VICTORIA State Government

Thursday, 10 March 2022

REPORT: COMMONWEALTH FUNDING FORMULAS COST VICTORIA

A bipartisan Parliamentary Committee has found the Commonwealth Government's distribution of GST revenue to Victoria is unfair and stands to cost the state billions of dollars.

The Legislative Assembly's Economy and Infrastructure Committee examined Commonwealth support for Victoria and its report tabled today condemned the Commonwealth's inequitable GST revenue carve-up and lack of adequate investment in vital Victorian infrastructure projects.

The Committee considered the adequacy of Victoria's GST share under the "no worse off" guarantee legislated by the Commonwealth in 2018, and the impact of the expiration of the guarantee in 2026-27.

Resources-rich Western Australia was the only winner in Canberra's GST carve-up, the report found, and if the system was not changed and the "no worse off" guarantee was not extended, Victoria would lose up to $1.2 billion a year. This would be enough to employ 10,000 nurses for a year, submitted the Victorian Department of Treasury and Finance.

Separately, Treasurer Tim Pallas has written to his Federal counterpart Josh Frydenberg urging him to allow the GST distribution to reflect the disproportionate cost of the COVID-19 response in Victoria and NSW.

Mr Pallas told the Commonwealth that without "sensible changes" to account for the out-sized impact of COVID-19 in the most populous states, Victoria could lose up to $3 billion in GST revenues over the next four years.

Victoria is the only state to have subsidised other jurisdictions every year since the GST's introduction and the Economy and Infrastructure Committee report also found Victoria is also being short-changed on its fair share of infrastructure funding – that means less support for schools, hospitals, roads and rail.

The governments of Tasmania, South Australia and the ACT made submissions to the inquiry that also called on a new approach from Canberra.

The Tasmanian Government said "it is becoming increasingly evident that the new arrangements have embedded inequality between the states, by significantly benefitting Western Australia at the expense of most other states".

The South Australian submission read: "The new system effectively says that people who reside in Western Australia deserve much better hospitals, schools and other government services than other Australians simply because a large proportion of Australia's valuable mining resources happen to be located within their borders".

Economist Saul Eslake in his submission to the inquiry said: "All Australian taxpayers – including those living in Victoria – should be appalled that the Commonwealth Government will be incurring more debt (to be serviced, and ultimately repaid, by future generations of Australian taxpayers) in order to transfer billions of dollars to the government of the richest state (WA) in Australia."

The McKell Institute said: "Victoria is often the forgotten cousin of all states and territories when it comes to infrastructure investment by the Commonwealth. Our state is consistently underfunded on a population basis, and then what funding is promised is often under-delivered."

The Economy and Infrastructure Committee is chaired by Member for Lara John Eren and includes fellow Labor Government members Kat Theophanous, Christine Couzens and Juliana Addison, as well as Opposition members Steph Ryan, Gary Blackwood and Nick Wakeling.

Quotes attributable to Treasurer Tim Pallas

"Equity and fairness are principles that Australians support – they drive our laws, our electoral processes and our health and education systems – but both are sadly lacking when it comes to distribution of the GST to Victoria."

"The right course of action is clear. Ensure the GST distribution system is fixed so that Victorians are not ripped off to the tune of billions of dollars in coming years."

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