

GOODS AND SERVICES TAX DISTRIBUTION — MINIMUM PERCENTAGE FLOOR LEVEL

Motion

HON PETER KATSAMBANIS (North Metropolitan) [11.38 am] — without notice: I move —

That this house —

- (a) welcomes recent statements by the Prime Minister of Australia, Hon Malcolm Turnbull, that Western Australia is unfairly treated in the distribution of GST revenue and that he intends to address this issue by introducing a minimum percentage “floor” level below which no state’s GST can fall in the future;
- (b) calls on all Western Australian senators and members of the House of Representatives to support the introduction of the minimum percentage “floor” level as soon as possible to enhance the best interests of our state; and
- (c) calls on the federal government and all state governments, immediately upon the introduction of the minimum percentage “floor” level, to investigate through the COAG process how best to move from the current flawed GST distribution system to a population-based distribution system.

Thank you, Mr President. Here in Western Australia we have been saying for a long time that the current Commonwealth Grants Commission process for distributing GST revenue among the states is broken and cannot be fixed. We have been shouting it from the rooftops; the Premier has been saying it; members of the government have been saying it; federal Liberal members hailing from Western Australia have been saying it; and certainly, since I was elected to this place in 2013, I have been saying it—not because we are gluttons for punishment but because we know that the broken GST formula has actively worked against the best interests of the people of our state. It has robbed us of our rightful entitlement to many billions of dollars that could have been well spent on building more infrastructure, on ensuring that our state’s finances are better protected from threats and on delivering tax cuts, especially in areas such as payroll tax, land tax and stamp duty that the state is primarily responsible for. Unfortunately, for most of the time, those comments have fallen on deaf ears. Thankfully, last year for the first time, the then Prime Minister, Tony Abbott, and then Treasurer, Joe Hockey, recognised that the system was broken and compensated Western Australia to the tune of around \$500 million and again, this year, the current Prime Minister, Malcolm Turnbull, and the current Treasurer, Scott Morrison, continued that recognition by, again, giving Western Australia around \$500 million in recognition that we were missing out on our fair share of GST revenue. Of course, that was just a drop in the ocean compared with the almost \$5 billion we are missing out on this year. I think our Treasury figures have the amount at \$4.7 billion in the current 2016–17 finance year.

Given the history we in this place all know very well, it was very heartening to hear the comments the Prime Minister, Malcolm Turnbull, made here in Perth on Saturday morning when he acknowledged the system was broken. He acknowledged that Western Australia was getting a very raw and unfair deal. He came up with a proposal to do something about it, but not to fix the past, unfortunately—most governments know that it is sometimes impossible to recreate the past or go back and correct the wrongs of the past—but for the future, so that no other state suffers the financial penalty that this state has suffered because this state was prepared to get off its butt and develop the state’s resources to earn an income for the state and the residents of the state, so that in future, states are not penalised by having their revenue taken from them and distributed to other states that are perhaps not as prepared to lift their own weight and provide the best possible prospects for prosperity for their people.

The Prime Minister has suggested that one way of doing this would be to introduce a minimum floor level, a percentage below which no state can be disadvantaged in the GST distribution, no matter what magical, mystical figures the Commonwealth Grants Commission comes up with on an annual or triannual basis. That has met with universal approval on this side of the house and from federal Liberal members, because we know the system is broken and we know how we have suffered and we do not want to see anyone else suffer.

Unfortunately, we have seen the usual grab-bag of suspects come out and criticise it. First among them was Labor’s Treasury spokesman, Chris Bowen, talking about it being some sort of political decision. It is not a political decision; it is a very smart move. We heard the Premier of South Australia knock it. Why would he not knock it? His state is one of the major beneficiaries of the unfair distribution. The South Australian Premier Jay Weatherill was quoted as saying that numerous studies showed that the existing formula was the fairest and most efficient. Let us talk to Premier Weatherill and remind him that, in this current financial year, Western Australia is providing around \$6.6 billion in GST into the federal pool and receiving around \$2 billion

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back. We are missing out on \$4.654 billion because of his supposedly fair distribution. The amount of 30 cents in every dollar collected from Western Australia stays in Western Australia and 70 cents in every dollar goes to other states. In fact, his state of South Australia benefits to the tune of \$1.84 billion this year from the people of Western Australia. No wonder he calls the current distribution fair and equitable but I do not think any reasonable non-partisan person would call that fair and equitable. We have heard also from the Tasmanian Premier and Treasurer; they have been on their feet about it. The Tasmanians get around \$600 million a year from Western Australia in this current financial year, so of course they would think it was fantastic. We have heard from some of their friendly economists, such as Saul Eslake, who I think was described by Judith Sloan in an article in *The Australian* this week as a committed Tasmanian first and foremost. I know Saul and I know other members of this chamber know him and recognise that he is an eminent economist, but before anything else he is a Tasmanian. He is campaigning for Tasmania to get an Australian Football League team and for Tasmania to keep its share of GST. Good on him! Those partisan comments show how difficult it is to get reform. They show that a collective of interests is benefiting from a flawed and unfair formula that will not give up. They will not give up their benefits easily. We know that occurs in all areas of government reform, but when it comes to the big dollars—the \$4.7 billion—our state has missed out on this year, of course those vested interests in the other places will not give up easily. But that is no excuse to stop trying.

