



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

MATTERS OF PUBLIC INTEREST

Tasmanian Economy

SPEECH

Wednesday, 22 August 2012

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Wednesday, 22 August 2012 Page 33 Questioner Speaker Urquhart, Sen Anne</p>	<p>Source Senate Proof Yes Responder Question No.</p>
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Senator URQUHART (Tasmania) (12:45): There has been a constant in the political debates over the past few years, a constant first pushed by the Liberal Premier from Western Australia and then followed by Liberal Premiers in Victoria, New South Wales and Queensland—a constant push not to search for ways and means to grow the wealth of our great land but to ruin 80 years of fiscal union and throw out the principle of horizontal fiscal equalisation; a push to throw out this equitable method of distributing finances across the Commonwealth and replace it with a simple per capita split. Unfortunately for our great country, this push has now consumed the Leader of the Opposition, Mr Abbott, and the Leader of the Opposition in the Senate, Senator Abetz.

Vital Tasmanian services that our community needs are at risk from Senator Abetz's meddling on this issue. On ABC radio in Tasmania on the 26 July this year, Senator Abetz said that he wants Tasmania to get its fair share of the GST revenue. Senator Abetz could not give a guarantee that the principle of horizontal fiscal equalisation would remain. Instead, Tasmanian Senator Abetz stated that he understands Western Australia's concerns. This is a classic case of trying to hedge your bet both ways. The concerns of Western Australia's Liberal Premier are unfounded. The state is rolling in cash from the mining boom and the Liberals have no regard for the extreme negative effects of trashing our fiscal union.

I urge all in this place to support the principle that has been the bedrock of our fiscal union for the past 80 years, the principle of horizontal fiscal equalisation—a bedrock principle that has contributed to Australia weathering all storms, particularly, this current two-speed economy that is sapping manufacturing and low margin exports from the eastern states. Our system of horizontal fiscal equalisation seeks to ensure that all states and territories have the financial capacity to provide to their residents services of the same standard in areas such as education, health, transport and public safety. It does not mean that there will be equal services in each state; it is up to each state government to decide how best to spend its budget. But for each state government to even get to the starting line in providing decent services to its people, we need a fair system.

We have a fair system. We use HFE to distribute the goods and services tax—the state's tax, as it is known.

The GST distribution relativities are calculated by the Commonwealth Grants Commission, an independent body. The method used by the Commonwealth Grants Commission is to take a per capita split of GST then adjust for two broad measures. It is these measures that the Leader of the Opposition, Mr Abbott, and the Leader of the Opposition in the Senate, Senator Abetz, would cast aside. The first is the expenditure need of the state. This takes into account a variety of factors that determine the costs of providing services in the state—for example, wages, population density and levels of disability. The second is the revenue need of the state. This takes into account a state's own sources of revenue—for example, land tax and mining royalties. In effect, the formula seeks to provide a relatively higher share of grants to states that have below average capacity to raise their own revenues and/or have to spend more to provide the same standard of public services as other states due to disadvantage or isolation.

Ironically, the parlous state of the Western Australian economy in the late 1920s stimulated the federal discussions for interstate financial transfers. The fact is that the Commonwealth Grants Commission was created for Western Australia's benefit. Mr Abbott and Senator Abetz need to understand that the principle of HFE has benefitted the state of Western Australia for most of the past 80 years. I quote the Western Australian Department of Treasury and Finance:

... in the early days of Federation, the Western Australian economy bore little resemblance to its present prosperous form. Isolated by geography and unable to exploit the free trade between States that resulted from the newly formed Constitution, it became necessary in 1925 for the Commonwealth to establish a Royal Commission into Western Australia's financial disabilities.

As a result, in 1933 the Commonwealth Grants Commission was formed to oversee a more equitable distribution of Commonwealth finances, which resulted in Western Australia being given the status of 'claimant State', and being in receipt of special grants from the Commonwealth for the next 30 years or so.

The fact is that Western Australia has spent most of Federation living off transfers from the more populous states.

A further history lesson: iron ore was not discovered in Western Australia until the fifties. The mining industry was then not established for another 20 years. Then a long-term decline in commodities prices meant that Western Australia still received a slight subsidy. In fact, in 2006, with gold pouring out of Kalgoorlie and iron ore being extracted from the Pilbara and the Kimberly, Western Australia was still a claimant state. What Mr Abbott and Senator Abetz need to understand is that Western Australia has in effect used all of the other states for these years, biding its time and receiving its handouts, only for it to turn around now and foolishly seek to cut off its mates over in the east.

It has been estimated that a move to distribute GST on a per capita basis could lead to a loss of \$630 million from Tasmania's annual budget—\$630 million—each and every year. I could do a man, woman and child analysis but I will leave that to those opposite. Instead, I will focus on the impact on Tasmanian services. Cutting \$630 million is equivalent to sacking 800 doctors, 3,000 nurses, 500 allied health professionals and 100 child protection staff combined.

These are job cuts and resultant losses to vital services that Tasmanians cannot afford. These are facts that Senator Abetz and Mr Abbott cannot ignore.

