

GOODS AND SERVICES TAX — EQUITABLE DISTRIBUTION

Motion

HON JACQUI BOYDELL (Mining and Pastoral) [11.36 am]: Today I will talk about the failure of the current GST —

THE PRESIDENT: Order, member. Just before you start speaking to your motion, you must move your motion. You can do that in either one of two ways. You can stand and say, “I move the motion standing in my name” and then I would read the motion, or you move the motion and then read it out yourself.

Hon JACQUI BOYDELL: Thank you. I move without notice —

That this Council notes the failure of the current GST distribution to the state of Western Australia, and supports an immediate review of the GST arrangements with all states throughout Australia to ensure an equitable distribution of investment from the commonwealth government.

The Commonwealth Grants Commission, established in 1933, recommends how the revenues raised from the goods and services tax should be distributed to the states and territories of Australia to achieve what is formally called horizontal fiscal equalisation. This is expressed in the form of GST relativities; that is, a state’s share of the national GST grants divided by its population share. The HFE model aims to ensure that all states have the capacity to provide services at a comparable standard. It acknowledges that some states and territories have weaker or stronger revenue-raising ability per capita than the average of all states and territories combined. However, this principle does not support interstate transfers of such significance that it would significantly distort economic behaviour and reduce productivity growth, but this is the exact position Western Australia is faced with and the context of my discussion today.

Western Australia contributes much wealth to the national economy. This is a standard political narrative that we hear from our state, other states and the federal government, yet we increasingly see a lack of support and investment from the commonwealth government. I wonder if this is lip service to Western Australia. Is there really some belief that Western Australia is the driver of the nation’s economy? The state is growing rapidly. About 1 000 people a week come into Western Australia. On a state level, investment has most recently been directed to the development of new ports, public transport and sporting facilities. We have seen investment into regional development and agricultural expansion so that farmers can take advantage of the Asian market’s demand for fresh food from Australia. If the political rhetoric from Canberra that WA is the engine room of the national economy is to be believed, we must see some serious ongoing support from the commonwealth for the continued development of Western Australia. We cannot argue on one hand that WA supports the economic development of the country, and then starve it of any investment. Surely this is killing the goose that lays the golden egg over and over again. I note that successive federal governments of all persuasions have continued to reap rewards from Western Australia but have not been willing to continue investing in WA to allow the ongoing economic development of the state. This simply cannot go on if we as a state are to continue to be the economic driver of the nation’s economy—which apparently we are! We in WA acknowledge that the royalties for regions program is about supporting not only those economic industries, but also the people in those communities who choose to live, work and invest in the economically important regions such as the Pilbara, the Kimberley, the Gascoyne and the goldfields. These not only are continuing to drive the Western Australian economy, but also are recognised as driving the nation’s economy. In essence, the Liberal–National government in Western Australia is investing heavily in both the economically essential social and education infrastructure that will continue to underpin the prosperity of the state and the nation, and that is because this government takes this matter seriously.

The commonwealth government must understand that if it is not prepared to return a fairer share of GST to Western Australia, the assured source of revenue it has had so far from Western Australia will begin to dry up, because the state government alone cannot be expected to be responsible for the infrastructure build that this growing state continues to require. I asked myself when I read the budget delivered last week by the Treasurer: How do we find ourselves in this situation in which forward estimates predict only a seven per cent GST return by 2016–17, which will return only \$500 million to Western Australia and a potential loss of \$21.1 billion? Is Western Australia valued by the federal government or not? Those are the questions I am asking today. This is probably the most important issue facing Western Australia’s long-term economic and social development, and it is not the first time this critical issue facing the state has been identified.

On 12 September 2011, Nationals member of Parliament Tony Crook, the federal member for O’Connor, raised this issue in private members’ business in the federal Parliament with the following motion —

That this House:

Extract from Hansard

[COUNCIL — Thursday, 15 August 2013]

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Hon Jacqui Boydell; President; Hon Ken Travers; Hon Col Holt; Hon Helen Morton; Hon Martin Aldridge; Hon Darren West; Deputy President

- (1) notes that:
 - (a) Goods and Services Tax ... revenues are distributed to the States and Territories in accordance with a formula driven by Horizontal Fiscal Equalisation ... principles and are legislated for in the Federal Financial Relations Act 2009;
 - (b) for 2010–11, Western Australia received just 68 per cent of what it would have received if GST revenue was distributed across Australia on a per capita basis—the lowest relativity applied to any State since the formula was introduced; and
 - (c) every other State and Territory, by contrast, received not less than 91 per cent of what it would have received if GST revenue was distributed evenly across Australia; and
- (2) calls on the Government to amend the Act to stipulate a minimum GST revenue-sharing relativity of 75 per cent, which would allow continuing respect for the principles of HFE, but with proper recognition for population, and without Western Australia being unfairly penalised for its disproportionate contribution to our national economic prosperity.

