⁸

(2) 2 *The National Tax Summit (1985) – What Actually Happened?*

Day one – The die was cast. The National Tax Summit (NTS) was held 1–4 July 1985 in old Parliament House in the House of Representatives Chamber. There were 160 delegates in attendance from the three major groups including: government, business and unions. The Liberal–National Coalition did not attend, as the federal Liberal Party had decided to boycott the event. The Shadow Treasurer, John Howard, who was instrumental

³⁵ Draft White Paper (1985), Approach A: see p 242, Approach B: see p 246, Approach C: see p 247.

³⁶ Treasury, Commonwealth of Australia, *Reform of the Australian Tax System: Draft White Paper*, 240.

³⁷ Ibid Ch 22.

³⁸ Ibid 242–5; Kathryn James, 'Taxing Power: consumption tax reform in Australia and the United States' (Paper presented at the ATTA Conference, University of Tasmania, 24 January 2008), 5.

in the Coalition's decision to boycott the NTS, believed that to have attended would have risked the appearance of irrelevance³⁹ for the federal Coalition. An important position in opposing the BBCT was taken by the Opposition when Opposition Leader Andrew Peacock said 'the consumer tax would harm families'.⁴⁰

On the first day of the NTS, the tone was set by the first delegate (the President of the Business Council of Australia (BCA), Bob White) who, on behalf of the peak business association, rejected all three approaches set out in the DWP (1985).⁴¹ Also on the first day, ACOSS President Bruce McKenzie rejected Approach C on behalf of the welfare sector. The Prime Minister then raised the stakes with the unions by warning that he would proceed with the proposed tax reforms without ACTU support if necessary.⁴² However, on the first day the Secretary of the ACTU, Bill Kelty, called Hawke's bluff. Kelty, who was concerned about the regressive nature of a BBCT and feared the inflationary risks posed by Approach C, argued that the proposed income tax cuts were skewed to high income earners.⁴³

Day two – No Consensus. Due to the absence of any middle ground between business and the ACTU/welfare lobby on tax reform, Hawke and Keating would be forced to concede to one side or the other. Political pragmatism prevailed and the second day of the NTS private negotiations took place between the Government and the ACTU leadership. As a result of Bob White's speech, business effectively dealt itself out of the negotiations.

Day three – The Deal. On the third day of the NTS, the death knell for the BBCT was the Morgan Gallup poll published in *The Bulletin* on the morning of 3 July which revealed that the Government trailed the Coalition by 41% to 49%.⁴⁴ Hawke acted to limit the political damage. On the evening of 3 July 1985, he met privately with Kelty and Crean (Senior Vice-President, ACTU) and accepted the ACTU's position (Approach A), leading into the NTS.⁴⁵

The ambitious Approach C had been defeated, but Keating had gained support for substantial reforms to the income tax base. At a post-NTS press conference Keating claimed that his tax cart had crossed the finishing line, albeit with one wheel off – like the chariot in *Ben Hur*.⁴⁶ As numerous commentators indicated, the irreconcilable differences between business interests and the welfare lobby forced Hawke to intervene by

³⁹ Andrew Peacock, in Deborah Snow, 'Consumer tax will harm families, says Peacock', *The Australian Financial Review*, 1 July 1985, 4.

⁴⁰ Ibid 5.

⁴¹ Commonwealth of Australia, *National Taxation Summit: Record of Proceedings*, Summit 1–4 July 1985, Parliament House, Canberra, (AGPS, 1985), 5.

⁴² R Bowden, 'Consumption tax set for a change after private talks', *The Australian*, 3 July 1985, 1.

⁴³ Paul Kelly, *The end of certainty: Power, politics and business in Australia* (Allen and Unwin, Sydney 1994), 169.

⁴⁴ Edna Carew, *Keating: A Biography* (Allen and Unwin, 1988), 125.

⁴⁵ John Edwards, *Keating: The Inside Story* (Penguin Books, 1996), 171.

