



Horizontal Fiscal Equalisation inquiry
Productivity Commission
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Dear Sir/Madam

CPSU Submission to Horizontal Fiscal Equalisation inquiry

As a key union representing employees in the NT Public Service, our submission draws directly on the views of members, many of whom are concerned about the impact that GST funding cuts will have on services and the ability of the NTPS to deliver the standard of living the community expects.

The CPSU supports the Northern Territory Government's opposition to the changes in GST relativity that will cut revenue to the Northern Territory by two billion over the forward estimates.¹ The CPSU opposes changing the current HFE system to partial equalisation which will permanently result in a permanent and ongoing reduction in the Territory's share of GST revenue, reduce service standards and increase economic and social disadvantage.

Any downward revisions to the Northern Territory's share of GST will have significant impact on the services that the Northern Territory Public Service is able to deliver to Territorians. Revenue redistributed through the GST pool accounts for 47 per cent of the Northern Territory's total revenue (Northern Territory Government 2017).²

The Territory receives the highest per capita share of the GST pool of all states, mainly due to the Territory's above average expenditure needs, arising from factors such as remoteness, diseconomies of small scale and also the high Aboriginal and Torres Strait Islander population. It is worth remembering that HFE assumes a national average policy in assessing each jurisdiction's expenditure needs and revenue capacity, not all factors affecting service delivery costs are taken into account. Over two fifths (41.7 per cent) of the Territory's population lives in remote or very remote areas³ and providing services to major rural centres, let alone outstations, is horrendously expensive.

¹ Xavier La Canna (2017, 27 March). GST funding cut blamed for expected Northern Territory public service job reduction, non-renewal of programs. ABC Radio Darwin. Retrieved from <http://www.abc.net.au/news/2017-03-27/nt-election-promises-to-be-honoured-despite-2b-funding-cut/8389824>

² Productivity Commission (2017, October). Horizontal Fiscal Equalisation, Draft Report, Canberra. Retrieved from <http://www.pc.gov.au/inquiries/current/horizontal-fiscal-equalisation/draft/horizontal-fiscal-equalisation-draft.pdf>

³ Australian Bureau of Statistics (2016, 30 March) 3218.0 - Regional Population Growth, Australia, 2014-15. Retrieved from www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/3218.0Main%20Features152014-15?opendocument&tabname=Summary&prodno=3218.0&issue=2014-15&num=&view=

Travel is a significant expense for the Northern Territory Government. The Northern Territory is vast and there are many communities and islands that can only be accessed by charter plane – all year, and even more in the wet season (4-5 months a year at least). Many judicial staff, prosecutors and defence counsel, and in some cases police, are not based in the community, and often need to fly by charter or commercial flight to these remote communities. In addition to this there is a significant cost of bringing Indigenous witnesses to court in the major centres e.g. Darwin, Alice Springs, Katherine and Tennant Creek: this can include flights, accommodation and meals. Territory Families also often have to go to communities and pick up children and drop them off as well as regular visits for welfare checks. Territory Families also have Youth Justice officers flying to Alice Springs and back for the past 6 months almost every day to await court procedures to see if children are put on remand.

There can also be significant expenses associated with providing medical services in remote communities. Often a severely injured person may need to be flown to a major centre such as Alice Springs or Darwin. For some people, particularly in Central Australia, it is not uncommon for them to have to be flown to Adelaide for further treatment. There are also a number of cases where medical services cannot be provided in the main centres of Darwin and Alice Springs and people have to be flown to other major Australian cities for treatment.

Furthermore, the CPSU notes that 2017 Closing the Gap report found that Australia is still failing on six out of seven key measures. Furthermore, progress on decreasing Indigenous child deaths appears to be stalling.⁴ More resources, rather than less are needed. The Commonwealth Grants Commission has admitted that the Territory is the fiscally weakest jurisdiction in Australia.⁵ Of all the states, the Northern Territory is the most reliant on the Commonwealth financial transfers, with about 69 per cent of the Territory's total revenue sourced from the Commonwealth, compared to about 45 per cent in other states.

The NT Government projects the GST funding reduction will result in cut of \$397m in 2017-18⁶, a 6% cut in funding to the NT Budget which had a total expenditure of \$6.73 billion in 2017-18⁷. Such a significant reduction of GST revenues will mean programs will not be renewed and public service staff will not be replaced.⁸ The NT has already gone through a process of making \$789m in savings over the forward estimates⁹ and there are limits to what efficiencies can be made without compromising the quality of public services provided to the community. The CPSU also notes that Commonwealth Grants Commission 2017 Update indicates that the Northern Territory is the only jurisdiction that will be receiving a reduction in GST revenue in 2017-18.¹⁰ All other states and territories are receiving an increase.

