



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 13 April 1999

MINISTERIAL STATEMENT

Premiers Conference: Goods and Services Tax

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (10.23 a.m.), by leave: Despite Queensland's successes in negotiations over the intergovernmental agreement on the introduction of a goods and services tax, honourable members should make no mistake: the Premiers Conference last week was no el dorado for Queensland.

As a result of the adoption of the new five-year relativities put forward by the Commonwealth Grants Commission, Queensland will suffer a \$60m a year reduction in its financial assistance grants in 1999-2000. These new relativities also impact upon our share of goods and services tax revenue, should the Federal Government's tax agenda be implemented.

While Queensland welcomes the Commonwealth Government's commitment to maintain, subject to the Grants Commission, the real per capita value of financial assistance grants to the States next year, the same cannot be said with respect to specific purpose payments. It is disturbing that the Commonwealth proposes to reduce these payments, particularly in respect of education, such that the actual level of payments will increase by less than 1% in nominal terms. This is substantially below both the population growth rate and the inflation rate, and it translates to a decline of 3.3% in real per capita terms. This is of particular concern to Queensland, which continues to experience population growth at a rate twice that of the nation as a whole.

This erosion of specific purpose payments is of even greater concern when set against the backdrop of a GST. In short, all Australian States and Territories share Queensland's concern that the Commonwealth will use growth in GST revenue as a pretext for further reducing specific purpose payments.

It is also worth noting that, allowing for the reduced financial assistance grants to Queensland and diminished specific purpose payments, Queensland now receives less than its per capita share of Federal funding. This puts a lie to the claims made by certain other State Premiers that Queensland is being subsidised. In short, the impact of the Commonwealth's offer and the Grants Commission report will be felt this year as Queensland faces a tight budgetary position, exacerbated by revenue impacts flowing from low commodity prices.

With respect to the introduction of a goods and services tax, let me again make the position of the Queensland Government absolutely clear. We do not support the Federal Government's GST. We stand by the material which has been presented to the Senate inquiry that shows the negative impact that such a tax will have on Queensland, in particular Queensland's service industries such as tourism. Furthermore, our opposition to the GST is recorded in the agreement signed by the Premier in Canberra last Friday.

It is true to say that we had a considerable victory in our campaign to ensure fair treatment for Queensland in the distribution of revenue flowing from any GST, particularly in the first three years of such a new tax system. As a result of our concerted efforts to defend Queensland's interests we have been able to claw back \$178m which the Federal Government proposed to deny Queensland in 2002-03. This is \$178m of goods and services tax revenue—extra tax—paid by Queenslanders.

Furthermore, we were able to secure \$162m over three years in additional compensation for the introduction of the GST. Specifically, these funding items are: \$70m to offset the impact of GST on

public housing costs; \$54m as compensation for the loss of wholesale sales tax equivalent payments from Government business enterprises; and \$38m in respect of embedded indirect taxes relating to local government. I stress once more that this money is compensation, not enhancement. It is compensation over the period 2000-03. All of this is predicated on the Commonwealth passing its tax legislation through the Federal Senate.

In short, while Queensland secured a significant improvement in its treatment at the hands of the Commonwealth, the Commonwealth did not do Queensland any favours. What we secured was funding to which Queensland was entitled—nothing more. The bottom line is that no matter how tough it got, no matter how isolated Queensland became, we did not blink. We kept on fighting. Queensland won.
