



Council for the Australian  
Federation

# CAF COMMUNIQUÉ

Meeting 29 May 2009

**BRISBANE, 29 May 2009:** The Council for the Australian Federation (CAF) held its sixth meeting today in Brisbane. The Council comprises all State Premiers and Territory Chief Ministers and is currently chaired by the Honourable Anna Bligh MP, Premier of Queensland.

The Council agreed to a forward work program designed to impact on three key areas of significance to all Australians: enhancing Australia's productivity to promote growth; effective State and Territory initiatives on climate change; and making our federal system work more effectively and efficiently for the benefit of all Australians.

Chaired by the Premier of Queensland, the meeting was attended by Premiers from Victoria, New South Wales, South Australia and Tasmania and the Chief Minister of the Australian Capital Territory (ACT). The Premier of Western Australia joined the meeting by telephone. The Chief Minister of the Northern Territory was an apology. Treasurers also attended the meeting from Victoria, South Australia and Queensland.

## **CAF Submission to the Henry Tax Review**

CAF agreed to a joint submission to the Henry Tax Review, putting forward a positive agenda to improve the economic efficiency of our tax system and the sustainability of funding for services and infrastructure through tax reform. States and Territories have put a strong case for tax reform that will deliver significant benefits nationally to the economy and the community. This builds on individual submissions made by States and Territories.

The States and Territories identified the following principles to guide taxation reform:

- Reform should generate economic and financial benefits to be shared by all States and Territories. State Government should be better off financially from tax reform.
- Reform should aim at improving the efficiency and equity of the taxation system.
- Reforms should improve the sustainability own-source revenue in order to meet their service and infrastructure responsibilities.
- Ensure any future reform of states taxes is offset by replacement revenue.
- Reform should increase the fiscal flexibility and autonomy of the States and Territories, which may include addressing vertical fiscal imbalance.

Consistent with these principles, the Council for the Australian Federation proposed a reform agenda consisting of:

- exploration of tax sharing arrangements to secure and strengthen the State revenue base for the funding of services



- continued reform of the State taxation system through the rationalisation of tax design, collection and administration
- reform of Commonwealth taxation.

National tax reform also presents the opportunity to reform existing state taxes, including through the reform of their administration and their substitution for other forms of revenues. State and Territory governments are committed to the reform of the state taxation system and have been undertaking substantial reform for a number of years, with major reviews, the abolition of a number of taxes, and major legislative and administrative reforms having taken place in States and Territories over the last decade. However, the Council for the Australian Federation believes that there are further opportunities to make state tax systems more efficient and effective.

State and Territory leaders also called for the Henry Tax Review to take account for the relative efficiencies in relation to revenue collection to ensure that any governance arrangements result in maximum flow through to government services. Revenue officers at State and Territory level compare costs of collection on a regular basis to ensure efficiencies are best practice. Broad figures indicate cost of collection at a state level are less than the Australian Tax Office.

The joint CAF submission noted that States and Territories consider that issues relating to the efficiency and effectiveness of existing state regimes area matter for individual States and Territories.

CAF looks forward to working with the Commonwealth in the future to explore these ideas for further tax reform. In this area CAF agreed to undertake work to look at the introduction of a fringe benefits tax concession or exemption for public transport fares.

## **Climate change**

Building on the key role State, Territory and regional governments have played in responding to climate change and working towards a low carbon economy, including the initial commissioning of the work by Professor Ross Garnaut, State and Territory First Ministers agreed to meet in the lead up to the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen in December 2009. At that meeting the First Ministers will identify the specific contribution Australian State and Territory governments can make with other sub-national governments to the international climate change agenda.

State, Territory and regional governments will continue to have strong policy, legislative and financial responsibility for implementing many of the policies critical in supporting mitigation and adaptation efforts both nationally and internationally. Up to 80% of mitigation and adaptation policies will happen at the regional and local levels with sub-national jurisdictions having primary policy, legislative and financial responsibility for implementing these programs. A number of these contributions have been incorporated into a collection of initiatives to reduce greenhouse gas emissions in *Climate Change: Best Practices by State and Territory Governments in Australia* ([www.caf.gov.au](http://www.caf.gov.au)).



