

Mr GINN (Newdegate) - Mr President, before commencing my remarks I would like to congratulate the honourable members for Macquarie and South Esk on their return to your Council, the member for Huon on his election - on the same day as mine - and the member for Buckingham on his joining us. I would also like to congratulate the Leader and the Deputy Leader on their elevation and also the member for Meander on his election to the position of Chairman of Committees. I think the interesting thing in all those platitudes is whether the Deputy Leader will be able to hold himself up without the restraint of the armchair, especially at half past three in the afternoon.

Members laughing.

Mr GINN - Mr President, during my lifetime I have commenced many tasks with many people but never have I been extended such courtesy and cooperation as that from you, Sir, and other honourable members. If on the commencement of new tasks private enterprise could secure staff such as this Chamber has their businesses could only improve, for they are a credit to themselves and to their positions. Collectively and individually those within this Chamber and its precincts have made my settling in process much easier. Not for one minute, though, is it felt to be complete.

May I single out for a moment two honourable members who escorted me to the Table for my swearing in, for which I thank them. I have known these two members for many years. I first met the honourable member for Russell, now the Leader for the Government, when I was teaching physical education with the Education Department. We then both moved, not knowing at the time that each was contemplating representing an insurance company. After some years the honourable Leader then moved into this Council whilst I went into a private business of my own. But as fate would have it, we are now back together. The honourable Leader said to me on the first day I arrived here, 'You'll be looking at my feet with our next move'. It is nice to know the honourable Leader has confidence that we will be here for the next 30 years or so but I can assure him that we will be side by side again.

I first met the honourable member for Hobart some thirteen or fourteen years ago when he had his business in Moonah. Along with an associate I canvassed him for business. He did not buy but over the years we have become not only business acquaintances but friends and I now buy from him. As we have all learnt, he does have a persuasive manner at times.

But honourable members, I chose those two members for a specific reason. Both have different roles within this Chamber. One puts forward a government viewpoint. The other, after deliberation, agrees or disagrees and gives his reasons. I stood between them. That is symbolic. I will stand with the Government on some legislation and stand with those opposed to it on others, in each case after gathering information and listening to all viewpoints. My mind will never be made up until I hear the final argument.

The seat of Newdegate was named after the Governor of Tasmania from July 1917 to February 1920, Sir Francis A. Newdegate. The Honourable D.G. Lonergan, became the first member in May 1945. In May 1951 George Herbert Gray held the seat until 1957 when the honourable Brian Miller won the seat and held it until his resignation which brought about the 12 April by-election this year.

In the 28 years for which he served here the Honourable Brian Miller, a former mine worker from Queenstown, did so with courage and distinction. He was a real grassroots politician who knew his electorate backwards. He joined the Australian Labor Party on the west coast in 1943 and then moved to the Glenorchy City Council in 1954. In 1957 he secured Party endorsement for the seat of Newdegate which, as mentioned earlier, he won. He served in Labor cabinets under five premiers as Chief Secretary, Attorney-General, Minister for Health, Tourism and National Parks and Wildlife. He was the first Minister for Ethnic Affairs and of course Leader for the Government in this Chamber. Honourable members will remember his tactical and debating skill. He also served under no less than five Council Presidents. His term in this place will long be remembered. I wish him and his wife a long and happy retirement, and with their many activities I am sure it will be a busy one.

I turn now to the honourable member's motion. On 13 June 1986 the Federal Treasurer issued a press statement which said in part that the premiers had accepted the necessity of cuts and had agreed to major reductions in funding for the States in 1986-87 of over \$1 150 million. As the honourable member for Hobart has already mentioned, the main reductions are general purpose capital payments, \$440 million; specific purpose program, \$100 million; borrowings of State authorities, 10 per cent or \$660 million. Allowing for a 2 per cent real increase in financial assistance grants the net effect is that total funds available to the States have declined by 4.25 per cent in real terms. The Treasurer said that the Commonwealth recognised the States would face difficult decisions in framing their budgets and that that process would inevitably involve some reduction in State services. I believe that is a statement five years too late for we have been living beyond our means for far too long.

