



LAUNCESTON
CHAMBER of COMMERCE
The Voice of Business

Productivity Commission
4 National Circuit
Barton, ACT 2600

24th November 2017

To whom it may concern,

The Launceston Chamber of Commerce welcomes the opportunity to make a submission to the Productivity Commission in its review of Horizontal Fiscal Equalisation.

The Launceston Chamber of Commerce is Australia's oldest Chamber of Commerce and has been at the core of Tasmania's northern economic development (and survival) since 1849. As such, the Launceston Chamber has a unique insight into the underpinning needs of the Tasmanian economy. The Chamber represents nearly 300 members in the greater Launceston area from a wide range of sectors.

Horizontal Fiscal Equalisation is a mechanism to return GST monies to the states and territories. It is a means of fair and reasonable distribution and needs to reflect the underpinning principles of federation. It is also the key element of the taxation regime which has evolved since Federation and the introduction of the Goods and Services Tax in 2000.

Federation and redistribution of Commonwealth revenue is not predicated on the basis of a \$1 in and a \$1 out principle. Were that to be the case then Tasmania would be severely economically depressed and could not share in the common wealth of Australia's economic performance in a fair and balanced manner.

The mechanism of GST redistribution needs to take full account of the variation amongst states and territories, including, but not limited to population distribution, geography, economic ability, socio-economic status and some cases, geological attributes. The purpose of HFES and the distribution of GST revenue is not, and should not be, a political process. It should not be used by the Commonwealth to drive the achievement of Commonwealth policy or agendas.

This is not its purpose and in many ways, was never intended to be so. There are other ways that the Commonwealth Government can do this through tied grants, taxation/economic policy, industrial relations policy and so on.

Tasmania has some particular attributes that need to be taken account of:

- It has a comparably small population (the third smallest in the nation)
- It is an island state which presents real challenges, opportunities and cost
- It has the nation's most regionalised population
- It has the nation's oldest population
- It is has the highest rate of disability in the nation (25%)

Tasmania can bring other benefits to the nation that are not mining related such as agriculture, forestry, a strong and growing international and national visitor economy, hydro-electric and wind energy generation and carbon sink opportunities.

The process to distribute the GST monies needs to be:

- Predictable
- Fair and reasonable
- Transparent and accountable

Tasmania's economic performance is linked to the steady and predictable flow of GST funds according to the current model of redistribution. Reliable, recurrent funding is enables Tasmania to ensure that residents and visitors to Tasmania receive comparable services (health, education, justice) to those who live elsewhere in the nation

In order to grow and sustain a prosperous state, Tasmania is entitled to receive its share of GST revenue through the HFE. Government spending on infrastructure and other services enables the private and community sector to pursue growth and create jobs and wealth It is the strong view of the Launceston Chamber of Commerce that Tasmania's share of the GST redistribution should remain in line with current arrangements.

While other states such as Western Australia are mounting strong political cases for their share to be increased at the detriment of Tasmania – their perceived imbalance can be addressed via federal funding grants, as is currently the case. Tasmania has managed its finances responsibly and should not be placed at a disadvantage because other states have not.

While the Grants Commission makes repeated reference to the perception that their processes are difficult to understand, the Chamber is clearly of the view that this in itself is not cause for a review on how funding is distributed – rather it is a case for the Commission to better explain its operations.

The Launceston Chamber of Commerce looks forward to the opportunity to present its submission when it appears before the Commission on 1 December 2017.

Yours sincerely

Neil Grose

Executive Officer