Unfortunately, members opposite, the Labor opposition in this state and the members of the Labor Party who are sent by this state to Canberra, have been missing in action on this debate. They were missing in action when there was a federal Labor government; they were not there lobbying Kevin Rudd and Julia Gillard or anyone else in that charade at the time to give us our fair share. They were silent. That is why in my motion today I am calling on the new members the Labor Party has sent to Canberra. We have seen four new members: Tim Hammond, Matt Keogh, Josh Wilson and Anne Aly. We have seen a succession of senators —

Hon Kate Doust: There are five—Madeleine King in Brand.

Hon PETER KATSAMBANIS: I am sorry; I will add Madeleine King to the list, so there are five new lower house members who are not sullied with the dysfunction of the past. They are unsullied by the partisan politics of the past. Let them show their Western Australian colours. Let them come out and support the statement made by the Prime Minister that Western Australia has been disadvantaged and we need to put a minimum floor on GST distribution. It is critical for the future of Western Australia. It is also critical for the future of our Federation. We know that by the fiscal year 2019–20, we will be getting around 70 to 75 cents in the dollar from our GST distribution. That is how the flawed formula works. It takes three years for any impact to flow through. Even then, we will not get our fair population share. We will be missing out on almost \$2 billion that we would have got on a population share basis but at least we will not miss out on the \$4.7 billion that we are missing out on today.

If a floor comes in around that time, whether at 70c or 75c, it will not have any impact on the finances of Western Australia in that year, so it will not disadvantage any other state in 2019–20 or the following years of 2020–21, 2021–22 and so forth. However, it is important for the future for whenever any particular state does something to benefit its best interests. In our case, we made sure that we had the environment available so that our resource sector could flourish and so that foreign investment could be attracted into this state for the exploration, building and production of oil, gas and iron ore and the export of those resources. That has provided the wealth that is being redistributed to the other states. We did it off our own bat. We did not wait for anybody. The fact is that these investments do not come by accident. South Australia is a very resource-rich state, but it locks up its resources. One need only look at its debates around Olympic Dam and Roxby Downs and a potential uranium industry in South Australia to see how that state has set itself on a path going backwards. Tasmania is exactly the same; it is going backwards because of the choices the state has made. But the GST formula rewards their lack of ambition. It rewards them for failure. It in fact rewards them for not even trying. It is not like they tried and failed; they do not even have to try. They can sit on their backsides and wait for the GST welfare to come from rich states like Western Australia and New South Wales. Interestingly, an article written by Andrew Burrell the other day in *The Australian* indicated that in the next decade—the 2020s—if there is one state that would be a loser under the existing formula, it would most likely be New South Wales. I put to members that those people in New South Wales do not deserve to suffer in the same way that we have suffered through a flawed formula. I am glad that I saw at least one federal senator from another state, Senator James Paterson, a young senator from Victoria and a good friend of mine, advocate publicly on the record on Sky News and other media that the current system is broken and we need to do something about it. The Prime Minister's suggestion of a floor is a good one and should be taken up. I hope that the comments of Senator Paterson are listened to by the rest of his colleagues so that we can get the change.

I wish I had more time, but I do not. In closing, I also want to talk about the fact that setting a floor price is a good idea. It will stop the excesses of the current formula, but the current formula is broken. In my motion I am

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not sitting on my laurels and just talking about when the Prime Minister introduces a floor, which by the way can be done by the federal government without the need for any formal agreement by the states. I just wanted to clarify that. This is not a change in the rate of GST or a change in the application of the GST across various sectors, which does require the formal agreement of the states; this is a change to the Commonwealth Grants Commission formula, which can be introduced by the federal Treasurer. He can seek consultation from the states but he does not have to accept it; he can do it unilaterally. It is important to clarify that. Once that is done, it is not a case of set and forget. The formula is broken. The only formula that will work in the future is a population-based formula, because that way every state would get its fair share of what was meant to be a state tax. Every state would have the incentive to maximise the potential of its land mass and its people and to make sure that its resources are properly exploited for the benefit of everyone in that state, rather than sitting back and expecting others to do the heavy lifting as, unfortunately, some of our mendicant states have done.