On 10 November 2011 in the other place, the Minister for Regional Development, Hon Brendon Grylls, also called for a fairer GST distribution for Western Australia. He quoted those comments by Tony Crook and also called on federal members of Parliament for Western Australia to support the private member's motion moved by Tony Crook for a fairer GST distribution. The motion on that day in the other place was wholeheartedly embraced without dissent. The opposition called for an even better return to WA than the 75 per cent share recommended by Minister Grylls. Members of this place and of the other place do not often stand united on issues, but on this issue on that day the Parliament of Western Australia stood united on the motion that federal members of Parliament representing WA should support the motion.

The vote on Mr Crook's original motion occurred on 24 November 2011, and only Independent MP Bob Katter, and Tony Crook voted in favour of that 75 per cent floor on the GST. On that day every single Western Australian representative in the federal Parliament, apart from Tony Crook, voted against the interests of Western Australia and crossed the floor to vote with their eastern states colleagues rather than support the motion, thereby supporting the situation we find ourselves in today.

The members who voted against the interests of Western Australia on that day were Hon Julie Bishop, member for Curtin; Hon Gary Gray, member for Brand; Dr Dennis Jensen, member for Tangney; Michael Keenan, member for Stirling; Nola Marino, member for Forrest; Hon Melissa Parke, member for Fremantle; Hon Stephen Smith, member for Perth; Dr Mal Washer, member for Moore; and Ken Wyatt, member for Hasluck. Their lack of support for their electorates and their state on that day will see our state budget slashed and the results felt by every family, business and community in Western Australia. I assure members that David Wirrpanda, the Nationals candidate and hopefully member for the Senate; Shane Van Styn, the Nationals candidate for Durack; and Chub Witham, the Nationals candidate for O'Connor, if elected to the federal Parliament for the Nationals WA, will continue to represent in Canberra the interests of the people of Western Australia without fear or favour. The Nationals WA at the federal and state levels have consistently fought for a fairer GST distribution and will continue to do so.

The Western Australian government and Western Australian taxpayers are bearing an unfair burden for providing crucial infrastructure to support the expansion of the nation. Tony Abbott and Joe Hockey have made a commitment to review the taxation system, which includes the GST. However, I am disappointed that they made follow-up statements that the GST, although included in the proposed taxation review, will not change. I am not sure how they can commit to a review of the taxation system, including the GST, but prior to the review occurring state that the GST will not change. If this is the attitude of federal Parliament, what is the point of announcing a willingness to undertake or conduct a review in the first place? I hope to see the next federal government, be it the Labor Party or the coalition, take a wholehearted, honest approach to taxation review that will include a review of the GST without predicting the outcome of that review prior to it even occurring.

There is simply no way that Western Australia can be expected to invest strongly in our resources sector, in our agricultural sector, in regional development and in health and education services while our GST share is being stripped from us in such a massive way. The nation's economy needs Western Australia to ramp up its economic investment because that will lead to an increase in exports, which is what makes our nation's economy strong. However, the current GST formula will see revenue to the Western Australian government decrease and our ability to stimulate private sector investment diminish. The current arrangements do not appear to appropriately acknowledge the substantial mining-related infrastructure costs, mining expenses and economic development costs that will continue to underpin the nation's and the state's prosperity. Western Australia will not be able to sustain the public sector investment necessary to support future growth in its resources sector and other sectors

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best placed to take advantage of the economic transformation occurring with our neighbours in Asia. This will result in a less prosperous Australian economy overall that is less able to afford, among other things, the large investments that this nation requires in health, disability services, education and Indigenous communities proposed or necessary to boost social outcomes for those people who need investment from the federal government as well as, and alongside, the state government. Western Australia is more than prepared to contribute to the wellbeing of the commonwealth—more than prepared—and has paid its fair share to the commonwealth. But a floor in the GST will underpin Western Australia’s development as a state if we truly believe that we are underpinning the nation’s economy.

Today, I call on all Western Australian members of the federal Parliament and members in this house today to represent the best interests of Western Australia, which is what we were elected to do, and support a fairer share for Western Australia from the GST revenue.

HON KEN TRAVERS (North Metropolitan) [11.50 am]: I thought a government member might have got up to speak, because that was clearly a speech that was not part of the coalition comments today; it was a backbencher in the coalition expressing concern. I thought the government might have wanted to defend itself, but, fair enough, it can sit mute for a little while longer.

