

INQUIRY INTO THE GAMBLING INDUSTRY

This is a summary of the points to be covered by the oral submission of Mr Rob Hulls, Shadow Minister for Gaming on the 25 November 1998. A more expansive written submission will be provided following the oral submission.

Introduction

Overview of current climate in Victoria. Why is gambling so politicised in Victoria?

Current Climate of the Victorian Gaming Industry

- Government as an agent and promoter for the industry

The current position of Government in Victoria is to facilitate expansion of the gaming industry with minimum regulation and limited protection for ordinary Victorians. This has been done by continual promotion of the industry by the Premier

- Abrogation by Government of responsibility

This promotion of the industry has resulted in the abrogation of the fundamental regulatory role of the Government in relation to the gaming industry. This has resulted in a largely self-regulatory environment that maximises the adverse impacts of gaming and limits resources for problem gamblers.

- Dependence of Government

The Government's dependence on gaming revenue has dramatically increased in the last 6 years. This economic relationship has created internal policy pressures to maximise gaming revenue.

- Entering a State bidding war on gaming taxes

The Government's dependence on gaming revenue has led to the potential for an interstate and international bidding war for gaming revenue through the relaxation of taxation levels. This potential battle has grave consequences for proper public policy development for the industry.

- The absence of a free public debate free of consequences in relation to the gaming industry

A key element of the current gaming climate is the absence of a free public debate on the gaming industry - that is free of consequences for its participants. Previously critics of the industry and government policy and the calling of this inquiry itself has led to savage attacks from political figures.

- A weakened regulator

The Victorian Casino and Gaming Authority has been grossly compromised in the discharge of its functions by intervention at a public level by political figures in its deliberations. Repeatedly Ministers and the Premier have pre-empted findings of the Authority, even before submissions have been received.

- A restricted regulator – charter and governing legislation

The Authority is also compromised by its mission statement and limitations upon its role by the relevant legislation.

- A self-regulatory regime

The reality is that the weakened Authority and a Government that has abandoned its responsibility to properly regulate the industry has resulted in a largely self-regulatory scheme with adverse social and economic consequences.

- Political associations and interdependence

The relationship between Government and the industry has been blurred by the existence of a blatant conflict of interest between the political future of the Government and the economic fortunes of Melbourne's Crown Casino. The Federal Treasurer of the Liberal Party is a Director of Crown Casino and Hudson Conway – he is also a major fundraiser for the Liberal Party and huge donor.

- Concentration of control of gaming machines in Victoria

It was never envisaged that the control of gaming machines in Victoria would be as concentrated as it currently is. Similarly the transparency of this control continues to cloud the industry in a veil of secrecy.

- The dumping of electronic gaming machines

The distribution of electronic gaming machines in Victoria is currently based on one sole criteria – where profit is maximised. The VCGA, local government and the State Government have little or no say in the distribution.

- Absence of community involvement

The absence of proper planning and local government involvement means the roll out of gaming machines is being done with no community involvement.

- Misuse of gambling revenue through the Community Support Fund

Gaming revenue derived from electronic gaming machines is being poured into a slush fund with no guidelines and managed solely by the Premier. Please find enclosed a copy of answers to questions on notice to the public accounts and estimates committee in relation to the Community support fund.

- Reactionary basis for research into gaming

Current research into the social and economic impact of gaming is being done on a "*what have we done*" basis, whereby research demonstrates the impact of machines in certain areas, with no consequent impact upon policy.

- Poor framework for introduction of internet gambling

Victoria's regulatory environment is currently inadequate to deal with internet gambling and in particular the introduction of virtual casinos – regarded in the United States to be the crack of the gaming industry.

The gaming industry – an industry that requires regulation

- A responsible role for Government:

Government has a duty to play an active interventionist role in the gaming industry to protect the community and limit the adverse social and economic impact of gaming. Its role can be enhanced in Victoria through a number of initiatives that form the basis of Victorian Labor's approach to the industry.

- Reducing dependence through examination of federal state financial relations

The dependence of State Government's on the gambling dollar must be addressed. The Federal Government needs to provide adequate funding to reduce the necessity of State Government's to rely on funding from gambling. As Shadow Minister for Gaming I do not intend to go through this issue in detail. I have however included a paper on the subject by the Victorian Leader of the Opposition.