⁴⁶ Ibid 277; Peter Groenewegen, *Everyone's guide to taxation in Australia* (Allen and Unwin, 1985), 12; Russell Mathews, 1985. Federal – State fiscal arrangements in Australia. In Peter Drysdale and Hirofumi Shibata, *Federalism and Resource Development: The Australian Case* (George Allen and Unwin, 1985); Eccleston (2004), above n 24, 91–2.

abandoning plans to introduce a BBCT.⁴⁷ However, the evidence base gathered through policy development was not entirely lost.

After the NTS, in September 1985, Treasurer Keating announced the Government's tax reform proposals which involved some 22 measures to reform the Australian taxation system.⁴⁸ No provision was made for a BBCT. The decade after the NTS was characterised by substantial income tax changes pursuant to the ALP Government's taxation reform program. These tax reforms were mainly due to the efforts of Treasurer Keating. After the 1990 federal election, the Opposition Leader Andrew Peacock resigned and in April 1990 John Hewson was elected leader of the Liberal Party and Leader of the Opposition. In October 1990, the Coalition parties endorsed a GST, and Opposition Leader Hewson (1990–94), Shadow Treasurer Peter Reith (1990–93), and Access Economics began work on *Fightback!*

B. Landmark 2 – *Fightback!* (1991, 1992)

Australia had suffered a share market crash in 1987 and a property crash in 1990, which contributed to economic recession. At this time, the Liberal Party, under John Hewson, considered an electoral win almost certain, and it was considered necessary to 'go for broke' and introduce a complete program for the implementation of economic rationalism and economic liberalism in Australia.⁴⁹ *Fightback!* and its series of reforms were interpreted by the electorate as a significant attack on government services and the welfare state.⁵⁰

(1) 1 *Fightback!* (1991, 1992)

The *Fightback!* (1991)⁵¹ Policy revisited the issues raised at the NTS (1985) and a revised consumption tax or GST proposal. Developing a policy in opposition meant that despite its attempts at extensive research, the Coalition parties' policies were not subject to the rigors of analysis and debate possible through government policy mechanisms. The research was provided mainly by Access Economics (an economic analysis consultancy firm), as well as a compilation and analysis of previous studies, from government, academics, business and John Hewson, who was an experienced economist with a doctorate in economics, Peter Reith and their staff.⁵² The references (reports) used by *Fightback!* were varied, and many were from previous inquiries.

⁴⁷ Paul Kelly, *The End of Certainty: Power, Politics and Business in Australia* (Allen & Unwin, Sydney, 1994), 171; John Edwards, Keating: *The Inside Story*, (Penguin Books, Melbourne, 1996), 276–77; Eccleston (2007), *above n 24*, 76.

⁴⁸ Paul Keating, 1985. *Reform of the Australian taxation system: statement by the Treasurer The Hon Paul Keating, MP*, September 1985, (AGPS, 1985).

⁴⁹ Pru Goward, *Labor in Power* (ABC Productions, 1994); Clinton de Bruyn, *Australia's Position in the World: The Historical Adoption of Corporatist Public Policy and Australia's Subsequent Movement between the Core and Semi-Periphery*, PhD Thesis (Griffith University, 2004), 57.

⁵⁰ de Bruyn, *above n 49*, 57.

⁵¹ Liberal Party of Australia, *Fightback! It's your Australia: the way to rebuild and reward Australia* (Liberal and National Parties, 1991).

⁵² John Hewson and Tim Fischer, *Fightback! Taxation and expenditure reform for jobs and growth* (Panther Publishing, 1991).

In terms of rational policy making, the *Fightback!* (1991) Policy did set out the objectives (goals) of tax and expenditure reform. Five guiding principles underlie the tax reform proposals outlined in the document. They were: first, to produce lower taxes and a 'simpler' and 'fairer' tax system which would boost the incentives to work, save, and invest; second, to produce a tax system that would make the Australian economy more internationally competitive and productive; third, to make the operation of the tax system more transparent and simpler for the taxpayer; fourth, to establish a tax system that raised the revenue necessary to finance government programs in the most efficient and effective way; and fifth, to establish a tax system that built a stable and reliable base for public expenditure programs in both Commonwealth and state sectors of responsibility. Also there were important objectives underpinning the reform of government expenditure in all areas of government, expressed as the need to target programs more effectively, to deliver programs and services more effectively, and to reduce or abolish programs that were no longer cost-effective or appropriate.⁵³