I do not think we will get disagreement on the issue of Western Australia deserving a better deal from the commonwealth. We will get disagreement about when the last opportunity to fix it was and why it was not taken, even though members of the Liberal-National government of the time knew a problem was looming. Why did that not occur then? Also, why, when the GST was brought in, did the government not fulfil the aims that it said were required for tax reform in Australia before it signed off on the deal?

I think the other thing that has to be acknowledged in this house today is that there are two ways in which Canberra can assist the state of Western Australia. The first is to reform the horizontal fiscal equalisation process around how the GST money is distributed, but it is broader than just the GST. The other way, of course, that a commonwealth government can assist the state of Western Australia is by direct investment in our infrastructure.

Hon Helen Morton: Handouts.

Hon KEN TRAVERS: Sorry, minister?

Hon Helen Morton: Like handouts from Canberra.

Hon KEN TRAVERS: I am saying that if the first process cannot be reformed—according to Tony Abbott, your mob is not going to do it—the other way it can be done is by trying to invest in Western Australian infrastructure. I understand why a Liberal minister representing the state Treasurer will not want to talk about that today, because she has the problem that it is not in her knitting to fund rail projects in Western Australia, even though it is causing the government massive problems. If the minister does not understand the term “knitting”, she has not been listening to her exalted national leader!

Hon Helen Morton: I actually made the comment that I can’t knit.

Hon KEN TRAVERS: Nor can Tony Abbott when it comes to knitting rail funding! No Liberal can do it; no Liberal can fund rail projects! This government has never talked about it in any substantial way in Western Australia. The Liberal Party has never funded any substantial improvements to the rail system of Western Australia.

I went to a breakfast for the new managing director of Main Roads Western Australia this morning. He put up a very impressive list of road projects occurring in Western Australia at the moment and are likely to occur over the next few years. He talked about it being a record investment in road funding in Western Australia. What he did not mention was that every one of those projects had commitments from, or were funded by, the federal government by at least 50 per cent in most cases; in many cases up to 80 per cent. Last time I checked these things, I found that about 75 per cent of the major road projects in WA are funded by the current commonwealth Labor government. In fact, he put up projects that are included in the current federal budget that was brought down in May. We have still not heard from Tony Abbott whether he will commit to those projects as well—important projects such as the Perth–Darwin highway, the upgrade of Great Northern Highway, the upgrade of North West Coastal Highway, and overpasses on Tonkin Highway. There has been not a single word from the federal Liberal Party or the National Party—because it is a coalition in the federal government, as it is here under the Westminster system. We still do not have a commitment. We do know that if Mr Abbott is elected on 7 September, the problem this state government is going to have is that it will need to find another \$500 million, at least, to fund its election commitments made in March. That is what is on the table from the federal Labor government, and we know that Mr Abbott will not put that money into Western Australia.

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Governments at the federal level can assist us in two ways, and there is no doubt that the current federal Labor government has been assisting by investing in that infrastructure. Can members go around Western Australia—National Party members all represent regional seats—and name for me a single major road project in regional Western Australia that does not have funding contributed by the commonwealth government? It does not matter whether we go to Mandurah, Bunbury, Esperance, Port Hedland or Karratha; money has come from the federal Labor government to do it; money had even been contributed for Perth infrastructure. It is assisting us.

Let us go back to the dark days of the Howard–Costello government—the same people who gave us the current GST system we live with—and remember what it was like then. How much did the Howard–Costello government, which was again a Liberal–National coalition government, give us for the greatest piece of Perth transport infrastructure ever built in the last 100 years—the Mandurah railway line?

Hon Alanna Clohesy: Zip.

Hon KEN TRAVERS: How much did it give us? Hon Alanna Clohesy is absolutely right—zip! Not a single cent.

Hon Helen Morton: That is a favourite word of the Labor Party, isn't it? Zip, zip, zip, zip!

Hon KEN TRAVERS: Hon Helen Morton should zip it until I finish my speech!

Let us talk about the horizontal fiscal equalisation process, which is not a new problem for Western Australia. In 1999, it was identified that vertical fiscal imbalance was a major problem for the state of Western Australia, and, leading from the vertical fiscal imbalance, there were problems with the horizontal fiscal equalisation process. That was known. Clearly, people were not listening to my speech before we adjourned for the break, because I outlined some of the problems that were occurring. The early cabinet submissions that dealt with GST reform in 1999 were made when I think Hon Hendy Cowan—a National Party member—was Deputy Premier of that coalition government, along with Colin Barnett as deputy Liberal leader. They recognised the problems. They said, “What we need out of tax reform in this country is to remove the vertical fiscal imbalance and improve the horizontal fiscal equalisation program, particularly as we continue to see growth in Western Australia.” They identified that as being what they required out of that process before they went to the task of doing it.

