

Foreword from the Panel

It is impossible for a report on an inherently ‘technical’ topic such as this to avoid descending into detailed analysis of the issues. Although we have sought to present our analysis of ideas put forward by experts and interested parties in an accessible way, most of the Chapters that follow inevitably go into considerable detail.

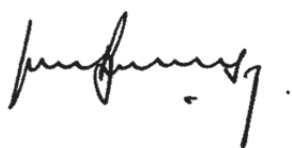
Before you go on that journey, we want to start you off with a few key higher-level impressions that the Panel has formed.

The first thing that has struck the Panel is that, outside of a small core group of aficionados, very few people, politicians included, have a good understanding of the mechanism by which the goods and services tax (GST) is distributed between the States, known as Horizontal Fiscal Equalisation. If you read the submissions to the Panel, you will see that even the objectives and principles underlying the concept are furiously contested amongst the experts. We therefore do not expect our thoughts on any of the contentious topics to be met with instant agreement. Nevertheless, we see this lack of transparency, driven largely by the level of detail in the current process, as a key challenge to be overcome.

Secondly, because the Panel is reviewing the way a set pool of money is distributed, it is easy to be cynical about what is effectively a ‘zero-sum’ game. To the extent that the Panel recommends a change that increases any one State’s share of GST, someone else’s will decrease. For this reason, our interim report has focussed more on the ideas and principles behind them, and has not merely been driven ‘by the numbers’. Clearly, towards the end of this process, when the principles have been settled, the numbers will provide an important reality check.

Finally, whatever the outcome, the importance of horizontal fiscal equalisation to the Federation should not be underestimated. We have only to look at the recent difficulties in Europe to see what can happen when a political union and a common currency is not adequately supported by internal arrangements to deal with the unequal and changing circumstances between the component political entities.

The Panel is conscious that a Review like this comes along infrequently. We are therefore keen for it to be comprehensive, thorough and forensic, but most of all we intend to pursue a vision for Commonwealth/State fiscal cooperation that will prove sustainable for many years to come. Cooperation to build consensus will be a vital part of achieving that goal.



The Hon. John Brumby



Mr Bruce Carter



The Hon. Nick Greiner AC