(2) *2 One Nation (1992) (ALP Government's Response to Fightback!)*

Faced with a policy challenge, Prime Minister Keating consulted various groups in the community, asking their opinion on what changes were needed to the Government's policies. In February 1992, Keating delivered the *One Nation*⁵⁴ (ON) Statement. It promised that a re-elected Labor Government could deliver the same personal income tax cuts as the Coalition's *Fightback!* Policy to middle-class voters, but without the need for a GST. Much of the ON was determined by staff in the PM's (Keating's) office and not by the technical experts in Treasury.⁵⁵ The Canberra Press Gallery was sceptical of the motives behind ON and financial markets doubted Treasury's growth projections and affordability of the package.⁵⁶ Hendy argues that the economic forecasts upon which the ON Statement depended were highly manipulated to justify the package as affordable.⁵⁷ In November 1992, Keating declared that the ALP Opposition would not oppose a GST in the Senate.⁵⁸ Keating also declared that: 'If you don't understand the GST, don't vote for it [in the approaching federal election]. And if you do understand it, I know you will never vote for it'.⁵⁹

(3) *3 Fightback! Mark II Policy and GST (1992) – Response to Public Pressure*

As a response to public pressure, a change resulted in the *Fightback!* and GST policy. In December 1992, Dr Hewson reconsidered *Fightback!* and relaunched it to make the GST more acceptable to the community. The major provisions were to remove the GST on food and childcare through zero rating and provision for a Rebuild Australia fund for new public works. This policy targeted support from particular groups, such as welfare groups.

⁵³ Ibid 4.

⁵⁴ Paul Keating, *One Nation*, Statement by the Prime Minister (AGPS, Canberra, 1992), (Announced 26 February 1992).

⁵⁵ Peter Hendy, *The Politics of a Goods and Services Tax: The Liberal Party and the GST, and the GST's future in Australia*, (Unpublished Paper, 1997), 111.

⁵⁶ Richard Eccleston, *The Capacity for Reform: Australian taxation policy and the state, 1970–2000*, PhD Thesis (University of Queensland, 2002), 167.

⁵⁷ Hendy, above n 55, 111.

⁵⁸ Don Watson, *Recollections of a Bleeding Heart* (Random House, 2011), 272.

⁵⁹ *Australian*, 3 March 1994; Paul Kelly, *The March of Patriots* (Melbourne University Press, 2011), 84.

The announcement of *Fightback! Mark II* was obviously motivated by the Liberal Party's declining electoral fortunes⁶⁰ and the consequent threat to Hewson's leadership of the Liberal Party.⁶¹ The institutional knowledge and experience from Treasury and the NTS in 1985 was used by the Keating Government against Hewson's *Fightback!* Policy and the GST in 1992.⁶²

What had started as a radical but ostensibly rational policy profile had been modified to make it more acceptable to pressure groups and the broader community. Welfare groups such as the Society of St Vincent de Paul, the Brotherhood of St Laurence, ACOSS, the Australian Council of the Aged, and the Australian Catholic Social Welfare Commission expressed support for zero rating of food and child care, as well as bringing forward increases in pensions and changes to the taxable threshold of superannuation. The BCA, the Australian Chamber of Commerce and the NSW Farmers Association favoured accelerated depreciation, and bringing forward of tax cuts. Car makers and other manufacturers criticized the continuation of the policy of the original *Fightback!* package to significantly reduce tariffs by the year 2000.⁶³

The Keating ALP media campaign focused on the electorate's perceived fear of the GST, its permanence and its broader implications for the national lifestyle. The ALP campaign was supplemented by a union campaign against the GST which was estimated at \$2 million.⁶⁴ An advertising campaign in support of the GST by peak business groups the BCA and the ACCI, under the banner 'Australians for Tax Reform', couldn't save the Hewson-led Coalition.⁶⁵

The 1993 federal election was an overtly policy-driven contest between Labor Prime Minister Keating and Liberal leader of the Opposition, Hewson. Few election platforms have been as detailed in their policy prescriptions as was the LP's *Fightback!* (1991) manifesto, and the introduction of the GST was central to this. The end result was that Keating relished 'the sweetest victory of all' while Hewson lost the seemingly 'unlosable' election – a loss attributed specifically to the GST.