- Outlawing of certain political associations

It is critical that in order to create the proper regulatory environment for the industry that the relationship between Government and industry is clearly defined. There must be a clear demarcation between people clearly associated with political parties and the gaming industry. Legislation needs to be introduced to outlaw senior office holders of political parties from directorships and senior employment with gaming companies.

- Strengthening of Authority – respect for independence

The Victorian Casino and Gaming Authority needs to be strengthened and play a more independent role free from Government pressures. This can only be achieved by Government's having respect for that independence and the Authority's findings.

- Distribution of Gaming Machines – regional caps

There is a requirement for regional or municipal caps on gaming machines to prevent further dumping of machines in certain areas – especially those areas of comparative economic disadvantage

- Truth in advertising

Clearly the advertising message in relation to gaming is misleading and deceptive. Self-regulation has failed in this regard and legislation demanding truth in advertising is required.

- An enforceable code of conduct

There needs to be an enforceable code of conduct for gaming operators that includes such basic requirements as natural light in venues; clocks on walls; and the provision of problem gambling material.

- Publication of pay out-rates

Competition in the gaming sector must be increased through the independent publication of percentage pay out and win rates to better inform consumers and promote competition.

- Diversity of ownership

There is a need to review the current licensing regime that allows significant concentration of control of gaming machines. This would be in line with the original purpose of the Gaming Machine Control Act.

- Involvement of local government

Local Government has an important role to play in the planning process for the establishment or expansion of gaming venues. The Planning Legislation should allow local communities to take into account the social and economic consequences of any proposed new venues.

- A more accountable Community Support Fund

The Community Support Fund should be expended with a greater regard for the geographic source of the revenue; the importance of problem gambling services; and input from local communities.

- A new framework for research

The Victorian Casino and Gaming Authority should not have primary responsibility for research into the social and economic impact of gaming. State and Federal Government's should work with leading Universities to establish a school of research into the industry and its impact.

- Internet casinos – what is the proper approach

There is adequate gaming services for Victorians at the current moment. There is no evidence of a market for the internet gaming services, nor a regulatory framework to adequately control the emerging industry. It is Labor's view that the industry should not be licensed by the State Government at this time until proper analysis of the effect of such an industry is developed and there are adequate safeguards in place. Under no circumstances should there be monopoly ownership of the right to operate an internet casino.

AG

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE - ADDITIONAL QUESTIONS - COMMUNITY SUPPORT FUND

1. *In February 1996 the amount in the fund was \$141.4 m. What is the most up to date figure ?*

Amount credited to Fund from inception to 31 Jan 1991 from EGMs is \$210.6 million.

2. *What is the cost of running the Community Support Fund Unit ?*

Budget 1996/97 - \$580,600

3. *How many staff are employed ?*

Eight (8).

4. *Are all applications for funds now reviewed by the CSF Unit ?*

Yes.

5. *Is consideration currently being given to requiring clubs to contribute to local education campaigns about gambling ?*

Consideration is currently not being given to requiring clubs to contribute to local education campaigns about gambling. As previously indicated, clubs already make a contribution to the community through facilities and services.

6. *What percentage of funds is allocated to the four categories of youth and community services, arts, tourism and sport and how is this determined.*


Recent amendments to the legislation now provided for ten (10) areas of funding and no percentage is specified for these areas. Each application to the fund is considered on its merits.

7. *Prior to April 1996, the documents of the CSF Unit showed that the Premier had committed the Government to funding for particular projects without specifying the source of that funding. Have all projects subsequent to this date been subject to a uniform process of evaluation and decision making by the Cabinet sub-committee before final approval by the Premier ?*

Yes.

8. *Does the CSF Unit have a manual or set of guidelines used to determine the priority given to each project ? If so, could a copy be provided ? What are the criteria for ranking or projects ?*

No the Unit does not have a manual or set of guidelines. Manuals are useful when volume prevents individual attention and therefore a common approach to achieve consistency is required. This are not considered necessary in the case of the CSF as



each application is given a thorough analysis. Initially a common appraisal approach is adopted with then a further in-depth assessment is carried out when required. A copy of the *Application Checklist - Internal Assessment* is attached.

9. *What steps have been taken to make the process transparent and more accountable.*

The "Terms and Conditions" attached to each grant form the basis for the accountability and reporting regime.

There is also a capacity to include project specific conditions if it is considered that they are appropriate.