I think it would be worthwhile going back a little in history and having a look at the importance of Commonwealth payments to Tasmania. Prior to World War II Commonwealth payments to the States were mainly of a marginal nature and were confined for the most part to special grants to assist the financially weaker States and to certain specific purpose grants relating to such matters as roads and contributions to sinking funds under the financial agreement. Since World War II there has been a marked increase in the amount and variety of Commonwealth assistance to the States. General purpose recurrent grants now constitute about 50 per cent of total recurrent revenue in the State.

Overall, taking into account both general and specific purpose payments and grants provided for capital purposes, payments from the Commonwealth amount to approximately 70 per cent of the total outlay of the State government budget. The trend towards heavy State financial dependence on the Commonwealth has reflected greater participation by the Commonwealth in matters previously considered to be the sole responsibility of the States and the effects of the introduction and continuation of uniform taxation. These developments have had significant implications for the financial autonomy of the States.

As I mentioned, the payments from the Commonwealth represent a high proportion of the total funds available for Tasmania. This proportion tended to be higher in Tasmania than in other States because of the relatively small size of the population and hence the economy. It means a more restricted range of taxation options and alternative sources of finance are available. As a result, changes in the level and pattern of Commonwealth financing can have a major impact on State finances and services.

This is important in the present circumstances where the Commonwealth has followed a policy of restricting payments to the States, thus limiting the overall amount available. This latter factor has particularly affected Tasmania. As far as Tasmania is concerned, the effect of this policy has meant there has been very little real growth in payments since 1979-80 and a reduction in real terms in both general purpose and specific purpose payments in 1985-86 and 1986-87.

A further notable trend in Commonwealth payments to the States concerns specific purpose payments. Commonwealth concern with resource distribution policies has led it to become involved in areas that traditionally are the concern of States. In particular the Commonwealth has tried to promote equality of opportunity through the provision of education, health, welfare, housing and urban services. This has been reflected in changes in the form of payments to the States. In this regard there has been an increase in the incidence and importance of specific purpose payments, particularly in those areas mentioned above. The trend towards specific purpose payments, often with matching funding requirements, has had the effect of reducing States' flexibility in providing services and distorting State priorities, with the result that a less than optimal package of services may be provided to make use of the Commonwealth funds.

Payments to Tasmania in 1986-87 - that is, Commonwealth budgetary payments - total \$890 million, with State authority borrowings of \$217 million, totalling \$1 107 million. This is a decline in real terms of 6.5 per cent.

In Tasmania we have two major problems. We have 2.83 per cent of the total Australian population which does not allow a domestic market large enough for the living

standards we demand and we must therefore rely on exports. The second problem is that our exports are, in effect, taxed by tariff protection and we are the third worst affected State, behind Queensland and Western Australia. However our exports in 1982-83 per head of mean population totalled \$4 012. In 1984-85 it rose to \$4 761 which is a rise of some \$740. Imports grew from \$3 108 in 1982-83 to \$4 311 in 1984-85; this was a rise of \$1 203. It is of note that we in Tasmania have the highest exports per head of mean population.

Those two points I have just made alone justify our having more than an inequitable share. The Consolidated Revenue Fund tax-sharing grant of 4.4 per cent for 2.8 per cent of the population is just not good enough, for we are providing more than our fair share of exports.

I would like to concentrate now on one area of the Commonwealth grants which the honourable member for Hobart touched on, and that is the area of business undertakings, which is a relatively new formula. This takes into account the net costs to States' budgeting arising from the provision of things such as railways; metropolitan transport such as buses, trams, ferries; country water supplies; sewerage; irrigation and associated drainage services. Losses on coastal shipping services operated by Tasmania were also included. If these losses on business undertakings were not included, Tasmania would have had an increase of \$8 million in 1985 but the only figures I could get were from 1983-84. The aggregate budgeting impact per capita of business undertakings in Tasmania was \$37.16; New South Wales, \$193.91; Victoria, \$171; Western Australia, \$156; South Australia, \$101; Queensland \$97 - and it had a little good fortune as its railways did far better than anybody else's because of its mining industry. Its railways ran at a reasonable cost.

