

ANSWERS TO QUESTIONS ON NOTICE

TREASURY PORTFOLIO

15 December 2010

Question no: 1

Topic: Distribution of GST revenue

Hansard Page: E5

Senator asked:

Senator CORMANN—What was the purpose of giving all of the GST revenue to the states and territories when it was introduced back in 1999-2000?

CHAIR—I do not know that we necessarily should ask the officials—

Senator CORMANN—I am looking for an explanation of policy and these are Treasury officials.

CHAIR—They can answer the question—

Senator CORMANN—But can we ask them—

CHAIR—But we have asked the officials to come to answer questions about this package. If they care to make some general observation, that is fine.

Senator CORMANN—Madam Chair, it goes very much to this package, because we have really got to make a decision as to whether the reasons that were present at the time are no longer valid to the point where we can actually take a third of the GST revenue away from the states and territories in the manner that is proposed in this legislation, so it is entirely relevant. What was the purpose of giving all of the GST revenue to the states and territories given that now we are proposing to take a third of it away from them? Maybe take it on notice if you cannot answer that now.

Mr Robinson—We will take it on notice.

Answer:

The Government's reform of healthcare funding arrangements will reduce the pressure that rapidly escalating health care costs will impose on State and Territory budgets in the future. It is estimated that over the next 40 years, the combined total of public and private health spending is projected to increase from 9 per cent of GDP to around 19 per cent of GDP (from 2009-10 to 2049-50). Hospitals are the largest and one of the fastest growing components of healthcare expenditure growing at an average annual rate of around 8.5 per cent over the past 10 years. In the longer term, GST revenue is expected to remain a constant share of GDP. It is this differential in growth rates that the new funding arrangements seek to assist the states and territories with.

Dedicating GST will ensure that the roles and responsibilities elements of the National Health and Hospitals Network are revenue neutral to both the states and territories and

Commonwealth over the forward estimates. The fixed dedication of GST from 2014-15, based on 2013-14 costs, provides the base for the Commonwealth to meet directly from its budget the increase in health costs beyond the growth in GST and Healthcare Specific Purpose Payment equivalent funding. This amount is projected to total \$15.6 billion over the period 2014-15 to 2019-20 and this has been guaranteed to the states and territories as 'top up' funding. Consequently, all states and territories will benefit from this reform over the longer term.