

## Turnbull takes charge on water in bid to get ABCC deal

Written by Michelle Grattan, Professorial Fellow, University of Canberra

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Malcolm Turnbull has assumed responsibility personally for negotiating with key crossbencher Nick Xenophon over water to try to smooth the way for the Nick Xenophon Team (NXT) to back the legislation to re-establish the construction industry watchdog.

Xenophon wants the bitter row over water settled before he'll vote on the Australian Building and Construction Commission (ABCC) legislation.

His home state of South Australia was deeply angered at a letter this month from Deputy Prime Minister Barnaby Joyce, who has ministerial carriage of water matters.

As things stand, South Australia will not get the special 450 gigalitres extra environmental flow it expected under the Murray-Darling Basin agreement because of pressures on towns upstream in Victoria and New South Wales. At a recent dinner of water ministers, South Australian minister Ian Hunter reportedly swore at Joyce and Victorian Labor minister Lisa Neville.

NSW and Victoria at the subsequent ministerial meeting proposed an independent assessment of environmental flows and socioeconomic impacts, but SA vetoed that.

Xenophon said on Sunday that Joyce's intervention had been "not very helpful".

Turnbull has had a number of discussions with Xenophon in the last few days including on Sunday, and has spoken with the premiers of the Murray Darling states of Victoria, NSW and Queensland as well as SA.

Prime ministerial sources said he had given assurances the Murray Darling plan will be delivered and in full.

Turnbull goes into this final parliamentary week of the year in need of compromises on both the

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ABCC legislation and the tax rate for backpackers.

The first is vital for him to be able to claim the government has put serious policy runs on the board since the election. The second is a must to give some certainty to farmers who rely on seasonal labour.

Last week the Senate passed the initial and easier leg of the industrial legislation that formed the basis for the double dissolution – the bill to strengthen trade union governance. The second leg, for the ABCC, was always more difficult to negotiate. But it became harder when Xenophon issued his water ultimatum.

It is further complicated by a threat from crossbencher David Leyonhjelm, who said that if the government approved additional water buy-backs to meet Xenophon's demands he would not support the ABCC legislation.

Leaving aside the water issue, by late Sunday Leyonhjelm was close to an agreement with the government on the ABCC although he declined to say what the government was giving as quid pro quo for his backing.

Xenophon spent four hours on Sunday in talks with Employment Minister Michaelia Cash working through the amendments he wants to the ABCC. He will vote for the second reading stage of the bill even if the water issue is still hanging, so debate on it can proceed.

On the backpacker tax, the government at the weekend was refusing to budge publicly.

Last week it failed to get through its bill for a 19 cents tax on backpackers, after Tasmanian crossbencher Jacqui Lambie proposed the rate should be 10.5 cents, which is supported by Labor. There has been speculation of a compromise around 15 cents.

But speaking on the ABC Finance Minister Mathias Cormann on Sunday took a hard line,

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saying the government had already compromised from its original 32.5 cents.

"We believe that we have compromised as far as we can sensibly compromise, given that the budget bottom line cannot afford a further tax cut beyond what we have put on the table.

"We are focused on preserving our AAA credit rating and getting the budget back into surplus as soon as possible. If we were to provide a bigger tax cut to foreign workers, we would have to recoup that either by higher taxes on Australians or by deeper cuts on the spending side in Australia. We don't believe that is appropriate," he said.

But Victorian Nationals MP Andrew Broad broke ranks by [telling the Weekly Times](#) that he would support a 15 cent rate.

There is some disagreement about what would happen if the tax bill is not passed. On one view the backpackers would have to pay the rate for foreigners of 32.5 cents; on another, they could be treated as Australian residents for tax purposes and pay nothing if they earned under the tax-free threshold of \$18,200.

The NXT has negotiated a deal to support the 19 cents in exchange for a seasonal workers incentive trial under which unemployed people who have been receiving Newstart or Youth Allowance (Other) payments for more than three months would be eligible to earn A\$5,000 each year from seasonal work without it being assessed under the social security income test.

The trial would begin on July 1, run for two years, provide opportunity for some 6,000 unemployed people and cost \$30 million.

It is not clear what is happening with the bill for a lifetime ban on coming to Australia for any boat arrivals who were sent to Nauru or Manus Island from mid-July 2013. This was said to be an urgent measure but does not appear on this week's Senate program – although it could always be brought on if the government thought it had the numbers to pass it.

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In parliament the opposition will pursue in both houses the issue of the Attorney-General George Brandis [intervening in a court case](#) involving the Australian Taxation Office and the Western Australian government. Brandis allegedly told then-solicitor-general Justin Gleeson not to run a certain constitutional argument because of a Commonwealth deal with the WA government. The deal was to let the state government claw back more than \$1 billion from the collapsed Bell Group.

Gleeson, acting for the tax office, which was seeking \$300 million from the Bell Group, ran the argument anyway and the tax office won the case. The WA government was furious because it thought it had been duded by the Commonwealth.

Very shortly afterwards Brandis issued his directive to Gleeson that all requests for Gleeson's advice must come through Brandis's office. Gleeson strongly opposed this directive, arguing it was not legal and interfered with the independence of his office.

Gleeson subsequently resigned, saying their relationship was "irretrievably broken".

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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