



8 December 2017

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

Dear Commissioners,

**RE: SUBMISSION IN RESPONSE TO QUESTIONS RAISED DURING IN PERSON
EVIDENCE TO THE HORIZONTAL FISCAL EQUALISATION INQUIRY**

On behalf of the Victorian Trades Hall Council (VTHC), I thank you for the opportunity to make a submission, provide evidence and respond further to substantive questions arising from that evidence.

VTHC is the peak body for unions in Victoria. VTHC represents 41 unions and 430,000 workers. These workers are members of unions that reach into every industry in the state, both in the public and private sectors.

VTHC is making this short submission to address questions raised and taken on notice during our appearance at the Melbourne hearings on Friday 17 November 2017.

Firstly, VTHC would like to reiterate its support for the current system of HFE and the key principle of equalising to the strongest state. VTHC would like to further reiterate the proposed changes place an unacceptable burden on Victoria's ability to deliver services and could lead to significant job losses. As the representative of Victorian workers this is unacceptable to us.

VTHC views on the role of the Commonwealth in horizontal fiscal equalisation.

VTHC is of the view that while the Commonwealth should play an active role in addressing some of the challenges that exacerbate HFE such as vertical fiscal imbalance.

VTHC views on the manner in which state government funds local councils.

It is the understanding of the VTHC that Victorian Government funding is allocated to local councils in accordance with the Local Government (Financial Assistance) Act 1995 and a number of distribution principles. Chief amongst these principles is that general purpose grants are to be allocated on a 'full horizontal equalisation basis', assessing the relative needs of councils. Given the differing responsibilities of local government and state governments, especially in regards to health and education, VTHC does not view HFE

LUKE HILAKARI
Secretary

DAVID CRAGG
Assistant Secretary

**VICTORIAN TRADES
HALL COUNCIL**
54 Victoria Street
Carlton South, 3053
Phone: 03 9659 3511
info@vthc.org.au
vthc.org.au
weareunion.org.au

distribution from state to local levels of government as an appropriate comparison for this inquiry to draw upon.

VTHC views on land tax reform

VTHC views stamp duty as a significant inefficiency in our economy. Stamp duty discourages the improvement and sale of land, decreasing the supply of houses available to first home buyers. As part of a tax reform package, VTHC would support the abolition of this tax and its replacement with a land tax.

Key principles in implementing a land tax should include that it is based on the size of the land and the value of the land. Land that is of a higher value should be taxed at a higher rate than land in outer suburbs or located away from desired amenities. Further this reform should be made with significant transitional arrangements so as not to punish existing landowners who have already paid stamp duty on their property. In the ACT for instance land tax reforms are being introduced over a twenty year period.

VTHC reiterates that significant changes such as those being proposed should not be considered without overwhelming evidence for a change. This inquiry, as with previous inquiries, has not demonstrated that that evidence exists. It would appear that the inquiry was established and solutions proposed to address the self-inflicted fiscal concerns of one state. This is not a sound basis for reform.

If you have any questions, please do not hesitate to contact Danae Bosler

Thank you for your consideration.

Yours sincerely,

Luke Hilakari
Secretary
LH: TC / Ref: 9232