In closing, I think this is a fantastic initiative by the Prime Minister. I congratulate him. I call on everyone on all sides of politics to embrace it. I hope we can fix this so that we do not get the same anomalies in the future.

HON LIZ BEHJAT (North Metropolitan) [11.54 am]: I am particularly happy this morning to rise in support of the motion brought on by my good friend Hon Peter Katsambanis. We heard the announcement by the Prime Minister last weekend when we all attended the Liberal Party state conference, and as soon as that announcement was made my first thought was, "I bet Hon Peter Katsambanis is going to get up and speak about it in the chamber at the first opportunity." The GST arrangements and taxation are certainly topics that he is not only very much an expert on but also very vocal about—he will speak about taxation at every opportunity. I am very pleased to be speaking about it as well. I was very involved in the formation of the GST legislation during the 1998 election in a previous life when I was working as a federal staffer. One of our tasks at that time was to get across and understand the GST and how it was going to impact and what it was going to do. At that time there was certainly a lot of fear around the introduction of the GST. Members will remember that it was a very tumultuous time in politics in this state. In fact, some people on the Liberal side of politics actually lost their seats because of the GST election, and none so much as my late dear friend, Don Randall. He lost his seat of Swan at that GST election, but of course he bounced back and history tells the story about what a great member of Parliament he went on to be. I always thought that it would have been an easier tax to sell to people had it been across the board, but we know what happened with the now in demise Australian Democrats and the deals that were done in the Senate to take GST off fresh food, books, education and things like that. I maintain today that it would be a much fairer system if it were across the board, but I do not think that will ever eventuate in this system.

I also want to back up what Hon Peter Katsambanis was saying about people saying that the Prime Minister can make these announcements and say that he is going to put a floor in place somewhere between 67c and 75c—I think it will probably land around 70c—but the states are never going to agree to it and it is not going to happen. It is a very important point for us to realise that the only issues with GST for which the states have the right to say no, it is not going to happen, is if at any time the federal government wants to change the quantum of the tax up from its current level or if it wants to change its base. For instance, if I wanted it to go across a broad base, the majority of the states would need to agree to that. We do not need the majority of the states to agree to how the Commonwealth Grants Commission distributes that tax.

People then talk about Western Australia. Hon Peter Katsambanis referred to Saul Eslake, who is someone I have known for a very long time through the Young Liberal Movement. He was in fact married to a Western Australian. At one point he had a foot in the Tasmanian camp and a foot in the Western Australian camp. One thing he has talked about is that Western Australia is a bit like the pensioner who wins the lottery, spends all their winnings and then bleats about the fact that they have lost their pension. I do not think that is actually fair commentary for Saul Eslake to make, because even though Western Australia may have been the beneficiary of GST and other taxes, the return has never been as low for any state as WA is getting now at 30 cents in the dollar. That was never envisaged when it was introduced as a tax, so I think that commentary was perhaps a little harsh on his behalf. We certainly need to see this change happen. As we know, there is that three-year lag. We know from the projections that around 2019–20 is when we will return to that fairly equitable level of 70 to 72 cents in the dollar, which is when the legislation will be introduced to introduce the floor.

There has been some benefit from Western Australia receiving a lesser amount of the goods and services tax with two federal government grants over and above what we get from the Commonwealth Grants Commission. We received \$491 million from the federal government in each of the last two financial years as a top-up because of the money we did not receive from the GST distribution. I know a lot of members want to make a contribution to this debate; I do not intend to go on. But I want members to get it out there—this is the sort of conversation that people have around a water cooler—that the states do not have to agree to a change in the GST. That is probably the most important message I want to send people. It is a good idea to introduce the floor. I commend

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Hon Peter Katsambanis for being like a dog with a bone; once he takes up an issue, he never gives up on it. There will be a lot of change in this chamber in the next Parliament. For one thing, Hon Peter Katsambanis will not be sitting in the chair in which he is now sitting; rather, he will be the member for Hillarys in the other place.

Several members interjected.

Hon LIZ BEHJAT: No. Mark my words. Hon Nick Goiran, what is the date today?

Hon Nick Goiran: It is 18 August.

Hon LIZ BEHJAT: On 18 August 2016, Hon Liz Behjat stood in this chamber and said that the next member for Hillarys, who will be elected on 11 March 2017, will be Hon Peter Katsambanis. He will continue to fight to make sure that what the Prime Minister said to us at the Liberal Party conference about a change to the floor in the goods and services tax will happen. I firmly believe that to be the case. This is a very good motion. Congratulations, Hon Peter Katsambanis, for bringing it to the house. It is a great discussion for us to have.

