

# PETER COSTELLO

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## Too taxing for states

**W**hen the caller says "they're off and racing" today he could well be talking about the Victorian election. Yesterday the Victorian governor began the formalities by issuing writs for the impending state election to be held on November 29. This will kick-off election season down the east coast of Australia.

NSW will have its election on March 28 next year. Although there is no fixed date for the Queensland state election, parliament's three-year term will be up in March. It is widely expected the election will be held then, possibly on the same date as NSW.

The voting trends in Australia's three most populous states will be closely watched and examined for any implications they have for Tony Abbott and Bill Shorten.

In Victoria, Labor is ahead according to opinion polls. The Liberal Party only narrowly won the last election, perhaps surprising themselves more than anyone else. They got off to a slow start. Not much happened. The public service inherited from the previous Labor administration was largely left in place and largely left to govern the state.

Only a change of leader and a realisation the electoral term was more than halfway over got the government to show some energy. It developed a proposal for a \$6 billion east-west road tunnel to be built by the private sector. Construction is due to commence shortly. The question for voters is



NSW Premier Mike Baird, Prime Minister Tony Abbott and Queensland Premier Campbell Newman. Picture: Ray Strange

whether it has done enough.

In NSW, the Liberal Party was elected with the biggest victory in the state's history. After 16 years of Labor it had a huge mandate to turn things around. Strangely, it took a timid approach.

Although it had nothing like the corruption of its predecessor, it ensnared itself in funding and disclosure irregularities.

After losing a premier over a disclosure failure, it has now stabilised. It has an infrastructure program funded from long-overdue asset sales. It is well ahead in the polls.

In Queensland the Liberal National Party was elected

after Labor was smashed. Labor had governed for 14 years and was well on the way to destroying the financial position of the state. A comprehensive audit (which I chaired) recommended a far-reaching program to cut waste and restore some financial discipline.

The government had a mandate and it exercised it.

For a while, it went behind in the polls. Now the state is turning around, it is back in front. The question in Queensland is not whether the government has done too little. Labor complains it has done too much!

Even though the Liberal Party is expected to win in

NSW and Queensland it will lose seats in both states. It is coming off a high-water mark. This has implications for the federal Liberal Party.

What do voters expect from their state government?

The core business is administrative competence and good service delivery. They don't want the planning process to be corrupted by developers and profiteers. They want hospitals, schools, police and transport to be run properly.

All this takes money. In recent weeks the federal government has raised the prospect of giving states more tax powers.

Let us be clear on this point. The state governments have

taxing powers already. They have all sorts of powers. It's just that they choose not to exercise them. They don't exercise them because collecting taxes is unpopular. The states would like more money, sure, but not enough to incur the voters' wrath by collecting it, unless it is a soft target such as gaming machines where the tax is optional for anyone with enough sense not to play them.

Because state government has given up in this area, any politician interested in tax policy has left state politics and gravitated to Canberra. That is where tax policy is decided. There is little tax policy expertise left in the state capitals.

Recently some retired state politicians — people who never did anything to build a state revenue system when they were in office — suggested the commonwealth should extend GST and pass the increase over to the states. I can see how this would appeal to a state government. But if Tony Abbott and his colleagues are silly enough to go to the next election with a proposal to raise taxes so the states can spend more money, they deserve everything that will be coming for them.

Those who say there is an imbalance when states spend more than they raise from their own taxes should think about this: if the commonwealth raises GST so the states can spend more, the imbalance will become even worse.

States that want to deliver more should put it to the voters and ask them to pay more. Voters in a state election should decide the issue. No state premier has shown any interest in fighting an election on GST. That's a fair indication there is no interest in this proposal at the state level. It would be absurd to fight state elections over how to spend money then fight the next federal election over how to pay for it.

The states have their own areas of responsibility. The federal government should get out of them and let the states get on with it. The voters can judge the results. The commonwealth government will have its own rendezvous with the voters in 2016. Right now it is the season of judgment for the state governments.

Peter Costello is a former federal treasurer.