What did they get out of it at the end? What did they achieve for Western Australia at the end of that process? It was an enhanced vertical fiscal imbalance. Western Australia had a reduction in its own source revenue streams that made the whole horizontal fiscal equalisation process worse! In the previous debate we were told that members on the other side wanted to look at history; I will tell members the history on this matter! Members opposite are all culpable—their parties are all culpable! Their current Premier was personally culpable for the problems we face today with tax reform. Do not come into this place and lecture us about the problems. For three years we were told it would all be fixed by the Liberal Party when it was elected federally. That was until we saw in *The Examiner* in Tasmania on 11 May that Mr Abbott had made it clear that he was not going to fix it for Western Australia.

For years, Premier Barnett has been complaining about Kevin Rudd and the GST. We have not heard a peep out of him about Tony Abbott and the GST. The Premier has zipped it when it comes to attacking federal leaders. We have not heard the Premier come out against Tony Abbott with the same venom and aggression that he had for Kevin Rudd. He has played politics on the GST. The Premier had a federal government that was giving him money, and he was abusing that and playing politics with it, without even acknowledging that. The Treasurer was constantly announcing projects as though they had been paid for out of his own money. He was constantly failing to acknowledge the contribution of the federal Labor government. That is the record of this government. It is very clear in the cabinet submissions on the GST that when it came to crunch time, the Liberal Party in Western Australia folded and agreed to a system that would reduce this state's capacity for own-source revenue and would worsen the horizontal fiscal equalisation. The Liberal Party in this state agreed to that. Why did it not side with New South Wales, which wanted a per-capita distribution of the GST money? It is because it thought it was more important to help John Howard get his tax reform package up. It was more important to help little Johnny Howard get what he wanted than it was to look after the interests of Western Australia. That is the sad history of the Liberal Party in Western Australia. Never forget that Colin Barnett sat at the table during those discussions and got briefings on these matters. But he did nothing about it. At that time, he was Deputy Leader of the Liberal Party. He is now the Premier.

HON COL HOLT (South West — Parliamentary Secretary) [12.01 pm]: I thank Hon Jacqui Boydell for bringing this motion to the house. The intent of this motion is to point out that the Western Australian state Parliament has some issues with the distribution of the goods and services tax revenue to this state. I thank Hon Ken Travers for his contribution. At the beginning of his speech—maybe just for half a sentence; I will have to

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check the *Hansard*—he actually said, yes, there is a problem with the GST. But he then went off into a history lesson and a rant around what people are not doing.

Hon Ken Travers: I actually agreed with the motion.

Hon COL HOLT: Thank you! Good! The remainder of Hon Ken Travers' speech was all about the same point that we are trying to demonstrate.

Hon Ken Travers: I was talking about who caused it.

Hon COL HOLT: I do not want to talk about who caused it.

The DEPUTY PRESIDENT (Hon Adele Farina): Order, members! Hon Colin Holt has the call.

Hon COL HOLT: What I am saying to Hon Ken Travers is this motion is an opportunity for us as a state Parliament and as a house to point out to Canberra, as they did in the other place last year, that we have a serious problem with our GST share.

Hon Ken Travers: I agreed with that.

Hon COL HOLT: Yes; Hon Travers did agree. But the remainder of the member's speech—99.9 per cent of it—was not about how we could stand together as a state Parliament to fix this problem; it was a rant and a tirade about what federal politicians are not doing for us. We all know what Tony Abbott said in Tasmania.

Hon Ken Travers interjected.

The DEPUTY PRESIDENT: Order, members! Hon Ken Travers has had his opportunity to address this motion. It is now Hon Colin Holt's opportunity.

Hon COL HOLT: That is exactly why this motion has been brought before the house. We want to raise with the federal government the concerns of this state about its share of the GST revenue. As the Parliament of Western Australia—which is now made up of five parties, I believe—we have the opportunity in this house to support a motion that will send a clear message to Canberra. We all know that a similar motion was moved in the other place last year. That was a message that this state is not happy with its share of the GST revenue.

We all know that there are challenges in any budget. However, as the GST return to this state diminishes and diminishes, we need to ask how this state will be able to cope with those changes. This state might have been better off if we had not approved all those iron ore mines. We might have been better if we had just sat back and done nothing. We might then have been given a greater percentage of the GST share. But we made the decision as a state that we wanted to be more self-reliant and drive our economy, and that is what we have done. Other states need to recognise that Western Australia, as big as it is, and with a population as spread out as it is, faces some unique challenges in meeting its budgetary requirements and providing services and infrastructure that some of the other states, particularly the smaller states, do not face. At some point in time, the federal government must come to the conclusion that given the size of this state and our special needs, and the role that we play as the driver of the Australian economy, there needs to be some input from Canberra into this state to help us meet those needs. That could be done through a re-equalisation of the GST revenue, or it could be done in some other way, as Hon Ken Travers has said. I am not sure of the figures that Hon Ken Travers mentioned, but I am sure it would still equate to less money coming into Western Australia than comes to the other states. Western Australia is probably still the fastest growing state in Australia—that may have changed in the past few months—with 1 500 people a week moving to this state. That places a lot of pressures on the provision of infrastructure and services. We all recognise that. But has this state been given an increase in its GST revenue because of that? Has there been any recognition from anyone in the eastern states that this state has those needs? No. In fact, what the federal government is saying is, "You guys are going so well. You have been doing a bit of the heavy lifting for the nation, but you should be all right. We will just take a bit more money off you and send it to Tasmania so that they can keep growing trees, and you guys will have to learn to make do with less."

