



Cassy O'Connor MP

Greens Leader
Member for Denison

Denison Electorate office
7 Franklin Wharf, Hobart TAS 7000

Phone: (03) 6212 2228
E: Cassy.O'Connor@parliament.tas.gov.au
tasmps.greens.org.au

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Horizontal Fiscal Equalisation inquiry
Productivity Commission
Locked Bag 2
Collins Street East VIC 8003

The Tasmanian Greens welcome the opportunity to contribute to the Productivity Commission's Inquiry into Horizontal Fiscal Equalisation (HFE). We are, however, concerned the Federal Government's referral to the Productivity Commission is based on its own electoral and political considerations rather than any substantive issues with the current system.

We strongly support the current distribution of the GST by the Commonwealth Grants Commission in accordance with the principles of Horizontal Fiscal Equalisation. The current framework is both fair and equitable.

Any change to it would substantially disadvantage the Tasmanian people.

The Productivity Commission has a long history of understanding the critical importance of equitable fiscal redistribution, and the ultimate impact this has on the wellbeing of Australians, regardless of where they live, as well our national prosperity and productivity. At its core, the issue of HFE is the same.

HFE is essential for States like Tasmania. Without a stabilising revenue from the GST distribution, Tasmania would be unable to maintain stability in basic service delivery. The flow on social and economic impacts would be profound.

The Tasmanian State Service is Tasmania's largest employer, and many other economic sectors rely on patronage from the State Service. Erratic State Budgets would deter potential investors from Tasmania and considerably compromise our capacity to maintain public health, education, housing and transport systems which are essential for maintaining a stable and skilled workforce.

In terms of national prosperity, without the current fair and equitable HFE distribution, Tasmania would likely need to offset its reduced allocation through further dependence on Commonwealth welfare funding and grants.

Current advancements in the Tasmanian economy are due to a plurality of factors including the steady recovery from the GFC which began in early 2013. That said, ongoing Government investment has a role to play in economic and social advancement. For example, the \$29 million spent annually on Tourism Tasmania would be a luxury the State could not afford if revenue streams were compromised. This would negatively impact on the State's growing visitor economy.

In broad policy terms, early intervention is often cheaper and more effective than reactive responses. It leads, ultimately, to improved productivity. The same is true more broadly of the effect of HFE on States and Territories.

Without a fair and equitable GST distribution to Tasmania that recognises existing social disadvantage and need, disadvantage would be more deeply entrenched in our State, creating significant socio economic issues that will eventually cost far more to resolve.

Our capacity to advance the State's economy would also be hampered, again ultimately costing more in the long run.

The Greens are of the view that impediments to State tax reform are unlikely to be addressed in any meaningful way by looking solely at the GST distribution formula. There is a strong argument for Commonwealth tax reform, particularly in relation to capital gains, negative gearing, the need for carbon pricing, environmentally and socially harmful subsidies to fossil fuel companies, the fact that corporate entities either pay no tax, or too little tax, or are granted enormous tax cuts by way of the Federal Budget.

Thank you for taking the time to read our submission to the Productivity Commission inquiry.

Yours sincerely,

Cassy O'Connor MP
Leader of the Tasmanian Greens
Greens' Treasury spokesperson