John Howard was re-elected leader of the Liberal Party in January 1995. However, political pragmatism forced him to publicly abandon his career-long commitment to consumption tax reform. Howard declared, 'there's no way the GST will be part of our policy. It's dead. Never ever. It's dead.'⁶⁶ Regardless, the GST was now in the public's consciousness; it had been extensively debated and even deemed acceptable by a range of interest groups.

⁶⁰ *Bulletin*, 22 December 1992, 11.

⁶¹ *Sydney Morning Herald*, 19 December 1992; *Bulletin*, 29 December 1992, 14; Blount 1999, 23.

⁶² Liberal Party of Australia, *Fightback! Fairness and Jobs* (Liberal and National Parties, Canberra, 1992). (Announced on 9 December 1992 by Dr John Hewson, who launched *Fightback! Mark II* at the National Press Club on 18 December 1992.)

⁶³ *Sydney Morning Herald*, 19 December 1992.

⁶⁴ John Harrison and Marilyn Stretton, *The GST Debate* (Originally published as *The GST Debate – A Chronology: Background Paper No. 1 1997–1998*; updated by Marilyn Stretton to February 1999), (AGPS, 1999).

⁶⁵ James, above n 38, 8.

⁶⁶ Michelle Grattan, 'Howard Bans GST "forever"', *The Age*, 3 May 1995, 5.

The 'small target' approach⁶⁷ succeeded in securing the Howard-led Coalition victory at the 1996 federal election.⁶⁸ In response to the economic and political situation, interest groups mobilised and advocated for indirect tax reform. This led to the charge that an unprecedented and 'unholy' alliance had formed between the peak business association, (the ACCI) and the peak welfare body (ACOSS). They were traditional adversaries on consumption tax reform, but they united to promote dialogue on a GST. Partly due to the ACCI/ACOSS campaign, public support for the GST peaked in 1997, with supporters almost doubling the number of opponents.⁶⁹ On 18 May 1997, Prime Minister Howard indicated that he would seek a mandate for tax reform at the next election. The public face of consultation took the form of the Tax Consultation Task Force, but the report was not released publicly. Business was consulted, but ACOSS was excluded.⁷⁰

(4) 4 High Court Decision 1997

In 1997 an important High Court case concerning states taxes created a problem for state governments and Australian taxation policy, and encouraged further debate about tax reform and the GST. The High Court of Australia in *Ha v New South Wales* (1997) 189 CLR 465 (the *Ha* case) dealt with s 90 of the Australian Constitution, which prohibits the states from levying excise. The High Court decision viewed the NSW scheme (requiring a licence to sell tobacco in NSW) under the NSW Act (*Business Franchise Licences (Tobacco) Act 1987* (NSW)) as purely about revenue raising without a discernible regulatory element, giving it the appearance of a tax. Under the High Court's broad interpretation of s 90, the 'licence fee' imposed by the NSW State Government was in fact an excise – which, under the Australian Constitution, states are barred from imposing. This had a significant impact on the states' revenue base.⁷¹

On 11 and 12 August 1997, Prime Minister Howard took his initial tax reform proposals to a special Cabinet meeting and, partly as a result of the High Court decision in the *Ha* case, in August 1997 the Cabinet agreed to pursue tax reform.