The organisation receiving the grant is required to accept responsibility for the successful completion of the project and to underwrite any future recurrent costs.

Accountability is achieved through:

- The grant is applied to the project as described in the application and any proposed changes must be approved;
- Where appropriate, business plans must be prepared and/or firm cost estimates provided before the project commences;
- Funds will only be released on evidence of imminent expenditure or itemised expenditure already made. This acts as a further tool for the monitoring of the project's progress;
- Quarterly, half-year or yearly reports are required on the progress and achievement of the objectives of the project, and
- When completed, a detailed project and financial report, including a report on the outputs and outcomes achieved, against those included in the approved application, must be provided.

In the event that action is required by the Community Support Fund Unit during implementation, the Terms and Conditions include:

- The right of officers to inspect documents and/or construction sites at any time, and
- The withdrawal or suspension of the grant in the event that the project is not proceeding as planned.

It should also be noted that, as funds are only advanced when required, there is an incentive for recipients to conform with the reporting arrangements to ensure that the grant is not withdrawn or suspended.

10. *Are reasons given when an application is rejected ?*

(No.)

11. *Based on press clippings, several welfare organisations who provide counselling and support services for problem gamblers have indicated that the assistance they receive from the fund is inadequate. Has any consideration been given to increasing the amount provided to these services ?*

Counselling and support services for gamblers are provided through programs funded by the CSF but administered by the Minister for Community Services. Programs are delivered through successful tenders for program delivery.

Calls for tenders are made through the print media.

The benefits of this approach are that decisions on allocation are made by people with expertise in the area and there can be greater coordination between the granting of funds for this purpose and funds for other like programs. Funds allocated for this purpose are considered adequate.

12. *The response from the Minister for Finance indicated that the Fund is developing an appraisal methodology and a measurement framework for evaluation and reporting on projects. What stage are these projects up to? Has it been finalised ? Can a copy be provided ?*

All grant recipients are required to acquit the grant through a detailed project and financial report.

The CSF Unit is devising an appraisal methodology for evaluation of projects on an ongoing basis as an increasing number of diverse projects are completed. As with Terms and Conditions, it is regarded as paramount that appropriate appraisal and evaluation is in place for the very diverse nature of projects. As only a small number of projects have been acquitted at this stage this appraisal methodology has not yet been completed.

13. *The AG report indicated that there was not much community involvement in decision making of the fund and that consideration should be given to establishing an advisory group which included community representation. What is the rationale behind the decision to exclude community input from recommending the allocation of expenditure from the fund ?*

The decision as to whether or not to establish an advisory group is a matter for the Government and it is not appropriate that DPC should comment on this.

14. *What promotional work is undertaken so community groups are aware of the fund and how to apply or submit a proposal ?*

Information for applicants is circulated to Local Government Authorities and to the Offices of Members of Parliament. It is also freely available on request. Furthermore, all grants are publicly announced in the media.

- ~~SECRET~~
15. *The legislation requires that research into the social effect of gambling is to be given top priority in determining expenditure. Audit found, however, in the first three and a half years, only \$364,200 (0.6% of expenditure) was spent by the fund on this. PAEC is asking why was this so ? What were the figures for each financial year since the funds inception ? What amount has been allocated for this financial year ?*

Money for VCGA Research is transferred at the request of the Minister for Gaming. Amounts are not determined by the CSF.

	\$
1992/93	12,791
1993/94	247,976
1994/95	57,349
1995/96	564,160
1996/97	282,489
Victorian Casino & Gaming Authority	\$1,164,765
Dept of Human Services - Research Program	1,506,000
Total	\$2,670,765

It needs to be recognised that Victoria is at the forefront of research on problem gambling. It is undertaking the first systematic research into these types of issues in the world.

16. *Audit found that the research undertaken focussed on community perceptions, rather than objective measurement of the social consequences of gambling. PAEC is asking why was this ? Is this still the case ? What will the figures be for this financial year ? How much funding has been allocated for educational campaigns to promote industry and community awareness of problem gambling ? How have these programs been marketed.*

In 1995/96 \$2.5 million was allocated from the CSF, over three years to further develop a Problem Gambling Community Education Strategy.

Services totalling in excess of \$1 million were purchased from the Victorian Council On Problem gambling to develop and coordinate the first year of the Problem Gambling Community Education Media Campaign.

