

DOORSTOP, PENRITH  
30 March 2016  
Prime Minister  
E&OE

Welcome everyone here to the Penrith Panthers academy. This is a very exciting day for the people of Penrith.

This facility here really is in what I think the tip of the iceberg. You see elite Rugby League and it's the bit of ice that sits above the water but it's so much more. Rugby League and local Rugby League here at Panthers do so much for participation sport right across our committee.

Lindsay here is the 10th youngest electorate in the Federal Parliament and having a facility like this that will encourage children's sport and encourage participation is really, really fabulous.

Across the driveway there will be an additional facility which is the Western Sydney Community Centre of which the Prime Minister did outline that \$12 million of federal funding will be going into that facility. That will be then adding to the Rugby League Academy to ensure that we provide a lot of support for all participation sports right across Western Sydney and into the Central West and the Western Tablelands.

So Prime Minister thank you so much for being here today.

**PRIME MINISTER:**  
Great to be here!

**FIONA SCOTT:**  
On this beautiful Penrith day and thank you for being part of what is another great chapter in the Panthers' story.

**PRIME MINISTER:**  
Well look it's great to be here Fiona and thank you for the great job you do representing the people of Lindsay in the Federal Parliament and being such a great advocate for them.

Can I just raise – I want to deal with a couple of matters that are in the news today. As you know, on Thursday night and on Friday I'll be meeting with the premiers and the chief ministers for the Council of Australian Governments meeting. And at that meeting we will be seeking to reach agreement on new funding arrangements for hospitals which will be designed to ensure that we have the right level of federal support and the right level of improvement in the effectiveness of the delivery of health care and we're having very good discussions with the premiers and the chief ministers and their senior officials in the lead-up to that.

There is also a very big fundamental reform to federalism, to the reform to our Federation that I'll be raising with the chief ministers later this week. And we have, as you know, we've raised it with them in advance, we thought it would be more important to let them know about our plans for reform in advance rather than just reading about it in the press.

This is the big challenge. We are a federation in Australia, some people say we shouldn't be but we are and we always will be in my judgement. The Federation must work better and right at the heart of the problems in the Federation is the fact that the states do not raise enough of the revenue that they spend. In other words they're not accountable enough in the way a government should be. This is often described as vertical fiscal imbalance, which is a dreadful bit of jargon but it basically means the states do not raise enough money and so they, as we know, every year and often several times a year, they go cap in hand in Canberra, to Canberra and complain that the Federal Government is not giving them enough money.

Now we've got to recognise that that is the core problem, many people have suggested we should address it. There hasn't been a serious effort to do so for many years – for over 40 years. What we are proposing to the states is that we should work together on this basis: that we, the Federal Government, will reduce our income tax by an agreed percentage and allow state governments to levy an income tax equal to that amount that we have withdrawn from.

So there would be no increase in income tax from a taxpayers' point of view, he or she would pay the same amount of income tax. But the states would be raising the money themselves. We would obviously administer it and collect it for them, so again there'd be no compliance costs.

But what this will do is give the states access to their – an additional source of revenue so that they will have a tax base that includes personal income tax, this obviously would not apply to companies but personal income tax can be dealt with on a state by state basis.

At the same time, we would then, with agreement with the states, withdraw from a number of the grants programs we have, so that from the Federal Budget's point of view, the outcome would be, would net off, so that we would not be, we would be making fewer grants to the states but we would be receiving less income tax ourselves, the states would be receiving the income tax to cover those responsibilities.

Now this, we believe, is the only way that we can genuinely reform our Federation.

It will give the states real financial autonomy. It will mean that instead of the marginal dollar for the states always coming from the Federal Government and so you're always having to have this depressing blame game where no-one really knows who's responsible for what. We will clearly identify the areas of responsibility for the state and for the Federal Government and the state will have access to the source of income tax, personal income tax, to enable them to raise that money, to fund that expenditure.

This is a – you could say it's a once in a generation reform, in fact it's several generations since it was last attempted but I think this time, based on my discussions and my senior officials' discussions, I believe there is a real recognition that there is a failure at the heart of the Federation and this is the failure. It is the failure of the states to have access to the revenue sources, to be able to do what a government should be able to do and say okay, we've got an issue with one part of our services. Can we fix it ourselves or do we need more money? If we need more money, then they go, the state would go to their parliament, raise the money, go to the people and persuade them of the merits of it.

So this is a real opportunity to make the Federation work. It will reduce an enormous amount of duplication and it will promote greater efficiency. It's a big idea. It is something that we have been working on for some time. It is a commitment that we have to make our federal nation work, to work better so that Australians will get better services in every level and that their state governments will be truly accountable.

So that's what we're taking to talk to them. I've got great optimism that the premiers and the chief ministers will see the importance of this objective and over the next few years, work to realise it so that we have our Commonwealth, our Commonwealth of Australia, our Federal Commonwealth of Australia works and serves the people of Australia better than ever.