HON ROBIN CHAPPLE (Mining and Pastoral) [12.04 pm]: I like these debates because they are always about politics and who said what about whatever. Interestingly enough, I have followed the GST debate for quite some time. As Warren Truss said not long ago when he was Leader of the National Party, we need to understand that until quite recently, Western Australia was a net beneficiary of the GST. Now, because of the abrogation in the price of iron ore, our GST has declined quite dramatically. The GST distribution figures are: \$17 billion for New South Wales; \$12 billion for Victoria; \$13 billion for Queensland; \$1.9 billion for Western Australia; \$5 billion for South Australia; \$2 billion for Tasmania; \$1 billion for the Australian Capital Territory; and \$3 billion for the Northern Territory, which totals about \$57 billion distributed by the GST. One of the problems with the GST—I am not getting into whether we get our fair share—is the unfortunate lag period of about three years. To date, our GST is based on the income derived by this state some three years ago. We find ourselves in a significant amount of difficulty because our revenue from iron ore has dropped dramatically from \$123 a tonne to today's price of \$56 a tonne. I note that there has been quite a bit of fluctuation in the price in recent times. The Commonwealth Grants Commission needs to establish a forward projection that will analyse the GST needs of each state based on real-time data. It cannot be exact; that cannot be done. There would need to be a form of adjustment or some balancing over future periods.

To a large degree, the issue comes down to the established GST drivers. I note how the rates are established across the various areas. The drivers are population, area and population density. Western Australia has 10.91 per cent of the Australian population and is the largest in area at 2.529 million square kilometres. Western Australia comes in eleventh in the ranking of population density. The ACT has the highest density followed by Cocos (Keeling) Islands, Victoria, Christmas Island, New South Wales, Tasmania, Queensland, South Australia and Western Australia. We must remember that at the first conference at which the GST was discussed in 1998, it was largely Western Australia's model that was accepted. There has been a lot of comment about whether the federal government can alter the GST in isolation of the states or with the states' involvement. There is a moral obligation for the states to be involved in the process. However, a number of papers claim that that is a furphy. Bret Walker, SC, and A.D. Lang determined that the A New Tax System (Goods and Services Tax) Act 1999 and the Premiers' agreement could not stop the federal government altering the rate of GST in the absence of state or territory consensus. Many others have said virtually the same thing, including Kathrin Bain from the University of New South Wales. Anne Twomey from the University of Sydney Law School said that there is no legal impediment to a federal government changing the rate of goods and services tax any time on its own should it wish to. We need some reality checks.

The GST was established to provide equality of return to each individual member of each state based on the incomes of those states. There is a problem with that because the massive income of the gaming industry in some of the eastern states is not included. If it were, our GST rate would alter quite dramatically, as would all the other states, because the income generated is not included as an asset to the state, which is a really interesting component. That is something the states must fix in consultation with the federal government.

The objective was to raise revenue fairly, but currently the GST does not provide an equal share because it proportionally collects more GST from the less well off than it does from the people who can afford it. It would be far better if state and federal leaders concentrated on closing the tax loopholes for large corporations and net high worth individuals and increasing top-end marginal income tax rates. The reform of taxation of trusts in order to reduce complexity and minimise tax avoidance would be a way to go. We could remove what we have always considered to be a totally unethical process—that is, the diesel fuel tax rebate. We support it for the farming industry; quite clearly, that is what it was intended for. To a large degree, when it was handed over to the big end of town and the mining industries, it completely nullified any benefit that was expected to be returned to the pastoral and farming industries because it made a further huge dent in the federal government's general revenue.

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I think that we need to consider these sorts of things in this debate. I do not think it is a debate about he-said, she-said. We quite often end up having debates around who is right and who is wrong in this place. Those are the ways we should be going when it comes to strengthening the progressivity of income tax and transfer systems across all income tax levels, including reducing effective marginal tax rates on low-income workers and increasing marginal tax rates on high-income earners. Members have to remember that, to a large extent, the GST is a tax on jobs; 60 per cent of the value of goods and services is labour. I bring those points into the debate. I do not want, as Hon Peter Katsambanis has, to go down the path of laying blame on any individual. We need a reality check about what the GST is, what it does and how it is managed. As Warren Truss said, we were the beneficiaries of the GST for many years. It is just that we spent like wounded bulls when we thought that boom would last forever and a day. Unfortunately, because of the three-year lag, we now have the situation we are in.