This motion is our chance as a Parliament and as a house to send a message to Canberra that we are sick of it. It is time for Canberra to look at this state and value what this state brings to the nation. I have heard all the arguments about how Western Australia used to be a net receiver of the GST revenue. We paid that back years ago. But now we are continuing to pay through the nose. This motion is an opportunity for this house to send a message to Canberra that we are sick of it and it is time that Canberra looked upon Western Australia as the engine room of the country and rewarded us by reviewing the GST distribution.

HON HELEN MORTON (East Metropolitan — Minister for Mental Health) [12.06 pm]: I support the motion moved by Hon Jacqui Boydell. I have a simple message for Hon Ken Travers: it is time to move on. This

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is an issue that we need to get behind collectively as the total Western Australian community and on which we need to send a strong message to Canberra.

Hon Ken Travers: We cannot move forward until we acknowledge our past, minister.

Hon HELEN MORTON: The issue is that we do not want any more of these tied grants or special purpose grants or these handouts from Canberra. All of the GST revenue that is coming back to Western Australia has come from the taxes that Western Australians have paid. These are not funds that are owned by Canberra or that somehow or other the people in Canberra or somewhere else are providing to Western Australia. This is money that has been paid by Western Australians in taxes. That money is now being paid back to the people of Western Australia, but in ever decreasing amounts. The idea that we need to take a centralised and controlling approach to handing out funding to Western Australia needs to be long gone. The problem is that the taxes that are being paid by Western Australians are being used to establish an ever increasing number of duplicate agencies in the eastern states, with departments of health that do not provide hospitals or health services but are seeking somehow to control the way in which hospital and health services are provided in Western Australia, and departments of education with thousands of bureaucrats in them that do not provide any education services.

I remember that a federal Minister for Transport once travelled all the way to Western Australia to cut a ribbon, and he then got on the plane and went back again. That is because the funds of Western Australian taxpayers had gone to Canberra and had then been returned to us as a small contribution. However, somehow or other that gave that federal minister the right to fly all the way over here to cut a ribbon. That is just ridiculous. It is incredibly important that we never, ever forget that these funds emanate from Western Australian taxpayers.

Western Australia's share of the GST has fallen from 72 per cent of the population share since 2011–12 to just 45 per cent in 2013–14, and, as Hon Jacqui Boyde indicated, Treasury projects that Western Australia's share will fall to just seven per cent in 2016–17. No other jurisdiction has ever had its share of the GST fall below the level of 86 per cent since the GST has been in place. This is a massive penalty for Western Australia to handle. If the GST revenue were distributed on an equal per capita basis, it is estimated by Treasury that that would have amounted to an additional \$21 billion to Western Australia over the five years from 2012–13 to 2016–17. When the GST was first introduced in 2000-01, the GST comprised 22 per cent of total state revenue; in 2012–13, the GST comprised only 11 per cent; and it is projected to decline to only two per cent in 2016–17. The issue is that the way in which the commonwealth government provides funding to states is becoming less relevant to Western Australia. I am not a secessionist. I believe that we as a nation have a responsibility to participate in whatever way is appropriate, but secession is being foisted upon us because the GST share is decreasing to the point at which it will be only two per cent of the total funding projected to be needed in 2016–17 to provide essential services in Western Australia.

Hon Ken Travers: Will Tony Abbott and Julie Bishop fix it?

Hon HELEN MORTON: I will go on a bit further, because I have asked members opposite to move on.

From 2013–14, the Northern Territory will receive a larger share of the GST pool than Western Australia will receive, despite having less than one-tenth of the population of WA. By 2016–17, the Northern Territory is forecast to receive almost seven times the GST share received by Western Australians. As we have heard, the population of WA is growing at a massive rate. It will grow much faster than the population in the Northern Territory; the population of WA will be more than 11 times the size of the population of the Northern Territory by 2016–17. Western Australia's per capita share of GST is expected to fall to just \$180 per person in 2016–17, yet members ask why the commonwealth government's process is relevant to Western Australia even though there will be a financial contribution to this state of just \$180 per person by 2016–17. The Northern Territory expects to receive \$13 339 per capita by the same year. This equates to the Northern Territory receiving nearly \$75 for every \$1 that Western Australia will receive per person. Again, it demonstrates the inequity that is occurring under the current GST approach.

