

IPA MEDIA RELEASE

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Sunday, 28 May 2006

FIVE YEARS LATER, VICTORIA HAS WASTED ITS GST REVENUE WINDFALL OF \$17.9 BILLION DOLLARS

Victoria has received a \$17.9 billion grant and tax windfall since the introduction of the GST in July 2000 according to new research conducted by Melbourne based think tank, the Institute of Public Affairs. On average the State Government has received more than 3 billion dollars in unexpected revenue per year, representing an extra 15.3 per cent of the total expected revenue. The combined revenue windfall of all Australian States is \$70 billion dollars.

Dr Mike Nahan, Senior Fellow at the Institute of Public Affairs and author of the latest IPA Backgrounder *Opportunity Squandered: How the states have wasted their reform bonus* said,

“Over the last five years, the States sector received a revenue windfall of just over \$70 billion. This was generated by a reform charged economy, the GST and high state tax rates. However instead of using the windfall to reform their tax systems, reform service delivery, or fund quality infrastructure, the states spent it on more of the same with little to show except temporary political popularity,

“Victoria, despite the GST reform remains more dependent than ever on narrowly based, volatile and highly destructive stamp duties,

“While the states have pumped billions into more and more highly paid hospital staff, waiting lists in public hospitals continue to grow and through-put remains stagnant. Despite again pumping billions into public schools, largely on more and more highly paid teachers, enrolment in public schools has declined sharply by 20,000,

“The States promised to reduce the size of their bureaucracy, but have instead expanded it by over 30,000 positions. Victoria is the worst of the States, increasing staff numbers by 21.5 per cent in the period November 1999 – November 2005,

“Victoria has taken a leading role and developed an ambitious but sketchy reform agenda. However, despite being awash with funds and receiving huge windfalls from the GST, the state is demanding that the Commonwealth fund them to undertake reform.

“If the Victorian Government was truly serious about reform then it would direct this year's \$3 billion dollar revenue windfall towards reforming its service delivery system in Monday nights State Budget.”

Opportunity Squandered is the first systematic analysis of state revenue after the introduction of the GST.

Dr Mike Nahan is a senior fellow at the Institute of Public Affairs.

For further information and comment:

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Opportunity Squandered: How the states have wasted their reform bonus is available at <http://www.ipa.org.au>