C. Landmark 3 – Tax Reform: Not A New Tax, A New Tax System (1998, 1999)

There was no national fiscal crisis or recession for the Howard Government, but there was, according to Treasurer Peter Costello, a 'black hole' of \$8 billion left by Labor. The Howard Government came under heavy attack from business for lack of vision in May

⁶⁷ A 'small target' approach is a clever way to win power for an opposition, but poor preparation for it to become a government. A 'small target' is a political party that offers the voter a bare minimum – a minimal agenda, a minimal set of policies, and as little detail as possible. Peter Hartcher, 'Small target, big letdown', *Sydney Morning Herald*, 28 April 2012. After the Hewson experiment, the Liberal Party was scarred, and under the leadership of John Howard went into the 1996 election with the modest aim of making Australians feel 'relaxed and comfortable'. Robert Simms, 'Abbott's uncertain legacy beyond warring opposition', *The Drum*, 20 June 2012.

⁶⁸ James, above n 38, 9.

⁶⁹ Simon Blount, 'Public Opinion and Tax Aversion in Australia' (2000) 36(3) *Journal of Sociology* 275–90, 279.

⁷⁰ James, above n 38, 10.

⁷¹ James notes that the High Court decision in the *Ha* case on 5 August 1997 prevented the states levying indirect consumption taxes at a loss of approximately \$5 billion or 17 per cent of their revenue: Kathryn James, *The Rise of the Value-Added Tax* (Cambridge University Press, 2015) 247.

1997;⁷² Howard responded, without reference to senior colleagues, by putting the whole tax question on the agenda. By August, a task force was appointed to prepare a report.⁷³ A year later, the Howard Government produced the *ANTS* (1998) package, with its 10% GST and big income tax cuts. Howard's tax strategy may be seen as a reaction to pressure, but the problems he faced provided an opportunity to revive a policy that, given his long commitment to tax reform, he would have brought forward eventually. Economic rationalism was the dominant philosophy under John Howard's leadership of the Liberals; the party had moved away from its traditional theoretical base of conservatism and was geared towards unchallenged free-market reform. The Liberal–National Coalition of 1996 aggressively pursued monetarist contractionary policy and neo-liberal philosophy.⁷⁴

(1) 1 *ANTS Mark I and GST (1998)*

On 28 July 1998, the Cabinet, amid tight security, endorsed the 208-page *ANTS* document, followed by the conservative premiers and finally by the parliamentary Liberal and National Parties. On 13 August 1998, the Howard Coalition Government released its tax package, *Tax Reform: Not A New Tax, A New Tax System (ANTS)*. The *ANTS* 1998 package proposed a 10% GST with very few exceptions:⁷⁵ the proposed GST was to be paid on all food and clothing.⁷⁶ The public was given less detail (in a document a third of the size of the *Fightback!* document) and less time to respond. An election was called within two weeks of the release of *ANTS*.⁷⁷ Howard sought a mandate from the Australian people for BBCT reform.

The Australian Catholic Social Welfare Committee campaigned strongly that food should be excluded from the GST. The Howard Government's plan was to legislate the tax reform program by mid-1999.⁷⁸ This would allow businesses a year to get ready before the GST took effect on 1 July 2000. The Sydney Olympics (2000) were to be held later that year (15 September – 1 October 2000), and the Government wanted foreign tourists to pay the GST just as Australians paid VAT as tourists in other countries. The Government also wanted the new tax system in place before the next election, due in 2001.⁷⁹ PM John Howard hailed his new *ANTS* tax system as the most significant overhaul in almost 100 years. The proposed reforms included a 10% GST and the promise of income tax cuts.⁸⁰

(2) 2 *ALP Opposition's Response to ANTS (1998)*

To counter the *ANTS* proposal, under the leadership of Kim Beazley the main feature of the ALP's tax package was the absence of a GST. Kim Beazley said 'the [*ANTS*] package was

⁷² Eccleston (2004), above n 24, 131.

⁷³ Ibid 134.

⁷⁴ Kelly argues that Prime Minister John Howard, in office, sought to marry economic liberalism and social conservatism: Paul Kelly, *The March of the Patriots: The Struggle for Modern Australia*, (Melbourne University Press, 2011), 289.

⁷⁵ Exemptions, or products which were to be 'zero rated' included health, education, childcare and local government rates.

⁷⁶ *ANTS*, Ch 2.

⁷⁷ James, above n 38, 10.

⁷⁸ Peter Costello and Peter Coleman, *The Costello Memoirs* (Melbourne University Press, 2008), 134.