The aims of the campaign were:

- to increase the numbers of those with a problem with gambling who seek assistance; and
- to increase community awareness of the existence and nature of problem gambling.

The Victorian Council On Problem Gambling engaged consultants to evaluate each phase of the media campaign. Planning for the second and third years of the campaign will take into account a comprehensive evaluation of the campaign delivery and response.

The campaign was supported by regional community education activities conducted by problem gambling counselling and liaison services. Additional funds were provided to the services for the purchase and development of information products and community education activities.

17. *After the Schilling Review, the VCGA started work on the Baseline Data Project. PAEC has asked what specific elements of the project resulted from church and community group input ?*

This is a VCGA issue and this question should be directed to that organisation.

18. *Can we have a progress report on the Baseline Data Project ? What has the project found to date ?*

Refer to the VCGA.

19. *Important research on assessing the effectiveness of problem gambling services is at an early stage in the Department of Human Services. PAEC has asked what progress has been made on this research and whether preliminary results can be made available to the Committee ?*

DHS research into problem gambling is directed toward improving the effectiveness of services delivery. Four projects are presently approved. These are:

- client and service analysis to develop client profiles of problem gamblers and their utilisation of community and support services;
- a longitudinal evaluation which examines the effectiveness of gambling counselling services, community education strategies and information products;
- an examination of the effectiveness of various theoretical frameworks of cognitive behaviour therapy and medical models which inform service delivery responses, and;
- examination of the impacts of child, adolescent and female gambling with particular reference to:
 - the impact on families of child problem gambling
 - the link between video game playing and slot machine gambling
 - identifying the needs of women and adolescents as problem gamblers.

The DHS research program is funded through the Community Support Fund. A total of \$1.5 million has been allocated over three years. It took the DHS some time to get these projects under way. At the end of November 1996 they were advertising for appropriate consultants to undertake most of this research.

In addition to the research program to be funded through the CSF the DHS collects data on problem gambling through quarterly data collection from the problem gambling counselling services it funds. This data will provide the basis for longitudinal analysis of problem gambling services and service users

20. *What progress reports, if any, have been received from the Department of Human Services on their research into the effectiveness of programs to assist problem gamblers ?*

Mandatory reports are provided to the CSF on a half yearly basis.

21. *What is the Government's approach to transferring the responsibility for this research to the Department of Human Services, which has no involvement with gambling operators ?*

As indicated in the management response to the Auditor-General's report, the research carried out by the VCGA has been properly and responsibility managed. There is no justification for shifting responsibility for this function.

22. *For 1996-97, what amount of expenditure has been allocated to each of the categories of program described in section 138(4)(b)*

Announced approvals since inception to 31 January 1997 as categorised under Section 138 (4) (b) of the Gaming Machine Control Act:

Section 138 (4) (b)	\$m
i) programs for the prevention of compulsive gambling or for the treatment or rehabilitation of persons who are compulsive gamblers;	18.4
ii) programs for the treatment or rehabilitation of persons who are addicted to or abuse drugs;	41.0
iii) educational programs relating to drug addiction or drug abuse;	18.0
iv) programs for financial counselling services or support and assistance for families in crisis;	37.0
v) programs for the benefit of youth;	24.5
vi) research or pilot programs relating to community advancement programs;	-
vii) programs for the benefit of sport or recreation;	62.3
viii) programs for the promotion or benefit of the arts;	26.9
ix) programs establishing or developing tourist destinations or facilities or services or for the purposes of promoting tourism;	22.2
x) any other programs or purposes relating to the support or advancement of the community as determined by the Minister.	13.8

23. *Have any other distributions been made by way of loans, including interest free loans ?*

No. All approvals to 31 January 1997, including the loan to Sky Shown down Under, are listed in the answer to question 22.

24. *What new procedures are in place to monitor outputs and outcomes ?*

All grants are monitored and acquitted on completion including consideration of outputs and outcomes.

25. *What reporting took place for 1995-96 and what is intended for 1996-97 ? Will it cover projects in place and completed as well as projects approved in that year ?*

Report was contained in the Annual Report of the Department of Premier and Cabinet. Format of Report for 1996/97 yet to be determined.

26. *Action will be taken to ensure that monies from the Fund are reported on separately and can be clearly identified and accounted for. What action has been taken and can examples be provided ?*

Details of all monies from the Fund were reported in the Annual Report of the Department of Premier and Cabinet in 1996.