HON KATE DOUST (South Metropolitan — Deputy Leader of the Opposition) [12.11 pm]: I rise to make some comments on behalf of the opposition in response to the motion that was moved this morning by Hon Peter Katsambanis on the distribution of GST revenue and the Prime Minister's recent announcement at the Liberal Party state conference about establishing a floor for the GST.

I listened to what the member said and I want to clarify that the state Labor opposition has always been pretty consistent in its calls for a better share of GST for Western Australia, even going back to the original debates when the GST legislation was introduced and the discussions at that time between Mr Barnett and Hon Eric Ripper about how the GST would play out. Since that time, Labor has consistently called for a better share of the GST for Western Australia. In September 2015, Ben Wyatt certainly commented about how Western Australia needed to have its position clarified and for the federal government to respond and put better arrangements in place for Western Australia. In December 2015, Mark McGowan backed that up when he talked about how both sides of politics should stand firm for WA and demand a minimum floor of 80 per cent back from the GST, which I think is slightly higher than what was proposed over the weekend.

One thing is fairly clear to us: although we support Western Australia getting a much better share of the GST—which I think everyone would—leading up to a state election and given the current fiscal fiasco that our state has to deal with because of the current Liberal–National coalition government and its financial mismanagement, it is hardly any surprise that the Prime Minister, after meeting the Premier on the Friday, would step up to the Liberal Party state conference and make some sort of announcement to keep the troops happy. He tried to put out some sort of good-news story to take away from all the negativity that this government generates on a daily basis with its mismanagement of the state's finances. It is good that members have mentioned the two allocations of separate funding that the federal government provided—the two amounts of just under \$500 million. Of course, it was not mentioned that to get those amounts, Western Australia had to agree not to oppose the federal government's campaign to remove the GST threshold on online sales of goods under \$1 000. We need to be very clear. There is not a lot of detail here about when this is going to happen and whether every state has to agree to it. Obviously, Premier Barnett will not say that; the Prime Minister has not clearly articulated whether that is the case. I think that the federal Treasurer has indicated that. Certainly, all the other states seem to think that they have to agree. A number of colourful references were made to Tasmania and I think it would be interesting to be a fly on the wall during a conversation between Senator Abetz from Tasmania and Hon Peter Katsambanis about their differing views.

Hon Peter Katsambanis: He's a very good friend of mine.

Hon KATE DOUST: I am sure he is.

Even this week, during question time in the other place, the Premier commented —

The objective of the Prime Minister is to have that system in place this year.

That was in response to a question in the Legislative Assembly on Tuesday, so not too long after the announcement was made. However, that same night, the Premier sent out a clarification to the media that states, according to my notes —

“My answer to a parliamentary question on the GST has led to some confusion and I apologise for that.

“It was quite clear from the Prime Minister's statement that a floor for the GST will not come into effect until Western Australia passes a specified floor level, whatever that level is deemed to be. I would expect that to occur sometime around 2019. Under this arrangement, no state will lose GST.

Christian Porter has flagged that by the time we get to 2019–20, Western Australia will have reached that level of, I think, 75c or 76c anyway. We now find that whenever this government comes out and makes an announcement, everything is off in the never–never, a few years away. Who is to say that after March next year all these things are pie in the sky and that the government will not have to deliver on them? I also want to come

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back to the comment about the grab bag of usual suspects who critiqued the PM's announcement. As I said, we support Western Australia getting a better share, and I think it is quite concerning that some people, but not others, have been isolated. The member certainly did not mention that his own coalition partner, the new Minister for Housing, Brendon Grylls, also came out on Tuesday and criticised the Prime Minister's proposal. He states that the PM's GST floor is "too little, too late" and —

... the Prime Minister's plan would not amount to extra money for WA in the next four years and the Nationals' proposal was "fair policy".

"My understanding of the policy announcement that Malcolm Turnbull made on the weekend is that there will be no change to Western Australia's GST share in the forward estimates," he said.

"In actual fact, if the floor is put under NSW's share in three years time, WA will be disadvantaged from that because it will protect NSW's share in the very way we've been asking for our share to be protected over the past few years."

If members opposite are going to share around the blame for people criticising, they should look to their own coalition partners. This comes back to an earlier discussion that we had today around dysfunction and chaos within the current government. Two other quite eminent people criticised this plan. One is John Nicolaou; I did not hear him mentioned. We all know that John Nicolaou is the former chief economist at the Western Australian Chamber of Commerce and Industry of Western Australia, respected by both sides of the house. He now runs ACIL Allen Consulting. He is mentioned in *The Sydney Morning Herald*, which states —

He says the talk about changing the GST formula is a sideshow designed to draw attention away from financial mismanagement.

