

Dear Productivity Commission

Re: Reaction to Draft HFE Inquiry

The Draft HFE report paints a well researched and compelling picture of a robust Australian Economic policy from the OUTSIDE, but one that is dysfunctional INSIDE.

However it is from the **INSIDE** of WA, at the **PEOPLE'S** level that I am most concerned.

A current snapshot of WA reveals:

1. Record unemployment figures for adults and youth
2. Lowest job advertisements
3. Loss of population
4. Ramping up of state government tax levels, Land tax etc
5. Ramping up of utility costs, energy, water and sewerage
6. Highest property vacancy rates, residential and commercial
7. Low property rents residential and commercial
8. Lower wage levels, low federal tax receipts
9. Barely average NAPLAN education results
10. Long public hospital wait lists, elective surgery waits
11. Increased city congestion, traffic flows, parking and lower public transport utilisation
12. Low university graduate employment rates
13. Reduced car sales
14. High suicide rates
15. Record bankruptcies, personal and business
16. Record crime rates
17. Record state deficit with 3 credit downgrades
18. 5000 State government employees to be made redundant and transferred to Federal unemployment benefits

This situation is simply intolerable, unnecessary and preventable.

Quite righteously community reaction is one of anger and political disillusionment. Already WA has had a change of state government over GST damage, next will be the Federal Government. No longer will WA ever be considered a safe Liberal state again. It is anticipated that all Federal government ministers supposedly representing WA will not be re-elected.

The HFE-GST terms of 'three years assessed and two years lag' is mindboggling in an era where the Reserve Bank adjusts interests rates monthly. Would the CGC Commissioner accept being paid 5 years later instead of fortnightly? Whatever happened to micro-economics? The gaps between CGC recording and response are madly excessive and indefensible.

WA is no stranger to mining booms, indeed its very founding centred around gold mining that continues 150 years later, despite the CGC. But this is the first time HFE has interfered in the boom-bust cycle and created such a rapid, devastating state crash, syphoning off potential recovery funds to parasitic states.

To attribute this bizarre financial situation to 2012-3 WA state government overspending can also be directed to all the recipient states who had no issue in accepting the funds and made no effort to create similarly sustainable state economies. Hypocritical behaviour?

Nevertheless we are so fortunate to live in a country where each Australian state has vast resources whether human or nature based. Maybe the HFE should have had \$ for \$ **incentives** built into state funding instead of **compensation** for poor performance. Sadly the CGC seems to have interpreted its HFE role as one of retrospective economics rather than proactive. Maybe the Christian tenet of providing a fishing rod, not fish, is relevant here.

Of course the 'Elephant in the room' is the influence of **politics**. Even Blind Freddy can see the connection between mendicant states and GST funding levels. This 'Pork barrelling' means the CGC was either complicit or exploited to achieve Federal government policy success in parliament.

So what are the real and immediate options for WA residents?

1. Fly our unemployed interstate for better employment options (that are paid for by their home state through HFE?)
2. Fly interstate when ill for better hospital treatment
3. Fly our youth interstate for study
4. Relocate our small businesses interstate
5. Change their voting patterns to whichever party redresses GST funding misappropriation best
6. Secede from the Federation?

Summary:

♦ There can be no dispute that the introduction of an indirect Goods and Services Tax was fundamentally sound, especially when GST was based on the states achieving a reliable income stream from their own state and independent of Canberra. That this funding was hijacked by HFE has the potential to bring down governments at state and federal level and divide Australians like no other issue, even football. The architects of GST now acknowledge GST is state-derived funding and not Commonwealth funds to be distributed through a Commonwealth agency.

♦ It is true that WA has not embraced privatisation nor gambling. This is for particularly good reasons and should be respected. But that huge gambling revenues are excluded from HFE calculations defies logic.

♦ It should also be acknowledged that this WA-led mining boom assisted Australia weather the GFC and therefore benefitted all Australians. That 40% of Australia's land mass is resourced by only 2.4 million is a remarkable feat, but one never acknowledged. At the peak over 5000 FIFO workers were commuting across our continent and spending their generous salaries in their home State. But to continue to use WA solely as an ATM for the rest of Australia is inexcusable.

♦ On behalf of all West Australians I implore the CGC for our hard-earned resources to be more fairly distributed whatever outcome. It is for our youth, who deserve a future no matter where they live, to have a reasonable chance of employment and live a fulfilling life without reliance on welfare at a personal or government level. This is on what all politicians and public servants should focus.

Recommendations:

1. Disband the CGC and distribute GST funding along population lines. Federation occurred 116 years ago and the GST 20 years ago, well and truly long enough for all states to become politically stable and economically sustainable. Some critics feel that the HFE has so distorted recent state funding that the goals of Federation have been set back accordingly. Our country's founders never would have wished for its citizens to become dependent on hand-outs, whether at state or personal level.
2. That the Commonwealth government stick to its charter of managing matters of national importance and leave the states to foster its small businesses, the engine room of employment, without CGC-HFE interference/intervention.
3. That failing disbanding, the CGC develop the necessary intestinal fortitude to provide economic leadership in state GST distribution based on performance, not need. Interestingly the Federal government gave the states financial incentives to change retail hours, only to be counteracted by the CGC awarding GST funding to states that have 'locked up' all their resources, human and natural. The CGC owes Australia reversion to a Land of Opportunity and not a series of welfare states.

I look forward to addressing these issues with the Commission in person soon.

Yours sincerely

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