A review of the distribution of GST revenue was announced by the Australian government on 30 March 2011. This review was tasked with considering whether the current methodology of sharing GST revenue among the states will ensure that Australia is best placed to respond to structural and other challenges. Importantly, the review endorsed the principle of HFE. The focus of the review is on how the future challenges facing Australia will impact on equalisation. The challenges identified include continued globalisation, climate change, population growth and demographic change, the impact of technology, and the need to address Indigenous disadvantage.

The review definitely did not set out to undermine the principle of our fiscal union, HFE. Nor did it set out to take from those doing it tough and to give to the states that have solid revenues purely because of the location of mineral deposits. The idea set forth by the Western Australian Liberals and taken up by their eastern states' adopted son, Mr Abbott, that there should be a special deal for Western Australia surely is implying that Western Australians, though, are entitled to higher levels of finance for their schools and hospitals than someone in Rosebery, Zeehan or Queenstown—Tasmania's mining region. It implies that children who face extreme disadvantage due to isolation in this region of Tasmania should receive less support for their education than a child who is born in

Western Australia. All this will achieve is to further entrench regional inequalities for future generations.

I applaud the tenacity of Tasmanian Premier and Treasurer, Lara Giddings, in her swift and comprehensive action to present Tasmania's case to the review. Tasmania's share of GST revenue equates to approximately 40 per cent of the state's total revenue. Tasmania receives slightly more than 1½ times its population share of GST revenue due to its inherent disadvantages. Examples of this disadvantage include: Tasmania's lower capacity to raise many types of revenue; the lower per capita gross state product and smaller tax base; Tasmania has an older population than the rest of the country, lower socioeconomic status and an above average proportion of Indigenous people; and Tasmania's isolation and population dispersion. It is logical that where population is as decentralised as it is in Tasmania, the costs of delivering services per person increases.

Senators may not be aware, but only about 45 per cent of Tasmania's population lives in the capital city, Hobart. Around 80 per cent of Western Australia's population lives in their capital city, Perth. Tasmanians are spread across our island: from the dairy farming in Circular Head to the mining and fish farming on the West Coast, the grazing lands of the Midlands and the industrial hub of Bell Bay. Tasmania's geographic disadvantages cannot be understated. With the support of other states, Tasmania can continue to produce the high quality food and beverage products that we are famed across the world for.

But workers cannot produce these wares without adequate government services behind them: without a local school for their children to learn the basics of maths, science and language; without a doctor in case they are taken ill; without decent police and emergency services for times of crisis; and without decent roads and rail to connect each person to these services and to get their wares to market. The Tasmanian federal Labor team, led by Minister Julie Collins, has been very strong on this matter. At our recent Tasmanian state conference, Minister Collins moved a motion pushing for the maintenance of the HFE system. Importantly, this motion was supported by Australia's Treasurer, Wayne Swan, in his presentation to the conference.

The Labor Party, through the core of their leadership team, support the principle of HFE. It is in our DNA; we support a fair go for all Australians. That is why Labor are rolling out the pilots of the National Disability Insurance Scheme. It is why Labor instigated the Gonski review of school funding and why I and many other Labor members and senators are campaigning for its implementation. It is why we stimulated the economy during the greatest financial

crisis since the establishment of the Commonwealth Grants Commission to save over 500,000 jobs and keep Australians working.

It is vital that the Tasmanian Liberal senators stand up to Mr Abbott on behalf of all Tasmanians. We have four Liberal senators from Tasmania, and each and every one of them needs to be knocking on Mr Abbott's door and telling him that it is not okay to sell out Tasmania. The Tasmanian Liberal senators need to unequivocally state whether or not they support the HFE method and whether they are willing to sell out Tasmanians and let Tony Abbott move the Liberals to a per capita method. Minister Collins has written to Senator Eric Abetz on behalf of the Tasmanian Labor team, asking him to make a commitment that he and his Tasmanian Liberal Senate team will support Tasmania and fight for the retention of the HFE method. We are yet to hear a response. The 800 doctors, 3,000 nurses, 500 allied health professionals and over 100 child protection staff whose jobs are on the line from the Abbott-led Liberals are yet to hear a response.

It is not enough to simply say that Tasmania will get a 'fair deal'. Mr Abbott's idea of a 'fair deal' would rip the heart out of the Tasmanian budget. It would rip the heart out of vital public services that Tasmanians depend on. Just this week, Mr Abbott continued his trash talking of Tasmania. Mr Abbott said in South Australia to his party's faithful that the state can become more like Western Australia or it can become more like Tasmania. This is petty politicking at its worst. My state of Tasmania produces many fine products and in many areas punches well above its weight. We have been hit hard by the global slowdown, the high Australian dollar caused by Western Australia's full speed ahead approach to mining and by the downturn in the forestry industry.

People often say that there is no hope left in Tasmania, that all the jobs are drying up and that they have to try and move interstate and find work. To that I point to the record \$4½ billion worth of private sector investment, growing at a faster rate than any other non-mining state, and I highlight that local businesses have invested more than \$1½ billion in machinery and equipment over the past year, at a growth rate more than double the rest of the nation. Tasmanians have the desire, the skill and the courage to move our state forward. Senators, we must look beyond this current paradigm. HFE has served all states in Australia well. Just look to Europe to see the devastation of a monetary union without an efficient and equitable fiscal union. We must all commit to maintaining the principles of HFE.