

More than one elephant in the COAG meeting room

Written by The Conversation

Leaders were all crooning the same reassuring tune at the Council of Australian Governments news conference – about their constructive talk and co-operation – until an angry Colin Barnett declared he must have been at a different meeting.

“The elephant in the room is the GST and that’s what this COAG has been significantly about,” the West Australian premier said, as Tony Abbott and other leaders looked awkward.

Barnett had failed to get his way. The relativities for the GST carve-up recommended by the Grants Commission will stand, Abbott said, for “the next year or two”.

It was a victory for the other states, which had unanimously opposed the WA pressure for its share not to be reduced, as it is under the Grants Commission’s recommended distribution.

But the federal government will throw WA a bone, in the form of some help with its present financial difficulties, which are caused by both the GST cut and the fall in the iron ore price.

The assistance is being worked out bilaterally. Abbott was anxious to say he wouldn’t just be handing over a pot of money, but pointed in the direction of some help with infrastructure.

As well, “the merits of the current system of GST distribution” will be examined in the government’s coming white paper on the federation. Abbott flagged he was prepared to consider a floor being put under what a state gets from the GST pool.

So WA has come away from COAG with something, but as far as a “floor” goes it is vague and in the future.

The prime minister held the line against Barnett to a surprising degree. The signs had been that WA was wielding considerable clout. Treasurer Joe Hockey (who has been in the US for the

More than one elephant in the COAG meeting room

Written by The Conversation

past few days) had given the impression last week that he would make a determination about the GST allocation in coming weeks, rather than the matter being settled at COAG.

Finance Minister Mathias Cormann, from the west, had publicly suggested that current relativities should be frozen. Cormann is not normally a man to go out on a limb.

The federal Liberals have their political difficulties in WA. This could be a point of leverage for the state in the bilateral talks.

Barnett showed some open contempt for state colleagues in his comments (although he praised Abbott for trying to assist). "I don't know how we're going to reform Australia and modernise it when we can't tackle an issue which is so inequitable and also has the effect of penalising success and rewarding weakness or failure," he told the joint news conference.

But the other premiers were equally infuriated by Barnett's all-guns-blazing approach of the past couple of days. Any attempt by Abbott to favour him by disadvantaging them would have risked a serious revolt.

While the other leaders pushed back WA on GST, there was also push back against Abbott on the issue of hospitals and schools funding.

NSW Premier Mike Baird has been particularly determined to turn up the heat over the immense squeeze last year's budget foreshadowed. The budget said the government was changing indexation arrangements for schools from 2018 and hospitals from 2017-18 and removing funding guarantees for public hospitals.

"These measures will achieve cumulative savings of over \$80 billion by 2024-25," it said. The states screamed at the time but to no avail.

Now the states have insisted this issue become part of the discussions about federalism and tax

More than one elephant in the COAG meeting room

Written by The Conversation

reform. The communique said “COAG reiterated that governments need to be certain they would have appropriate revenue to meet their responsibilities. This will be a key consideration of both the tax and federation white papers.”

It’s impossible to know what will come out of the debate. But the states do have some bargaining power. They can make or break the prime minister’s review of federal-state relations.

Abbott is calling a July leaders' retreat, with no officials, to discuss fundamental reform of the federation. To achieve reform “we will have to be prepared to leave partisanship at the door,” he said, also noting that for the next year or so Australia had “an election-free zone” which should “give us an unusual window of opportunity for significant structural reform if we are prepared to grasp that nettle.”

The premiers might be willing to leave partisanship at the door but they certainly won’t go into such a meeting forgetful of the imperatives of their own budgets.

Baird said the focus of the coming discussion would be on health and education – “patients and students.”

“What are the outcomes that we can achieve that is best for them and delivered in the most efficient way?” As to funding, he said “what is important is there is an acknowledgement that the funding gap must be addressed, but it will be done jointly” between Commonwealth and states.

The implications of this debate about financing being reopened are considerable, putting pressure on the federal government over coming months.

As one state official said after the meeting: “This is the real elephant in the room – the ability of health spending to bust the states unless systemic solutions are found.”

Read more <http://theconversation.com/more-than-one-elephant-in-the-coag-meeting-room-40>

More than one elephant in the COAG meeting room

Written by The Conversation

381