



Speech By
Hon. Curtis Pitt

MEMBER FOR MULGRAVE

Record of Proceedings, 10 October 2017

MOTION

Distribution of GST



Hon. CW PITT (Mulgrave—ALP) (Treasurer and Minister for Trade and Investment) (5.30 pm): I move—

That this House—

1. supports the Productivity Commission's recommendation to retain the broad concept of horizontal fiscal equalisation used by the Commonwealth Grants Commission in allocating GST funds;
2. rejects a per capita distribution model favoured by the LNP in states like NSW and Pauline Hanson's One Nation, which would see Queensland lose \$2.4 billion in GST revenue;
3. rejects any proposal that unfairly disadvantages Queensland, including the Productivity Commission's 'reasonable' test being based on the average state, where Queensland would be \$1.59 billion worse off in 2017-18; and
4. notes that, notwithstanding this review of the GST, there remains great uncertainty for the Queensland budget as the Turnbull government still holds the ability to impact on service delivery in Queensland through withholding non-GST funding.

Our system of federal-state financial relations is a complex one. It has evolved over time and one could say that it never stops evolving. The concept of horizontal fiscal equalisation has existed since 1933 with the establishment of the Commonwealth Grants Commission. At that time, it was focused largely on providing support to less populous states, not all states. We have seen major changes since then, including the massive shift that occurred when the federal government assumed taxation powers during World War II. The 1970s saw the advent of financial assistance grants and early last decade we saw the introduction of a GST, the revenue of which has always been earmarked for the states and territories.

Successive Commonwealth treasurers have said that there would be no changes to the distribution of the GST pool without the unanimous support of all states and territories. The blunt fact is that that is not required and the Turnbull government could change the distribution model if it chose to without the agreement of the states and territories. That is why this motion is so important. It is why this House needs to speak as one to Canberra on the issue.

The current GST pool is more than \$62.3 billion and Queensland's share is more than \$14.9 billion in 2017-18. To deliver across the state the services that Queenslanders expect, we need to stand up for Queensland and our fair share of the GST pool. As I said yesterday, we will stand up for Queenslanders and fight for a fair allocation of GST funds for our state. We will not support changes that see us lose our fair share. We back the decision not to use the per capita funding split advocated mainly by the LNP in New South Wales, as well as by One Nation. One Nation committed to per capita funding, even though its leader, Pauline Hanson, is a Queenslanders and we would stand to lose \$2.4 billion. She has openly advocated giving away our funds to Western Australia. The LNP and Tim

Nicholls need to stop making deals with a party that wants to send \$2.4 billion from Queensland to Western Australia. That funding would hit hardest our regional communities, meaning cuts to funds for regional schools, hospitals, roads and other services.

We support horizontal fiscal equalisation. Equalisation has always meant just that: the equal capacity to deliver services. The Productivity Commission draft report suggests that all jurisdictions should have the capacity to achieve a reasonable level of services, not the same or an equal level of services. We reject the two modified options for changing the allocations put forward by the Productivity Commission, both of which see us and all other states except Western Australia lose out.

Equalisation to the average state, not the strongest, as it now stands, would leave Queensland \$1.59 billion worse off or \$321 less per person. The draft report shows that under equalisation to the average state Queensland would be the state that loses the most GST revenue. Equalisation to the second strongest state would take \$729 million from our share of the GST or \$141 per Queenslanders. The current formula, equalisation to the strongest state, ensures that Queensland receives our fair share of funding to deliver services to the same standard as other states and territories. I do not need to remind anyone in this House that we are the most decentralised state in Australia. It is not fair for Queensland to cop a potential \$1.59 billion reduction.

While this is a draft report, we will be making our views known. Unlike those opposite, who I think are being very lazy on the issue, we made a submission contributing to the draft report and we will again make a submission to fight to ensure Queensland continues to get its fair share of GST revenue. We will not support changes that disadvantage Queensland, especially our capacity to support regional communities. Unlike the LNP, we will not be doing deals or getting into bed with parties such as One Nation, which want to see us lose money by advocating per capita allocations from the GST pool.

The federal government has had a political problem with Western Australia and this is really their way of seeking to resolve it. We do not think it is fair that the problem be solved by eroding funding to all other states and territories, including here in Queensland. The Queensland government supports horizontal fiscal equalisation and believes it forms an essential part of the social compact in Australia. The community expects all Australians will receive a similar standard of services, regardless of where they live.

There is another issue here, which is the ongoing problem of vertical fiscal imbalance. At numerous treasurers' meetings I have raised the idea of having more and greater funding certainty, particularly for areas such as health and education, and then putting the proposal forward to actually have Queensland and other states and territories receive a share of income tax. It is a growing tax. It is one that is already there and charged. We would then stop the endless roundabout of having to negotiate and renegotiate national partnership agreements every year or two. Having those funds untied would give us more budget flexibility, which is something that we would be very keen indeed to explore. However, at this stage we have had a lukewarm response from Scott Morrison and the Turnbull government. We will continue to press the case, because now more than ever it is important for Queensland to stand up and make sure that we are fighting for what is best for Queensland and not what is best for the political party concerned.