

Comment on 9 October 2017 Productivity

Commission draft report on HFE

Doug Buckley, 17 October 2017

General There is a chance that I have missed it in your publications but surely there is a case for the PC including some kind of overall comment on the nature of taxation. Contrary to the views expressed by some, particularly in Western Australia, taxation is not about rewarding persons (or States) that pay the most income (or goods and services) tax, but rather, very often, the opposite. Such comment, carefully expressed, should be part of the PR work called for in my submission of 7 June 2017.

Much more could be made publicly of the important fact that the process is democratic in that grants are untied, leaving states to tax and spend as they see fit; a reasonably happy Australian union of equity and democracy. The CGC's work is of course the distribution of some of the common wealth of the Commonwealth of Australia.

"Second strongest state"? Given that the total quantum of the GST is collected quite independently of state budgets, it is illogical to require that all states be brought up (or indeed down) to the "fiscal capacity of the second strongest state"? (page 22) or indeed any particular state. Leave the CGC to

figure out as best it can (this is no exact science) what that level should be, given a specific quantum of GST.

Contemporaneity Of course I think that extreme swings are best dealt with by the kind of limited annual forecasting and backward revision outlined in my earlier submission (7 June 2017).

"Trying to increase the contemporaneity of the assessment could introduce additional complexity and volatility" (page 17). Does my method add complexity? Yes, but not much. Add volatility? Not so sure. I think it would have softened the shocks in WA that engendered your present work.

Doug Buckley

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