Western Australia's declining GST share will further increase the state's overall annual net contribution to the Australian Federation, which now stands at \$20 billion according to the Department of Treasury's 2011–12 estimates. Along with New South Wales, Victoria and Queensland, Western Australia has called for the GST distribution process to be reformed, and that is why we should all get behind this important motion. I agree with Hon Jacqui Boyde that this is the most important thing impacting on Western Australia and we should get behind this motion in Parliament and support it wholeheartedly. The long-term vision for the GST distribution review includes distributing the GST to the states on an equal per capita basis, with the commonwealth providing top-up funding to the recipient states. Obviously, such a model would help address many of the problems with Australia's federal financial relations but would require a commitment to reform by the commonwealth government that has not been forthcoming to date. Again, that is the reason we need to get behind this motion moved by Hon Jacqui Boyde. It is a very important issue and I commend the motion.

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HON MARTIN ALDRIDGE (Agricultural) [12.14 pm]: I rise today to add a few comments in support of the motion moved by Hon Jacqui Boydell.

Several members interjected.

The DEPUTY PRESIDENT (Hon Adele Farina): Order, members! Hon Martin Aldridge has the call. If members want to conduct private conversations, they should leave the chamber to do so.

Hon MARTIN ALDRIDGE: I agree with Hon Helen Morton; I think it is time we moved on from the history associated with the GST and work towards common solutions. We all agree that some agreement that achieves an outcome needs to be found amongst not only our political parties, but also the states and territories, and the real challenge is in taking that argument from our state to Canberra. To reinforce the comments of Hon Jacqui Boydell about our federal representatives, I have had the opportunity to spend some time working in the federal Parliament over the last few years, and it was really disappointing to see the way that our federal members voted on that motion. I know from conversations I have had with some of those members that they were fully supportive of that motion and that right up until the last minute before they entered the House of Representatives, they were going to support Mr Tony Crook, the federal member for O'Connor, but pressure from their political parties changed their minds. That is probably the biggest challenge we have in getting some action on this matter. All members in this chamber need to use whatever power they have in those processes to make it clear to the federal members of their political parties—some will be new MPs in a few weeks' time—that this is an important issue for our state and that they are elected to represent their state and their constituents before the directions of their political parties in Canberra.

There are a couple of other issues that I want to put on the record. I support horizontal fiscal equalisation. Western Australia has been a beneficiary of that principle for a long time—since Federation. I think it is only fair that, as a Federation, we contribute to supporting states that are not as strong as ours. There are some issues, however, with the formula that the Commonwealth Grants Commission uses to determine the relativities, and I want to touch on a couple of those. One pertains to gambling revenue. In 2008–09, it was estimated that state tax revenue from gambling was in the order of \$5 billion, or 10 per cent of all state tax revenue. It is a fairly significant stream of income for the states, with the biggest beneficiaries being New South Wales, Victoria and, to a lesser extent, South Australia. It is rather odd that a revenue stream such as gambling taxes can be exempt from the formula that calculates the GST relativities. Our mining royalties, land tax and stamp duty are all fed into this formula, which suggests that we have a greater economic capacity than our neighbouring state, yet a significant revenue stream such as gambling, which comprised 10 per cent of state revenue in 2008–09, is not considered in that formula. I think that needs to be corrected. On the issue of gambling, some good measures were suggested by the Productivity Commission and were explored in the federal Parliament but, in the end, were not supported. I think it is fair to say that some state governments are addicted to gambling. Their ability to make some sensible reforms to protect problem gamblers was constrained by their addiction to the significant state revenue they received from gambling. I will go through some per capita returns: \$350 per adult in Victoria and \$300 per adult in South Australia, against the national average of \$260 per adult in gambling revenue to those states.

The formula also significantly penalises those states that are striving to improve their economies. Quite often we see reports in the media and from various think tanks and research bodies about the amount of revenue that is raised by states and how they do it, and the average amount that each person in each of the states and territories pays in state government taxes and charges. We know that the big four states are generally at the top of that list with the revenue that they raise from their citizens, and it is not surprising that if one wants to live in a state that charges the least in state government taxes and charges, one should move to Tasmania. Not only does Tasmania charge the least in state taxes, but it also has pretty much made it illegal for any type of successful business venture to operate in that state and to raise any money or increase the profitability or strength of the economy, with the possible exception of tourism. Despite this, the system administered by the Commonwealth Grants Commission continues to favour states such as Tasmania and, to a lesser extent, the Northern Territory and South Australia, where there is no incentive to look at the ways in which their revenue streams raise money. They know that the GST is their fallback position and that if they have a weaker economy than Western Australia, Victoria, New South Wales and Queensland, they will continue to receive a subsidy from the Federation in the form of a greater GST return. There is no incentive for them to improve some of their revenue streams.