Details were previously reported in the Department of Arts, Sport and Tourism Annual Reports.

Additional Information Requested In Meeting

1. *Information on Rialto Theatre*

Development and production of Sky Show Down Under. The loan was to St Martins Management as a tourism initiative submitted to the Minister for Gaming in a list of Tourism application in June 1994 and endorsed by the Premier on 4 September 1994.

2. *NSW has community input to decision making in a similar fund. Why not Victoria ?*

→ The Victorian Government regards it as crucial that decisions are not influenced by organisations which may have a vested interest in a grant.

3. *Advice to Members of Parliament*

The system provides that Members of Parliament who support applications are provided with copies of the acknowledgment of receipt of the application and notification of the outcome of the application.

4. *Staffing of the CSF Unit*

The CSF Unit has taken on four extra staff members since June 1996. The increase in staff was necessary to ensure accurate and timely assessment of applications, and monitoring and acquittal and evaluation of approved grants, given the large increase in numbers of applications following changes to the legislation.

Department of Premier and Cabinet
Community Support Fund
Distribution of Funds toward Problem Gambling
1992-93 to 1996-97

	1992-93	1993-94	1994-95	1995-96	1996-97	Total
	\$m.	\$m.	\$m.	\$m.	\$m.	\$m.
Community Support Fund (CSF)	\$ 12.856	\$ 36.022	\$ 50.105	\$ 65.686	\$ 79.956	\$ 244.625
Grants - Problem Gambling	-	\$ 4.143	\$ 1.743	\$ 31.202	\$ -	\$ 37.088
Percentage of Revenue (%)	0.0%	11.5%	3.5%	47.5%	0.0%	15.2%

(Check against delivery)

Reforming Fiscal Federalism – The Case for reform

An address to the Melbourne Convention

from

John Brumby

Leader of the State Opposition

In 1902 Alfred Deakin Constitutional drafter and founder commented that the Australian States were ***“legally free, but financially bound to the chariot wheels of the central Government”***.

He was commenting on the fiscal constraints applied to the States by the Constitution - restricting the ability of the States to fund their broad constitutional responsibilities.

Over 95 years – and numerous High-Court decisions later - the Federal-State fiscal chasm has widened to the extent that Australia now has the largest fiscal imbalance of any federal system.

By the end of 1996-97 the fiscal imbalance was such that the Commonwealth collected about 76 per cent of all Government revenues but was responsible for only 60 per cent of expenditures.

Last year's High Court decision in relation to franchise fees on tobacco, alcohol and petroleum has exacerbated the imbalance with Victoria losing almost 17 per cent of its own purpose revenue base.

While the Commonwealth has agreed to refund the franchise fee revenue to the States the fact remains that the States are more reliant than ever on the Commonwealth to provide the funds for State provided services.

And overtime while the revenue base of the States has dwindled so has the generosity of the Commonwealth.

Over the past two decades, Commonwealth grants to the States as a percentage of total Commonwealth taxes have fallen from around 37 per cent to around 27 per cent – without a significant real increase in the level of tied-grants.

As a consequence, the States have been forced to rely on a narrow and often regressive base of State taxes and charges.

In Victoria's case, for example, taxes have increased by an average of 8.8 per cent each year since 1992.

In total an additional \$3 billion in State taxes have been raised over that time.

Some commentators would support this shift in taxation effort – but the reality is that most State taxes are regressive by nature.

Taxes like flat motor registration fees, financial institution taxes, gambling taxes and most stamp duties have a disproportionately adverse effect on low and average-income householders.

Consequently, the burden of this increase in taxes and charges in Victoria has fallen almost entirely on householders.

Analysis of the most recent ABS data shows that:

- For the average income family State taxes as a proportion of total income rose from 12.4 per cent in 1992 to 15.3 per cent in 1997.
- For the high-income family State taxes as a proportion of income remained largely static – increasing from 3.6 per cent in 1992 to 4.1 per cent in 1997.
- For a single pensioner taxes as a proportion of total income rose from 20.5 per cent in 1992 to 24.7 per cent in 1997.

While some commentators may disagree as to the importance of vertical equity in a tax system, few – if any – would agree that the best way to solve the financial problems of the States is to simply shift the tax burden on to low and average income households.