⁷⁹ Ibid.

⁸⁰ John Howard, *The Age*, 14 August 1998, 8.

a massive tax switch that handed far greater benefits to the wealthy at the expense of lower and middle income earners'.⁸¹ On 27 August 1998, Beazley released the ALP's tax package: *A Fairer Tax System – With No GST*, which offered carefully targeted income tax credits for low- to middle-income earners which would taper out once family income exceeded \$60,000 per year. The response to the ALP tax package from the press, business and welfare groups was scathing. ACOSS president Michael Raper labeled the ALP tax package 'fair enough, but not good enough' and stated 'ACOSS does not accept Labor's argument that the tax system is not "broken"'.⁸² Overall, the ALP's tax reform package was influenced more by political imperatives than economic goals.⁸³ The Beazley ALP Opposition tax package could be considered to be a limited political response or an incremental approach to the Howard Government's *ANTS* tax package, perhaps because of the limited time available to respond.

(3) 3 Post-Federal Election (1998)

On 3 October 1998, the Howard led Coalition was returned with an increased majority in the House of Representatives. For the Howard Government, crucially the 1998 federal election campaign had convinced the electorate of the need for tax reform. Within one week of the 1998 federal election, the Senate emerged as an institutional constraint on the Howard Government's ability to progress its GST. The 1998 federal election also resulted in a clash of mandates between the Liberal–National Coalition Government (which proposed *ANTS* and the GST) in the House of Representatives and the Australian Democrats (who originally opposed the introduction of the GST and who held the balance of power) in the Senate.

In October 1998, the leader of the Australian Democrats, Senator Meg Lees, sought greater compensation for low-income earners on the introduction of *ANTS* & the GST.⁸⁴ On 30 October 1998, Senator Mal Colston (Independent) indicated that he would be inclined to support the Government's *ANTS* tax package. In March 1999 Treasurer Costello held talks with the Australian Democrats when they had given him a list of their demands.⁸⁵

On May 14th 1999, after independent Senator Brian Harradine (who had the pivotal vote in the Senate) gave his 'I cannot support the GST' speech in the Senate, Howard and Costello turned to the Australian Democrats. The only alternative was to negotiate with the Australian Democrats and that would mean agreeing to exempt food. The Coalition could settle for 85 per cent of what the Australian people had supported or accept that tax reform was dead indefinitely.⁸⁶ Howard conducted negotiations with the Australian Democrats in the Senate over tax reform and the GST concessions. These negotiations went on for several weeks, shifting from Melbourne back to Canberra, and gradually areas of difference were whittled away.⁸⁷

⁸¹ Kim Beazley, in Brendan Nicholson, *The Age*, 14 August 1998, 11.

⁸² ACOSS, Media Release, 3 September 1998.

⁸³ Paul Kelly, *The Australian*, 28 August 1998; Eccleston (2002), above n 56, 218; Eccleston (2004), above n 24, 141.

⁸⁴ Ian Davis, *Australian Financial Review*, 16 October 1998, 4.

⁸⁵ Costello and Coleman, above n 78, 138.

⁸⁶ John Howard, *Lazarus Rising: A Personal and Political Autobiography* (Harper Collins, 2010), 313.

⁸⁷ *Ibid* 315.

***D. ANTS Mark II Policy and GST (1999):
Response to Australian Democrats and public pressure***

As a response to the Australian Democrats' demands and public pressure, a change was made to the ANTS and GST policy. On May 26th 1999, the Australian Democrats rejected the Government's initial offer on the ground that too much of the projected budget surplus was being used to fund tax cuts for high income earners. On May 28th 1999, an 'in-principle' agreement between PM Howard, Treasurer Costello and Senator Lees was publicly announced by PM Howard on tax reform that closely reflected the Australian Democrats position prior to negotiations. Basic food was to be exempt from the GST and also a restructuring of proposals concerning diesel fuel and a few other matters. On June 29th 1999, the ANTS (ANTS Mark II) legislation with the GST was passed by the Senate; the next day, the House of Representatives passed the tax plan into law. At long last major tax reform, built around the principles outlined in the Asprey Report almost 25 years earlier, had been legislated.⁸⁸

E. Discussion

Taken longitudinally, the GST can be seen as an example of successful tax reform. From the perspective of a traditional rational comprehensive approach to policy making, each landmark demonstrates the initial adoption of the rational approach in that policy goals were set, information and data collected and options weighed. This was most evident in the first landmark, where professional public servants formulated a set of options aimed at bringing consensus. The NTS (1985) graphically illustrated the importance of stake holder groups with the rejection of all or some of the options by the leaders of the major groups leaving little chance for success.