Over the coming years we are going to see the impact of infrastructure demands on the state of Western Australia from the enormous amount of economic activity that is occurring in this state and the enormous number of people who are moving here every week. If we think about that number of people over the course of a year and over the forward estimates, we have to think about the number of hospitals, schools, roads, emergency

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and other services and infrastructure our state will have to provide. We are really struggling to try to stay on top of that, yet we are continually being penalised through the Commonwealth Grants Commission's GST system.

There is no motivation to go near the GST in this federal election campaign; all of the major political parties are running as far away as they can from any conversation about GST. I support increasing the GST; my colleagues might disagree with me, but I support an increase in the GST if it will lead to a decrease in some of the lazy taxes administered by the states, such as land tax and stamp duty. But before we can have a conversation about increasing and broadening the base of the GST, we need to fix it; we need to fix the system that actually distributes the GST back to the states and territories. I support fiscal equalisation and I support reform, including the broadening of the GST and its rate, but we fundamentally have to fix the system that crunches the numbers and assesses the economic capacities of each state and territory against the others, and a whole range of other factors, including the size of the state, the number of Aboriginal people in the state, and the number of sealed and unsealed roads in the state. It is a very complex formula; state, federal and territory governments signed that agreement more than a decade ago. The formula is so complex that if we do not continually look at and modernise the way in which we determine these relativities, Western Australia will continue to suffer.

HON DARREN WEST (Agricultural) [12.24 pm]: I welcome in the gallery visitors from Albany Primary School.

I agree with Hon Jacqui Boydell's motion. Of course Western Australia needs a better deal on the GST. I commend her for bringing this motion before the house, and I will certainly speak in favour of it. However, I have some comments to make in my allotted time.

We need a better deal, and I think if this motion were put to the Parliament of any state, of course all of them would say they needed a better deal on the GST. As was pointed out by Hon Martin Aldridge, we have a very complex agreement that was signed quite a long time ago by the then federal Treasurer Peter Costello, and the then Western Australian Treasurer Colin Barnett. I would say that Peter Costello was pumping the air with his fists on the plane on his way home, saying, "Can you believe what we just got away with in Western Australia?" But that is history and we are not to talk about that, other than to say that we were promised that there would "never, ever" be a GST. The Prime Minister who made that promise and then reneged on it was one of only two Prime Ministers in Australian history to have lost his seat as Prime Minister.

Having agreed with the fact that Western Australia needs more from the GST and that we need a better GST deal, the question that must be asked is: how are we going to change that GST distribution? Are we going to pull funds from Tasmania or Queensland? As I have alluded to before, there is a bit of fiscal pain in Tasmania; Tasmania does not have the powerhouse economy that Western Australia has and it does not have the gas and resources that Western Australia has, so it would be difficult to sustain that argument. The Premier of Queensland described its economy as being akin to that of Spain, so is it reasonable for us to put up the argument that we should take funds from those states? I do not think it is; I think that is always going to be a very difficult argument to maintain. I do not think there is any political will in Canberra to make great changes to the GST, especially at this time.

Several members interjected.

The DEPUTY PRESIDENT (Hon Adele Farina): Order, members! Hon Darren West has the call. Those members who wish to conduct private conversations should leave the chamber to do so.

Hon DARREN WEST: I reiterate to members that I am in agreement with this motion.

One of the ways forward is: do not bring the problem, bring the solution. That is a great catchcry, and I think it certainly applies here. We have a problem with the distribution of GST funds in Western Australia; that is acknowledged by all of us here. We need to work in a constructive way and in a bipartisan manner to do something about that. I do not think it is at all helpful when the government of Western Australia spends so much time attacking the federal government for this inequity that Hon Jacqui Boydell has brought before us today. I do not think there is any benefit in the Premier, the Treasurer or members of the Liberal-National government of Western Australia spending their time attacking the federal government, which is the provider of a lot of funds to major projects in Western Australia, as was pointed out by Hon Ken Travers. I have only 10 minutes left, so I will not have time to give members a comprehensive list of the projects that have been funded by federal government moneys, but I think we need to get a little creative here. We need to work out ways in which we can extract money from the federal government to fund further big investment projects and big public infrastructure projects, and work out ways to get funds other than those provided by an old GST arrangement that is unfair to Western Australia. We need to now work together and get creative about sourcing funds from the federal government. Some of these, I am pleased to say, have been taken up. The Minister for Mental Health; Disability Services has signed a disability care agreement with the federal government, and that