**JOURNALIST:**

Prime Minister doesn't this just shift the blame for raising that extra cash onto the state? I mean you say no tax rise but inevitably there will be states and territories that look at tax rises to raise this extra money that they need? Doesn't it just shift the blame?

**PRIME MINISTER:**

It is important, it is very – in an ideal world, every level of government would raise itself from its own tax, taxes 100 per cent of the money it spends. What has gone wrong with our Federation is that more and more of the money on which – from which the states make their expenditure, deliver their services, comes from Canberra. And so you get this debilitating debate where the state says we don't have any money, Canberra you've got to raise the tax to give it to us. Seriously, the state governments are sovereign governments in their own right. You know the states were there before the Commonwealth was. The states came together and formed the Commonwealth. They should have access to the source of funds to be able to fund their services.

Now, I have to say to you, that there have been many prime ministers who have sought to constantly expand federal power and have been quite happy to reduce the autonomy of the states. I believe we should make the Federation work. The way it is operating at the moment, it is not working because people, citizens, taxpayers do not know who is responsible for what because you have so much overlapping of funding. It's much better if we have clearly marked out lines of responsibility and we allow the states to raise income tax to meet that.

And the way I believe this would work, just to expand a little bit on your question, the way it would work is that we would envisage it working, is we would withdraw from a certain amount of income tax that would be available to the states and we would agree that that would be the maximum they would levy for a period. But in future, of course, on the longer term, a state should be free to lower that amount or indeed raise it and then they are accountable to their own voters.

You see, we have reformed the Senate. What was the object of the Senate reform? To put the power into the hands of the voters. Who decides where your preferences go for the Senate now under the law that has been changed, under my Government? You do.

The voters decide where your preferences go. Ideally in a Federation, the citizens of New South Wales should decide how much revenue the Government of New South Wales raises to meet – deliver the services that the citizens of New South Wales want and demand.

**JOURNALIST:**

Prime Minister what does this mean for the smaller states, I suppose the poorer states if you will, will that leave them at a disadvantage?

**PRIME MINISTER:**

No. This is of course a very important part of the design to ensure that there is no disadvantage to the smaller states and of course there are mechanisms within the federal finance arrangements to do that. But we can't, we can manage that and I've talked to the Premiers of South Australia and Tasmania about this directly. I assume they're the states you're talking about in particular. The opportunity here is to enable those state governments and those state parliaments to really be responsible for what they're doing. You see at the moment, if a state government, if a state minister has a particular service or agency that is not performing well, he or she can try to manage it better. He or she can go to the premier or the state treasurer and say let's put up land tax or payroll tax and raise some more money. Or, and this is the easiest one, get onto television and demand the Federal Government send them more cash. That is essentially a cop-out. The states would say well we don't have any choice because we don't have the autonomous tax base to be able to raise the money. So we're saying, ok, we will give you access to the income tax base and then you are in a position to really be the autonomous sovereign governments that you ought to be and that will drive a far more efficient Federation than we have at present.

**JOURNALIST:**

What feedback are you getting from the states and territories so far and how likely do you think it is that they'll all be on board with this idea?

**PRIME MINISTER:**

Well so far we've had very positive feedback but this is a beginning of a journey. What we're talking about is the most fundamental reform to the Federation in generations. Really since the income tax powers were ceded to the Commonwealth in the Second World War. Malcolm Fraser made an attempt at this in the mid-seventies but what Malcolm Fraser proposed was that the states could raise income tax on top of federal income tax, which obviously, well as it happened the states were not interested in. What we're saying is that we will reduce our federal income tax, the states can then raise tax to meet that gap and we will then offset that revenue they derive from the grants that we're giving. So from the point of view of the Federal Budget it would be a net – they would net off but the important thing is, what is the gain? The gain is to the people. The gain is to greater accountability, greater transparency, Australians will have a much better idea of who is responsible for what, who pays for what and if a state government, over time, wants to raise more money by lifting taxes well it will be answerable to the public just indeed as we are to the people of Australia.

**JOURNALIST:**

Just quickly Prime Minister, can I ask one more question?

**PRIME MINISTER:**

Sure.

**JOURNALIST:**

Our transport workers are walking off the job today at international ports. Is now the time given the current climate for them to be doing so? Is it a threat to national safety at all?

**PRIME MINISTER:**

Well I asked them shortly after the recent bombings in Brussels, as you know, to stay at work over Easter and they did and I thank them for that. They are delivering vital services. I would encourage them to continue their discussions with the Government, to seek to resolve their industrial disputes in a manner that does not disadvantage our travellers. I can say to you in terms of security however, the security services, the counter-terrorism services in particular at the airports are provided by the Australian Federal Police and of course they are taking account of the stoppages in their planning. Nonetheless, these are vital services and the union I'm encouraging, I'm asking and urging to resolve its industrial dispute by negotiation.

Okay, thank you very much.

**Ends**