The NTPS is already under financial pressure as a result of the ongoing efficiency dividend and further cuts will only exacerbate this. The 2016-17 Budget applied an efficiency dividend of 2 per cent, 'increasing to 3 per cent in 2017-18, with 2 per cent ongoing from 2018-19'¹¹. There have been staff cuts in regional areas to meet these budget cuts and Territory Families, in particular, has experienced high workloads.

⁴ <http://closingthegap.pmc.gov.au/sites/default/files/ctg-report-2017.pdf>

⁵ Commonwealth Grants Commission (2017, March). 2017 Update. Retrieved from https://cgc.gov.au/index.php?option=com_content&view=article&id=256&Itemid=522

⁶ NT Government. Budget Strategy and Outlook 2017-18, Budget Paper No.2. Retrieved from https://budget.nt.gov.au/_data/assets/pdf_file/0007/277603/BP2-2017-18-book.pdf

⁷ NT Government, 2017-18 Budget Strategy and Outlook. Retrieved from <https://budget.nt.gov.au/2017-18-budget-papers>

⁸ Xavier La Canna (2017, 27 March). GST funding cut blamed for expected Northern Territory public service job reduction, non-renewal of programs. ABC Radio Darwin. Retrieved from <http://www.abc.net.au/news/2017-03-27/nt-election-promises-to-be-honoured-despite-2b-funding-cut/8389824>

⁹ NT Government. Budget Strategy and Outlook 2017-18, Budget Paper No.2. Retrieved from https://budget.nt.gov.au/_data/assets/pdf_file/0007/277603/BP2-2017-18-book.pdf

¹⁰ Commonwealth Grants Commission (2017, March). 2017 Update. Retrieved from https://cgc.gov.au/index.php?option=com_content&view=article&id=256&Itemid=522

¹¹ NT Government. Budget Strategy and Outlook 2017-18, Budget Paper No.2. Retrieved from https://budget.nt.gov.au/_data/assets/pdf_file/0007/277603/BP2-2016-17-book.pdf

Given temporary contracts continue to make up a significant proportion of the NTPS workforce, if the NT Government is forced to make savings from staffing by natural attrition, it is likely to have a big impact and result in work no longer being done. The most recent data from June 2016 shows 27 per cent of NTPS employees were engaged on temporary contracts.¹² The NT Government's use of non-ongoing employees is growing with the proportion of ongoing employees, having decreased by 4.8 percentage points from 2007 to 2017.¹³

The impact of cuts to the APS also cannot be overlooked. The APS headcount has fallen by 504 or 19.8 per cent in the Northern Territory between June 2013 and June 2017.¹⁴ The cuts, in conjunction with the introduction of the Community Development Programme (CDP), have affected many communities in the Northern Territory. For example, the Department of Human Services has reported there has been significant increase in the maximum call wait times for remote wait times from 2014–15 to 2016–17.¹⁵ Many of those who called DHS from remote communities were jobseekers under the CDP whose payments were suspended and were required to contact Human Services. This can be a particular problem for those on the CDP in remote areas as Aboriginal and Torres Strait Islander people in remote communities who share one dedicated DHS telephone sometimes take more than one day to access telephone services. In these circumstances, people queue to use the telephone and may miss out if others' calls are lengthy, as access is available for a limited time each day.¹⁶

Under the CDP, over 20,000 individuals are being penalised, most more than once.¹⁷ For a person on unemployment benefits, which are typically less than \$290 a week, the penalties range from about \$48 to \$57.¹⁸ The hardship caused by a more stringent CDP compliance regime and a lack of resources for DHS is putting additional pressure on the NT and the services they can provide which will only be exacerbated by funding reductions. Members report increasing pressures on the Strengthening Families program since the Liberals have cut funding for services.

Should you wish to discuss this submission any further you can contact me

Yours sincerely

Kay Densley
NT Regional Secretary

¹² Office of the Commissioner for Public Employment, State of the Service Report 2016-17, September 2017, p.62

¹³ Office of the Commissioner for Public Employment, State of the Service Report 2016-17, September 2017, p.62

¹⁴ Calculations from APSC data

¹⁵ <https://www.anao.gov.au/work/performance-audit/design-and-implementation-community-development-programme>

¹⁶ Australian National Audit Office, Audit Report No.37: Management of Smart Centres' Centrelink Telephone Services, 19 May 2015, p.46

¹⁷ Finance and Public Administration Legislation Committee (2016, March). Social Security Legislation Amendment (Community Development Program) Bill 2015. The Senate. Retrieved from http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/Social_Security/Report

¹⁸ Dan Conifer (2017, 30 May). Controversial work-for-the-dole scheme a 'national shame,' Pat Dodson says. ABC News. Retrieved from <http://www.abc.net.au/news/2017-05-31/work-for-the-dole-scheme-a-national-shame:-dodson/8574152>