In 1986 this formula has been applied again and we do not lose \$8 million; we now lose \$20 million. The impact caused by this loss of \$20 million is disastrous. I have asked for some figures from the university which it has provided and I thank it for that. The impact made by this \$20 million loss on employment alone varies between 1 267 and 2 092 jobs.

The decision to reduce the Consolidated Revenue Fund grant to Tasmania will rebound in Commonwealth revenue and obligations in Tasmania. Three tangible items in this category are income tax collections, customs and excise duties and the obligations of the Commonwealth to provide unemployment benefits.

Let us look at these separately and if honourable members would like a copy of these figures I will readily supply it afterwards rather than bore them to death with how they are worked out. I will simply give honourable members the end results.

The Commonwealth income tax collected, bearing in mind that the unemployment figure is between 1 267 and 2 092 jobs for this \$20 million alone, would be \$4.03 million. The second loss to the Commonwealth arising because spending capacity is depressed by the decision to reduce the State's Consolidated Revenue Fund grant by \$20 million would be \$654 million. If the jobs lost as a result of the CRF grant reduction mean unemployment benefits must be paid, the total cost to the Commonwealth of the additional benefits may be substantial. An estimate may be provided by applying the average cost of unemployment benefit per unemployed person in Tasmania to the number of jobs lost. The calculations come out at a total loss in this area of \$6.744 million.

Mr President, if we add up the loss of income tax revenue, customs excise duty and additional unemployment benefits, the total is \$11.42 million. So by chopping \$20 million off Tasmania, the Commonwealth is gaining only a miserly \$8.5 million. I think we have had a pretty rotten deal.

Now let us be a little more positive. Where do we go from here? What has happened, has happened. We have been in holes before and no doubt we will be again, and we will get out of it. As I see it - and honourable members may like to disagree with me; they probably will - we need export diversification. We have shown that we can export. We need a giant marketing drive.

Some of the areas we can look into include forestry - high-class furniture and more paper from woodchips; that is an area we know we are good at - vegetable processing; and fishing. Our fishing is not professional enough. We have jack mackerel and orange roughly and quite frankly, Mr President, I feel as though we have a great big frog pond out there and all we are doing is catching tadpoles. We must become professional.

We must develop our mining. I would like to mention here that during the campaign which we ran in Newdegate, the Farmhouse Creek episode was on and the catchery was that locking up our resources is like sitting round the dining-room table with no food, starving, while a lovely big tea is locked away in the fridge. That is how I feel and that is where we may go if we are not careful in Tasmania. We have had a forestry debate this afternoon and properly managed forests will always be forests. Properly managed environment will always be a good environment. We can do these things. We can harvest what we have. We can mine what we have.

Tourism has been a catchery for about as long as I can remember - we have always been going to survive on tourism. I would like to commend the Government on its efforts in tourism; I think it has done a more than reasonable job. But with 17.5 per cent leave loadings and penalty rates it makes it so difficult. The honourable member for Monmouth mentioned earlier that we cannot do much about some of these Commonwealth wage awards except put pressure on. We can still make our point and we must keep making our point.

The day of the weekend in the tourism and service industry has gone. If Tuesday and Wednesday happen to be the days off, or Thursday and Friday, that is when they are taken. If Saturdays and Sundays are work days, they are work days. I can see no real way out of our problems, Commonwealth-wise, but to work our way out.

I believe we have a positive future. In 1962, 78 per cent of our exports went to the United Kingdom. It is now 8 per cent. We now go to Japan, Asia and the United States of America. We have changed and we have gone to these areas mainly through the efforts of private enterprise.

I will give the Leader for the Government an idea which he may or may not wish to take up. In about fifteen years Hong Kong is to be taken once again under the auspices of the Chinese mainland. The Premier of China has already indicated that for 50 years he will allow Hong Kong to remain as is - that is, business-wise. I believe that now is the time we should be making overtures to make Hong Kong a brother state - as we have a sister state. Let us get in on the ground floor. Let us secure it now. Let us be the first to have representation there when it reverts back to mainland China.

I think I have occupied the podium for long enough, Mr president. I would like to thank you for the latitude you have given me today. At all times I will endeavour to uphold the traditions of this Parliament and of this Council in particular. I support the motion of the honourable member for Hobart.

Members - Hear, hear.