Should we call the Premier "Sideshow Bob" or "Sideshow Barnett" now? The article continues —

During the boom years Western Australia got enough revenue to set it up for good. Instead it sprayed it around, even while it published forecasts of what was to come.

The same article references when Christian Porter was the Treasurer. He knew that these issues were around and he knew that we were heading for some problems. What did he do? He went out and spent, spent, spent. We now have problems and the government is trying to find ways to claw itself back. Those sorts of comments are also confirmed by John Daley from the Grattan Institute, who said —

... the Barnett government had failed to "live within its means" during the boom years.

"They should have run surpluses and they would have had a wee bit more money now," ...
"Instead they ran barely-balanced budgets at the height of the biggest mining boom in history, and as the money runs out, they're expecting help from everybody else."

They are well regarded people who know what they are talking about, including Hon Brendon Grylls, because he is back in cabinet. The cabinet discussion between the Premier and Hon Brendon Grylls about their different views on this issue and what will work will be interesting. Our concern is there is not enough detail. There is no guarantee that this will actually happen. We do not know what the model will be because the Prime Minister has not come out and said it. We have been consistently clear on the fact that Western Australia deserves a better share. The government has left it very late and we question whether this is simply a stunt leading up to the election to try to placate the community's concerns that the government will be able to claw back some dollars to try to deal with its debt and deficit issues, because the government has overspent and has not been able to balance the budget and is now seeking assistance. It is like the child who is given \$5 by their mother and told they need to keep half of that for their bus fare. But they go out and spend \$4.50 of it and then come back say, "We've only got 50c for our bus fare and we are not going to be able to get there; can you give us more?" These issues were raised on the weekend. The government has serious financial problems and it cannot see its way out of it, and every day the situation is getting worse. Today it was announced that this is our nineteenth consecutive month that we have seen a further decline in full-time employment. That is another serious matter that this government does not engage with, and that is a whole other debate that we can have another time

Several members interjected.

The DEPUTY PRESIDENT: Order, members!

Hon KATE DOUST: The Labor Party has been consistent in its calls for a better deal. We are concerned that this is smoke and mirrors.

HON DAVE GRILLS (Mining and Pastoral) [12.22 pm]: I rise to speak on this important motion and I thank Hon Peter Katsambanis for bringing it before the house. I shall keep my contribution brief, as I believe other

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members have made strong arguments about why Western Australia desperately needs a better goods and services tax deal and why our federal representatives need to prosecute this case in Canberra.

Like other members, I share a sense of injustice that our state contributes so much to the nation's wealth but is essentially penalised under the current GST distribution system. Western Australia accounted for 41 per cent of Australia's merchandise exports in 2015, with a large proportion of these exports generated from the electorate I represent. It is not exaggeration to say that it is resource-rich regions such as the Pilbara, midwest and the goldfields that are propping up the eastern states. I am glad to see that the Prime Minister, a good Sydneysider, has recognised that Western Australia is receiving an unfair deal. If Western Australia received its share of GST revenue based on population, it would receive an additional \$4.7 billion in 2016–17 alone. This is an extra \$4.7 billion to pay down debt or to help invest in schools, hospitals and other essential services and infrastructure that would be most welcome in Western Australia's regions.

The GST distribution issue highlights Western Australia's strained relationship with the Federation, going back to 1901. At times in our history that strained relationship has led to the rise of secessionist movements. It would be foolish to try to predict the future, but the longer Western Australia is treated unfairly, the more Western Australians will come to resent the commonwealth. This does not augur well for federation. How do we deliver a better deal for Western Australia? Firstly, I would hope that those opposite take up the case and lobby their federal colleagues for real GST reform. The introduction of a GST floor is a sensible solution. It should be noted that the former Nationals WA member for O'Connor introduced a motion in federal Parliament back in 2011 to establish a floor in the amount of GST returned to Western Australia. Sadly, none of the other Western Australian federal parliamentarians supported the motion. In fact, the only member of Parliament to support the motion was Queensland independent, Bob Katter. Although it has taken a number of years, I am glad that others in the federal sphere are now discussing a possible GST floor so that Western Australia can get its fair share.

HON SIMON O'BRIEN (South Metropolitan) [12.24 pm]: I am quite happy to associate myself with the motion brought on by Hon Peter Katsambanis and I thank him for it. It is also easy to associate oneself with a broad range of sentiments that protest the way Western Australia has ultimately been treated by the rest of the commonwealth, either through successive commonwealth governments or through our partner states in the Federation, and I want to touch on that in the brief time that is available to me. Firstly, I want members to contemplate the amounts of revenue that we are talking about. To do that, one also must understand that there are very many variables when contemplating a GST debate. For example, the size of the GST pool will vary greatly from area to area, from year to year, state by state and territory by territory. Populations will rise, to a greater or less extent, in different parts of the commonwealth. This makes direct comparison about GST matters problematic and in itself gives fertile ground for those who wish to be argumentative for the sake of arguing, trying to provide perhaps more heat than light.