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will bring much-needed funds into Western Australia in that area. But we have not been able to sign up to the Better Schools program; that was another potential way of being a little creative and sourcing funds from the federal government other than through the GST stream, which is clearly unfair to Western Australia. I agree with Hon Jacqui BoydeLL's motion in that regard. There are ways that we can work around this, given that we are not able to go to Canberra as a government or even in a bipartisan way—I am happy to go to Canberra with anyone who wants to go over there and lobby the case—because I do not think we will get a lot of joy in Canberra at the moment. As Hon Ken Travers pointed out, there are large advertisements in the Tasmanian press to say that even the federal opposition has no great desire to revisit the GST arrangements. I mention Tasmania because clearly there are voters in Tasmania, as there are voters in Western Australia and all the other states. The federal government will not get involved in favouring one state over another in this.

There are other initiatives, such as the farm assistance package. It has taken a terribly long time to get that rolled out. That was another \$60 million that we could have put in the agriculture sector. Other states have jumped in and taken advantage of that, but we have been a bit reticent; we have sat back, canning the federal government and making angry and barbed remarks at them. Of course, the federal government does not want to come over and have a constructive discussion with Western Australia about getting further funds into the state. I urge the state government to be more bipartisan and creative in its approach, and to sit down and work out some answers to this problem. As Hon Jacqui BoydeLL pointed out in her motion, the arrangement is unfair and we need to think of ways around it.

Hon Helen Morton referred to secessionists. I do not believe there are any secessionists here; I believe everyone is an Australian first and the arrangements that the federal government made with the states back in the day were signed for the benefits of all Australians. Clearly, there will be winners and losers in those arrangements. As this motion points out, we have come out on the wrong side. Sadly, that situation will continue to deteriorate. We need to get a bit creative and work out other ways to do it.

As members present last night may have heard me say in response to the state budget, another clear problem of the Western Australian government is that it is in no way spending within its means. We have known for several years that there would be a decline in GST revenues in Western Australia. As we pointed out, the deal was signed a long time ago; we have known about this. However, the government keeps spending like a drunken sailor and charging families and businesses more and more every year. It will leave us with a huge debt. The whole time it has known that there would be a reduction in GST revenues. The state government is not showing a great propensity to sit down with the federal government to work out other possible funding scenarios. That is the bit that I have a problem with. We want more GST revenue—of course, we do; every state does. Everyone in Western Australia does. We agree with the motion. The fact is that I see difficulty in getting that to fruition. We now need to get a bit creative and to sit down and work out some other funding scenarios. The state government should talk to the federal government when it offers Better Schools funding; I think the federal government is prepared to put about \$900 million on the table for our schools. We missed that boat. If there is a change in government, that option will still be available to us, but we should be taking these opportunities now. We must live within our means. We must get creative and come up with some other scenarios.

I agree that the situation should never have been allowed to happen. It was a failing of all those from the Western Australian government who were present that day; this should have been looked at in more detail. It is a shame that we were unable to look at this in more detail and work out a better deal for Western Australia right from the start. I urge the state government to be good friends with the federal government. I urge the state government to sit down and accept some of the funding opportunities that the federal government puts up. I urge the state government to have a good hard think about how the federal government can participate with us in funding major infrastructure. I include rail in that, because I think there is a distinct lack of desire from this Liberal–National government to fund rail both in Perth and, more famously, in the wheatbelt areas with the grain freight rail network. The federal Labor government, should it be re-elected, will be most interested in talking about building rail in Western Australia and providing funding.

I support the motion, but I think the government has the problem. The government is the government elected by the people. The government needs to act. We are happy to help in any way that we can.

HON JACQUI BOYDELL (Mining and Pastoral) [12.34 pm] — in reply: I thank members for their contributions to the debate today. I am really glad to hear that we all support the motion, as I am sure members in the other place would do, as they proved last year. I would love the opportunity for the federal government to come to the Western Australian government with some funding opportunities. It makes it difficult though when the Minister for Regional Australia, Regional Development and Local Government in the federal Parliament, Hon Simon Crean, makes an announcement about funding from the Regional Development Australia Fund going into Perth Airport. It makes it quite difficult to start that conversation and allow projects that the Western Australian government believes are important to be included in that bipartisan arrangement. It would be good if

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the state and federal governments allowed that to occur. From a GST perspective, this is also a concern for the federal government. The Western Australian state government cannot continue to invest as it has in infrastructure, because of the growth of the state, on its own. At some point, the revenue to Canberra will stop. This is an issue for not only our budget, but also the federal government and its budget. I welcome that conversation from our federal members of Parliament.

Motion lapsed, pursuant to standing orders.