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**Argus slams Swan over taxes**

Patrick Durkin



Don Argus attacks the government’s policies at a Rotary Club lunch on Wednesday. **Photo: Arsineh Houspian**

The leading businessman drafted to fix Treasurer Wayne Swan’s mining tax has blasted Labor for its badly designed carbon tax and its failure to include the GST on its tax reform agenda.

“How one can exclude the GST from any reform agenda is beyond my comprehension,” former BHP Billiton chairman Don Argus said.

Mr Argus said that just 10 taxes brought in 90 per cent of the government’s revenue and the other 115 taxes needed “simplifying most”.

The man who chaired Labor’s mining tax panel also warned that if a budget surplus was achieved through more poorly designed taxes then it ­simply would not be worth the cost.

“If a surplus is achieved by introducing poorly designed taxes and bringing expenditure forward to earlier years, then in my view the government has been far from prudent and responsible,” Mr Argus told a Rotary lunch yesterday. Later, he emphasised that the debate over the quality of any budget surplus was the key issue that deserved greater attention.

Mr Argus also slammed the lack of political leadership in Australia and warned the federal government against purging the cabinet of backers of former prime minister Kevin Rudd.

“If you don’t pick quality people you won’t get quality outcomes,” he told *The Australian Financial Review*. “At the moment our leader-follower relationships are tense, cynical, confused and mistrustful. That sort of environment only leads to dysfunctional relationships and of course a crisis of commitment,” he said.

Mr Argus also said the short-term political cycle had resulted in a badly designed carbon tax.

“The carbon tax was the result of political expediency. I am concerned that we have a badly designed, hurriedly implemented tax that imposes significant costs on the economy, but that may not achieve its core aim.”

Mr Argus was angry that carbon capture storage technology had been excluded from the proposed $10 billion clean energy fund and that abundant natural gas had also been ignored. “This is potentially a very worthwhile technology that is apparently being excluded on political grounds,” he said.

The failure of the government to address key productivity reforms was killing growth and employment.

He said that more than 100,000 days were lost through strikes in the September quarter last year – the highest level for seven years and he saw no sign of that trend abating.

“The productivity of Australian workers relative to their US counterparts is back where it was in the late 1970s,” Mr Argus said.

“Ordinarily falling productivity would mean that Australian living standards decline – but this is where Australia’s luck comes in. The deterioration in productivity growth has been masked by the unprecedented boost to the terms of trade that has occurred because of China’s rapid economic development,” Mr Argus said.

But that masking effect would not last for long. “We might just find that our luck has run out,” he said. Mr Argus complained that the government’s independent adviser, the Productivity Commission, was being side-lined on critical policy debates such as the carbon tax and the national broadbank network in the interests of misguided political expediency.

HSBC Australia chief economist Paul Bloxham backed the claims yesterday by warning that without a pick -up in productivity, Australia would have to accept lower growth, higher unemployment and higher interest rates.

“For every silver lining there is a cloud. In Australia that cloud is productivity,” Mr Bloxham said.

HSBC calculated that potential growth had slowed from 3.50 to 3.75 per cent in the first half of last decade to around 2.50 to 2.75 per cent now.

“The challenge is that if weak productivity growth persists, further increases in demand will put upward pressure on inflation which may see higher interest rates, or may see higher unemployment,” Mr Bloxham warned.

The Australian Financial Review