An evidence- and goals-based document was the starting point for the Liberal–National attempt to introduce a GST through the *Fightback* manifesto, this time driven by economic rationalism and prepared with the help of consultants. This period saw a sequence of policy adjustments and revisions in order to gain public support and again demonstrated the importance of interest groups such as the trade unions, welfare groups and business but this time and with an election looming, the press and public sentiment also played a vital role. Blatantly ideology based, the incremental policy adjustments made by Hewson appeared to undermine his evidence base. This period also saw the widening of the advice base as both sides of government recognised the decentralisation of the formulation options.

The ANTS period saw an alliance between the strong interest groups representing business and the welfare lobby. It appeared that time and public debate had led to an acceptance – or at least recognition of the inevitability – of the introduction of the GST. Although extensive documents were formulated, these were less available for broad debate, and the ALP Opposition did not appear to mount a sound evidence-based defense.

⁸⁸ Ibid 316.

As Rhodes,⁸⁹ Head⁹⁰ and others have noted, and as demonstrated in the second and third landmark, the growth in influence of important actors in the formulation of policy pushes technical advice further beyond the boundaries that a professional public service can achieve. Post-dating the period under discussion PM Kevin Rudd, when addressing the heads of agencies and senior executives of the Commonwealth Public Service stated, 'Policy design and policy evaluation should be driven by analysis of all the available options and not by ideology'.⁹¹ The passage of the GST demonstrates the changing position of the public sector in policy formulation. If this sort of rationally-derived decision making is to remain the standard for the public sector then its position in powerful policy networks needs to be better understood.

The long journey of the GST demonstrates an educative process and can be seen as a form of policy learning. Initially, the multiple options of the NTS and the complexity of the *Fightback!* Policy diverted attention from the issue of tax reform to fear an Australian tax regime which was not fully understood by the public. These periods did, however, lay the foundations for further reform.

Despite the abandonment and adjustment of the platform at each landmark, an evidence-based approach did form the base of each attempt. From a policy process perspective this could be represented as a 'learning spiral' that starts from a rational-evidence base then – under the heat and pressure of numerous political events and criticisms from interest groups, opposition parties and groups, the media, opinion polls and inquiries – moves to adopt a compromise position. However, while the original policy positions were ultimately not successful, knowledge gained from that policy formulation resurfaced in subsequent attempts.

The introduction of the GST emphasised the 'iterative' nature of public policy. It is often the case that policies are introduced and fail, and it takes several more attempts to get them accepted. There are various reasons for this. It can be because people do not understand them, or fear them, first time around. Attitudes change due to the educative effect of previous attempts to introduce different public policy.⁹² Of importance to this discussion was that the rational evidence-based approach remained the starting point at each iteration.

In terms of tax reform in the historical context in Australia from *Asprey* (1972–5) onwards, the first step in all consumption tax reform proposals was to diagnose crisis

⁸⁹ Rod Rhodes, *Beyond Westminster and Whitehall* (Unwin Hyman, London 1988); Rod Rhodes, *Understanding Governance* (Open University Press, 1997).

⁹⁰ Brian Head, 'Three lenses of evidence-based policy' (2008) 67 *Australian Journal of Public Administration*, 1–11; Brian Head, 'Evidence-based policy: principles and requirements' (2010) 1 *Strengthening evidence-based policy in Australian federation*, 13–26.

