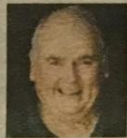


# GST sharing needs to cross the regional divide

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Bridging the infrastructure gap is a road to uniting the nation, writes **GREG WALSH**

THE Federal Government's proposal to change the manner in which GST receipts are distributed between the states and territories of this country addresses one division in Australian politics, but much more can be done about another.

The proposal makes progress in equalising the capacity for the states and territories to raise revenue in order to provide public services at about a uniform standard across the nation.

However, it doesn't do enough to address the appalling gap in the provision of infrastructure between regional and metropolitan areas within each of the states or the territories.

In 2000 when the GST was introduced, a cross party House of Repre-

sentatives committee described this gap as dividing Australia into "two nations".

Despite its 91 recommendations to close the gap, few have been implemented over the past 18 years despite the availability of the GST largesse.

The system of transfer payments known as horizontal fiscal equalisation, which ensures that taxes collected from the bigger states are used to cross subsidise the smaller ones, has worked pretty well for the whole of Australia, including regional Aus-

tralia since its inception in 1933, when Western Australia threatened to secede from the Commonwealth, right through to the 1970s.

But it has broken down in recent years following the failure of Commonwealth Grants Commission systems for distributing the GST.

The Federal Government's proposal goes some way to addressing this inequality by providing "top up" payments to those states with weaker revenue raising capacity and putting in a floor that will ensure that all

states receive at least 70, and then 75 per cent, of the GST pool due to them based on their population levels.

Since the 1970s the voice of regional Australia in our state parliaments in particular has been gradually turned down for a wide range of reasons, including the rising demands of the unrestrained population growth in our metropolitan cities.

Ensuring that at least a third of the Federal Government's GST "top up" payments is "tied" to spending on rural and regional infrastructure would go a long way to addressing the "two nation" infrastructure provision problem.

• Greg Walsh is chairman of Champions of the Bush