CAF today released independent work it commissioned from Access Economics examining the likely impact of an emissions trading scheme on States and Territories, with a particular focus on regional areas.

These three reports are available on the CAF website at [www.caf.gov.au](http://www.caf.gov.au). The reports build on the modelling outlined in the Commonwealth White Paper and provides analysis of the fiscal impacts on Gross State Production (*Report 1 – Fiscal Report*), impacts on industry and regional sectors (*Report 2 – Impacts on disadvantaged regions*), and opportunities and structural adjustments (*Report 3 – State and regional economic futures report*).

The reports emphasise the potential growth opportunities in:

- forestry
- carbon capture and storage technologies
- renewable energies
- the development of energy efficient technologies
- bio fuels and energy efficient vehicles.

### **Common Cause: opportunities to make our Governments work more effectively together**

CAF reinforced its commitment to improving and modernising our federal system of government to meet the challenges of the 21<sup>st</sup> century.

Today CAF released the independent report, *Federalist Paper 3 – Common Cause: Strengthening Australia's Cooperative Federalism*, authored by Australia and New Zealand School of Government (ANZSOG) and John Curtin Institute of Public Policy (JCIPP) academics Professors John Wanna, John Phillipmore and Alan Fenna, assisted by Dr Jeffrey Harwood. The paper is available on the CAF website at [www.caf.gov.au](http://www.caf.gov.au).

The paper seeks to build on the opportunity for reform presented by the commitment of all governments to cooperative federalism and the opportunities arising from the reinvigorated COAG process. The paper points to the foundational importance of three areas in enhancing the way Australian Governments work together to deliver outcomes for the community:

- **principles** to guide cooperative federalism
- **new institutional structures** and funding frameworks involving legal, institutional and constitutional change
- **cultural change** across organisations supporting the federation, including new cultural practices and attitudes.

### **New work program of the Council for the Australian Federation**

Today CAF agreed to focus its work on enhancing Australia's productivity and growth, particularly in this time of global economic downturn, continuing its leadership in the



issues affecting all Australians in relation to climate change and enhancing the effectiveness with which our governments work together to deliver better outcomes for Australians.

CAF is committed to making a practical contribution to policy and reforms and its 2009-10 work program will build on those areas where CAF has already demonstrated national leadership. First Ministers agreed to consider a range of projects in 2009-10 and will finalise the work program in July 2009. Details of the new projects will be posted on the CAF website once finalised.

### **States and Territories sharing best practice policies through the new Policy Clearing House**

CAF today agreed to establish a Policy Clearing House to enable States and Territories to quickly access information and best practice examples on significant policy issues. States and Territories frequently deal with new and emerging issues which often require innovative and rapid policy responses. The Policy Clearing House will facilitate the rapid transfer of knowledge by capturing the lessons learnt and the challenges inherent in implementing different policy responses.

### **Mandating vehicle safety technologies**

CAF reaffirmed its commitment to mandate vehicle safety technologies on new vehicles produced from 31 December, 2010. This is significantly ahead of the minimum timeline under proposed Commonwealth standards which commence after November 2011. This will ensure that vehicles are safer for all Australian drivers and their passengers.

### **Parallel imports of books**

CAF today discussed the Productivity Commission's consideration of existing parallel importation restrictions in relation to books. CAF reiterated that the States and Territories do not support any changes to the present arrangements. Removal of current regulation would damage Australia's culture and creative industries and have adverse effects on employment for very little benefit. States and Territories agree the Productivity Commission's report should be discussed at the next COAG meeting.

### **Procurement of rolling stock**

CAF noted the potential benefits of a coordinated States and Territories approach to procurement of rolling stock (including trams and rail), given that more than \$10 billion worth of orders are already or shortly to be placed. CAF agreed to establish a taskforce to examine the opportunities for States and Territories to achieve both value for money and encouraging relevant Australian industry.