⁹¹ Kevin Rudd, Prime Minister: Address to heads of agencies and members of senior executive service, (April 30, 2008) Canberra, Australia, Cited in Head, 2014. Brian Head, 'Public Administration and the promise of evidence-based policy: experience in and beyond Australia' (2014) 36 *Asia Pacific Journal of Public Administration*, 48–59.

⁹² The three highlighted GST landmarks illustrate this point. Also it is important to note, as Aubin indicates, that the indirect tax increases introduced in 1993 by Treasurer Keating were even more regressive in their impact than the proposed GST that the LP/NP Coalition took to the 1993 election; T. Aubin, *Peter Costello: A biography* (Harper Collins, 1999), 197.

before prescribing reform.⁹³ By 1972, rising inflation and increasing real taxation burdens, along with the growing public awareness of the deficiencies and unfairness of the existing taxation system, pressured the McMahon Government to appoint the *Asprey Inquiry* (1972–75).⁹⁴ In the 1984 election campaign, major tax reform resurfaced as an issue. The tax reform agenda was in part due to economic recession and the public exposure of rampant tax avoidance and evasion by the *Costigan Royal Commission* (1982). The Hawke Labor Government engaged in a two-stage process of tax reform: Stage 1 involved the release by Treasury of the DWP (Option C recommended a 12.5% BBCT), which canvassed three alternatives for reform; Stage 2 involved a unique attempt at consensus-building at the NTS (1985).⁹⁵ In 1991 the Australian economy was in deep recession.⁹⁶ It was in this environment of economic crisis that Hewson released *Fightback!* (1991) a neo-liberal economic manifesto (with a 15% GST). However in Australia, the Howard Government's *ANTS* (and 10% GST) (1998–89) was not borne of the crises common to previous major tax reforms. Instead, it rode the waves of economic expansion and budget surpluses to flush money into voters' pockets.⁹⁷

The Hewson (1991, 1992) and Howard (1998, 1999) GST experiments verify much of the conventional thinking in the tax politics literature: first, the political sense of not releasing detailed and drastic tax policy long before an election campaign; second, the need for an interdependent tax package whereby losses are offset by clear gains; third, the public appearance of consultation; and finally, the necessity of the political sell for tax policy specifically by individual political party leaders and increasingly through media campaigns.⁹⁸ Hewson from opposition and Howard in government both pursued a 'big bang' approach to tax reform.⁹⁹ For Sandford,¹⁰⁰ these individual leaders, in positions of power and influence, are 'the essence of the theory or model of successful tax reform'. In Australia such an individual was John Howard, whose career-long commitment to a GST was a key factor in bringing about change.¹⁰¹

V CONCLUSION

The public policy goal of the introduction of the GST involved a broad range of policy processes and instruments. Evidence and analysis were reworked and adjusted through an educative process for the real-world political circumstances of the time. This generalisation may not be confined to taxation policy, although tax policy brings out a nation's values, political influences, and conflicts like no other arena of public policy. The

⁹³ James, above n 38, 25.

⁹⁴ Eccleston, above n 56, 83.

⁹⁵ James, above n 38, 5–6.

⁹⁶ Alan Fenna, *Australian public policy* (Pearson Education Australia, 2nd ed, Frenchs Forest, 2004), 207–8.

⁹⁷ James, above n 38, 2008, 33.

⁹⁸ Cedric Sandford, *Successful Tax Reform: Lessons from an Analysis of Tax Reform in Six Countries* (Fiscal, Bath, 1993); A E Prest, 'The Political Economy of Tax Reform' (1971) 37 *Economic Papers* 11; Brian J Arnold, 'The Process of Tax Policy Formulation in Australia, Canada and New Zealand' (1990) 7(4) *ATF* 379; Peter Groenewegen, *Australian Taxation Policy* (Longman Cheshire, 2nd ed, Melbourne, 1987), 168–174; James, above n 38, 32.

⁹⁹ Hendy, above n 55, 111; Kathryn James, above n 38, 32.

¹⁰⁰ Sandford, above n 98.

¹⁰¹ James, above n 38, 2008, 33.

long and difficult journey of the GST demonstrates not only the difficulty in introducing a new tax in Australia but also demonstrates that it can be successfully achieved, given enough time and effort.