



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

10 November 2017

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

The Tasmanian Greens oppose the changes proposed in the Productivity Commission's draft report on Horizontal Fiscal Equalisation (HFE).

As we stated in our submission to the initial HFE report, 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, and any change to it would substantially disadvantage the Tasmanian people.

The draft report is deeply concerning for Tasmanians.

The Productivity Commission analysed a range of possible alterations to Australia's HFE scheme, each and every one resulting in less payments to States and Territories such as Tasmania and the Northern Territory.

These States routinely perform under average in the Productivity Commission's own Report on Government Services (ROGs), as well as on a wide range of health and social indicators. As such it is deeply disappointing that the Productivity Commission has only considered changes that would disadvantage these States further, and recommend changes that would see Tasmania lose 3.2% of its GST revenue.

It is also disappointing that the Productivity Commission does not consider the performance of each State on ROGs indicators and health and wellbeing indicators, nor what impact any of these changes may have on these States.

Analysis of GST relativities, unemployment and participation rates between 2000 and 2017 indicates that on balance, as our relativity increases our unemployment falls (correlation coefficient -0.19) and our workforce participation rate increases (correlation coefficient 0.19).

This in turn boosts economic activity and state revenue.

Long term less GST will have a snowball effect on our economy, decrease Tasmanians' health and wellbeing, and ultimately cost Australia more down to track to address the long-term effects of systemic under-funding.

The proposed changes are short-sighted and will ultimately be at the expense of all States.

We strongly urge the Productivity Commission to support current arrangements.

Yours sincerely,

Cassy O'Connor MP
Leader of the Tasmanian Greens