In the interest of providing a little light to the argument today, I want to point out some bare figures from Western Australia's point of view that are worthy of comparison. A colleague got together some figures from public sources and has provided them to me. This is raw data related to the financial years from 2000–01 through to the projected result in 2019–20. I note in perusing the figures that are available to me that in the first seven of those financial years, Western Australia achieved some modest surpluses. By "surplus", I mean that the amount of GST raised in Western Australia exceeded the amount that we received. The surpluses were \$134 million in 2004–05, \$115 million in 2005–06 and \$20 million in 2006–07. They were offset by deficiencies—I think members will understand what I mean by that—of \$23 million in 2000–01, \$89 million in 2001–02, \$79.3 million in 2002–03, and \$111.5 million in 2003–04. In those seven years, the total amount, if we boil it down between debits and credits, is about only \$33-odd million over seven financial years, which is negligible in the scheme of the size of the budgets that we are talking about. However, it is from 2007–08 that it really takes off. In that year we were deficient by \$274 million; in 2008–09, by \$601 million; in 2009–10, by \$979 million; in 2010–11 by \$1.473 billion; in 2011–12, by \$1.351 billion; in 2012–13, by \$2.261 billion; in 2013–14, by over \$3 billion; in 2014–15 by \$3.7 billion; in 2015–16, by \$4.4 billion; and in the current financial year it is projected to be \$4.654 billion. That is an amount that struck me when I heard a member opposite talk about a deficit in Western Australia of just over \$4 billion. There is an obvious synergy between the two. The figure for the next financial year is projected to be down to only \$4.1 billion; in 2018–19, \$2.7 billion; and in 2019–20, \$1.8 billion. When we add that all up, it is a net loss to Western Australia in revenue terms of \$31.635 billion. That is the raw figure, and it is not right. It is not right that we are subsidising this financial year to the tune of \$4.7 billion. It is not right that for the life of the GST successive commonwealth governments have allocated our moneys to looking after the territories. Is not only a division between the states, it is Western Australia propping up the commonwealth's territories as well. Indeed, in the current year \$1.594 billion is going to the Northern Territory alone. It is not right that we should be propping up Queensland by a massive \$1.277 billion. Clearly, this is grossly unfair.

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Turning to the other aspects of the motion, I move to contemplate it in this way: Would it be acceptable elsewhere in Australia if other states were treated in the way Western Australia was? What would happen if this formula was being applied to New South Wales? I will tell members what would happen. The Prime Minister of the day would get everyone together in Canberra or in Sydney and say, "This is not sustainable, this has to be changed and no-one's getting out of here until you states agree to it. We are going to put a floor under it; this is outrageous." What has happened? Guess what? New South Wales is facing a negative revenue stream in GST. That is what has happened. It is nothing like the 30 cents in the dollar that we are being insulted with at the moment. No, no; it is far less than that, but already they are acting. I am not at all surprised to see the Prime Minister come out and suggest that there should be a floor in GST arrangements and I regret that it has taken so long for it to happen. But do not think for a minute that it is through listening and having regard for the rights of Western Australia, because successive federal governments and other state governments have not given a tinker's cuss about Western Australia and they do not today, except in so far as it suits them to bail out a New South Wales that is only being marginally trespassed upon in terms of the proposed GST payments over the next few years. Clearly, a floor is needed in face of the inequities we have seen; they have been visited on Western Australia and they continue to be visited on Western Australia to the exclusion of all other states. No-one else has been taken advantage of in the way that this state has. It is easy for a 75-cents-in-the-dollar floor to be introduced because the projected figure for the return to Western Australia, which would be the lowest of all the states, in 2019–20 is 75.9 cents in the dollar. At that time that floor can be introduced at that point and it will not harm anybody else and it will give some certainty in the future. My personal view is that 75c is still too flaming low, it is outrageous, but it is probably the best we are going to get and it is a significant improvement. That is why Hon Peter Katsambanis presumably brought this motion here—so we can at least acknowledge that. But by geez, we had better get that at the very least, and I hope our Federation partners in the other states grow up and understand that you do not kill the goose that lays the golden egg.