Options for reform

While this Convention has examined a range of options for reform of Commonwealth/State financial relations, there are essentially just two possible options for reform.

The first is to eliminate vertical fiscal imbalance by transferring certain taxation powers to the States and/or ceding State programs to the Commonwealth.

Under this option, the States could increase their own purpose revenue through access to a wider range of taxes including income and excise taxes and if necessary to also transfer some programs - such as public transport – direct to the Commonwealth.

The second is to accept that Vertical Fiscal Imbalance is a historical and lasting feature of our Federal system and put in place mechanisms to ensure a cohesive, fair and efficient set of Commonwealth-State financial relations.

Having had 7 years experience in the Federal Parliament and more than five in State Parliament, it is my view that proposals to eliminate vertical fiscal imbalance through the wholesale transfer of taxation powers to the States are unworkable and unwise.

There is no State to my knowledge which has ever enthusiastically embraced the notion that new (and potentially higher) taxes are a good thing. Malcolm Fraser, gave the States the option of an income tax surcharge in 1976 and not surprisingly, no States took up the option. With elections in NSW, Queensland, Victoria and Tasmania all due within the next two years, I can't see any of the State Government's taking up the option now.

But putting aside questions of practicality, I'm not convinced of the desirability of removing vertical fiscal imbalance either. The fact is that without Vertical Fiscal Imbalance I doubt whether any of the positive reforms in Commonwealth-State relations over recent years – micro-economic reform, Competition policy, regulatory harmonisation – would have been achieved.

The most workable and achievable solution lies in ensuring that the States have a certain, secure and adequate share of Commonwealth revenue.

It is not a question of who raises the taxes but that the Commonwealth, the States and the Territories each formally recognise that they are part of the same federation.

I agree with Neville Norman - Vertical fiscal imbalance is a symptom rather than the root cause of the problem.

The real problem is that the State and Federal Governments have for too long being willing to operate independently of each other - particularly on matters of finance.

The current debate in relation to a GST is pertinent in this regard. Not one piece of serious analysis has been presented as to how this system would operate in relation to State taxes.

How can you determine what the best tax mix is if there is no recognition of the impact of State and Local taxes.

True reform will only occur where the States have the opportunity for genuine and on-going involvement in fiscal decision making in Australia.

At the recent ALP National Conference NSW Premier Bob Carr and I emphasised the importance of genuine dialogue between the Commonwealth and the States to address the issue of federal financial relations.

And we were successful in ensuring that the ALP National Policy Platform formally recognised the responsibilities of the States and the limitations of their revenue base – an admission unimaginable even 5 years ago.

But the key is to go the next step and identify an appropriate mechanism.

I agree with John Bannon that Commonwealth-State relations should be placed on a more certain footing.

But I would like to go further and outline a mechanism that I believe would give both the Commonwealth and States an effective voice in **fiscal decision making**.

Unfortunately the Grants Commission process has become a one way conversation. Detail has swamped transparency.

I believe that the a new Commonwealth-State financial contract covering all major aspects of fiscal decision making needs to be developed.

The premise of this contract could be based on a Constitutional power to enter into agreements -- comparable to the present section 105A of the Constitution.

This section was inserted in 1927 to enable the Commonwealth to make agreements with the States with respect to the public borrowing's -- and out of it the Loans Council was formed.

By providing a Constitutional basis for this contract we would be making our intentions clear that we are serious about federation and providing all participants with an effective voice.

Matters included in the contract might include the creation of an Australian Finance Council staffed with a permanent Secretariat with a role to:

- Determine an appropriate fixed percentage return of Commonwealth revenues to the States
- Re-develop fiscal equalisation mechanisms
- Co-ordinate borrowing, and
- Make joint decisions on other aspects of fiscal policy

To preserve the equality of the parties to the contract Agreements made pursuant to this power should automatically expire and require renegotiation every 5 years.

The basic purpose of this mechanism would be to assist in co-ordinating basic policy decisions on taxation in a way that would provide freedom for individual governments to pursue their own policies in matters of relative detail.

Through this mechanism the Commonwealth and the States can begin to look at issues like tax reform from the perspective of the overall tax system rather than focussing inwards.

We must not be complacent in seeking the best federal system we possibly can.

In summary, we have to accept VFI and make it work by putting in place a mechanism to ensure that States have a certain, fixed percentage share of Commonwealth revenue.

Thank-you.

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