HON DARREN WEST (Agricultural) [12.35 pm]: I will make some quick remarks to the motion brought forward by Hon Peter Katsambanis, which in its intent I think is agreed with by everybody. I think most people accept that the arrangements for the GST are unfair for Western Australia at the present time. This was foreshadowed pre-1999 and still the Liberal–National government of the day decided to sign up to these GST arrangements. I will just make the point that today's Premier, Hon Colin Barnett, was the Deputy Leader of the Liberal Party in 1999 when these arrangements were agreed and signed up to.

I would just go through the motion in pieces. The first part of the motion welcomes the statements by the Prime Minister of Australia, Hon Malcolm Turnbull. The Prime Minister of Australia, Hon Malcolm Turnbull, says a lot of things. Before he was prime minister, he had a lot of things to say about the republic, he had a lot of things to say about marriage equality and he had a lot of things to say about climate change, but these things have all been abandoned. They were just talk; they were just saying what the people wanted to hear before he became the Prime Minister. The Prime Minister of Australia even said that Colin Barnett is a great Premier, and we all know that that is certainly not the case. I like Paul Keating's assessment of the Prime Minister. Paul Keating said that Malcolm Turnbull is a little bit like one of those dodgy crackers on cracker night. You light him up, there is a little bit of fizz and then there is nothing—nothing. That is the way that Paul Keating described the Prime Minister and I think that is a pretty good assessment. Generally, the electorate is most disappointed in this Prime Minister, who fell over the line after half a term in government. I note that deposing leaders is okay now, but we would have thought that with the popularity the Prime Minister had he would have fared much better at the recent federal election. The people are starting to see through the Prime Minister of Australia and understand that what he says is not really what he means and what he says is not really what he does, and I have pointed to all those examples. So too it is with this latest mash of words to the party faithful saying that the Prime Minister will really make a difference in the GST carve-up to the states. I understand that this proposal has not even been to the Council of Australian Governments; it has not even been discussed by the Premiers of Australia. Surely if someone was going to make such an announcement that they will fix the GST for Western Australia, they might have done a bit of background research and had some discussions with their colleagues and the Premiers of the other states, which of course the Prime Minister has not.

I agree that there needs to be a floor for all states in the amount of GST distributed; I agree with that. These arrangements through which there is a lag in the calculations, which were done up to three years ago eventually disfavour other states, as they have in Western Australia. But it is very difficult to argue the case when the allocation is below the said floor. If Hon Simon O'Brien wants to throw up 75.9c, those discussions need to be had when the GST allocation is above 75.9c, because there is unlikely to be agreement at today's levels. I note that the finance minister, who is from Western Australia, is already distancing himself from the comments that the Prime Minister made. I also note that the announcement was completely out of the blue and received very little reaction when it was made. That is because nobody else really believes that the Prime Minister is going to

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fix up the shortfall of GST in Western Australia. Nobody really believes that except a few rusted-on conservative voters because it is what they want to hear.

The motion calls on Western Australian senators and members of the House of Representatives to show support for the introduction of the minimum percentage floor. That is nice; I hope we can do that. The motion also —

calls on the federal government and all state governments, immediately upon the introduction of the minimum percentage “floor” level, to investigate through the COAG process how best to move from the current flawed GST distribution system to a population-based distribution system.

I ask which states will want to give up GST revenue to give back to Western Australia. I know the other states look sideways at us when we talk about this from Western Australia because we have enjoyed enormous revenues, the likes of which have never been seen—a mining boom of all mining booms. Our revenues have never been higher than over the term of this government. We do not have a revenue problem in Western Australia, we have a spending problem in Western Australia. That is why it will be difficult to convince other states to support this push to give Western Australia a greater share of GST. They all know that we have had it good over here, and they know that the government has spent all the money. I like the analogy used by Hon Kate Doust about the \$5 lunch money. Over the past eight years, the government has spent \$4.90 of this \$5 to buy lollies for its friends to buy popularity.

Hon Jim Chown interjected.

The DEPUTY PRESIDENT: Order, members!

Hon DARREN WEST: I note that Hon Jim Chown has chosen not to make a contribution to this debate and in true form he sits there and just interjects across the chamber at everyone else who has sensible ideas. He probably should have bounced to his feet a little bit earlier if he had something to say.

Before I finish I refer to the recent absurd statements of the Leader of the National Party—a coalition partner with the Liberal Party—about charging a \$5-a-tonne tax on BHP Billiton and Rio Tinto. It is unlikely that this measure will ever be implemented, but has anyone thought through the idea that the current GST arrangements will mean that most of this extra revenue will go to the eastern states? This \$5 tax is great news for the eastern states and for our competitors, such as Brazil, but it is not great news for working Western Australians, who are losing their jobs as a result of such a crazy announcement.

Motion lapsed, pursuant to standing orders.