

ISSUE 1818

“In Support of Progress”

Newsletter

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The State Budget

Last Thursday the Treasurer brought down his 5th budget, a positive document in positive times.

It is always easy to nit-pick at the edges, but for my money it was a good budget. So, an accolade for the Treasurer. Further it has been received well within the Tasmanian community and by various commentators, and is providing a further boost in confidence. Criticism, such as it is, is muted.

Labor, it seems, is reticent to offer an alternative, saying in part that it is too difficult to forecast the future GST outcomes. That is not a good reason to not do so. If Labor has different priorities they should at least be stated. The Greens have labelled it a “blokey” budget because of the emphasis on infrastructure. IS that the best they can do? It makes one wonder whether they would ever criticise a budget as being too “girly”. I suspect not!

While endorsing the document, I note it as being essentially an income and expenditure document, with more income enabling more expenditure. Which is not, and should not be seen to be, the b-all and end-all of government management.

The real risk to the budget is that with at least the perception that money is being sloshed around, the temptation will be for government departments to find ways to spend the money rather than to save it. Big ticket items and hobby-horses could well be the order of the day, and this is not good practice.

Many are the examples of large licks of money being spent on items which have simply not delivered, and which have led to an increase in costs to the taxpayer and/or the user of the service (e.g. the three electricity GBE's).

This is where the real issue lies going forward. If one was to spend the money more effectively and efficiently, then in fact cost savings could be made. And that is where the Treasurer should concentrate his efforts moving forward.

GST Receipts

A lot has been said about the GST, and of the benefit accruing to the State from some largesse in the formula. Under attack from WA, the Federal government seems to be in a wobble about what to do. The Productivity Commission will soon bring down its findings and those will be handed to the Grants Commission for further consideration. The maneuvering has already begun.

The Prime Minister and the Finance Minister have both stated that Tasmania will get not one cent less, but that does not mean that the relativities (between States) for the payment of GST receipts to the states won't change (or rather be recommended for change), and in fact the comment has only led to the suspicion that the relativities might be changed.

However, a change can only occur by amending Commonwealth legislation. It is a myth to suggest that any change can only be brought about by ALL states and territories agreeing to such a change, but it has some validity in practice, as it would be a bold government to bring about a change to the detriment of any one or more states without their support.

That said there are ways open to the government to provide some "advice" to the Grants Commission, to either take into account certain factors, or to exclude certain factors, (e.g. mining royalties) when providing advice to the government. One factor that should be promoted by Tasmania is the lack of any significant defence spending in this State. It certainly places the State at a disadvantage vis a vis other states.

In summary, it makes sense for the Tasmanian government to be jumping up and down already. But that should not, and it did not, stop the preparation of the Budget.

The Vision thing

What I would like to see the Treasurer do is to weave his budget promotion into a broader narrative about where the government is leading us – the longer-term perspective. To do that he must tackle the elephant in the room, which is our ageing demographic. It's all very well to talk of growth, but what growth longer term? Economic growth from what industry? Population growth for sure, but where will they come from, where will they live, what will be their characteristics? These questions remain to be addressed.

Passive reactive management of problems is not the best approach. The lack of response to these questions has in part led to the growth pains we are now experiencing in housing and in health. Both require a strong policy focus, and to date that has been lacking. It cannot continue to be ignored, hoping the problem will "go away", because it won't.

The Huon Estuary

The proposal to build a woodchip loading facility at Dover has met with some marked opposition, and most politicians have been reticent to give a lead, other than the Greens who are opposing it.

Community concerns are being expressed, stirred up by opponents to the proposal. Recently the salmon industry has also spoken out against it, claiming a biosecurity risk, presumably from ballast water. What this is really signaling is that there has been a less than proper consultation by the proponents with the community and other industry regarding the proposal.

There is no question about it – the proponent has little to no idea how to manage the consultation process, and it is surprising that in this day and age a company such as this, working in the resources sector in Tasmania, could be so "gauche".

However it is also important to note that waterways are not the province of one particular industry or sector. As the salmon industry has already found to its cost the waters around Tasmania are not for them and them alone.

As for the community of Dover, it would be to its advantage to ensure as much economic diversity as possible. A town or region dependent on a single activity is at high risk given any downturn in that industry's economic fortune.

We wait and see.

Of fire and flood

It has taken a byelection in Braddon for there be a recognition of the need for proper flood prevention measures in Latrobe. This matter has been raised in this column many times, and it should not have had to wait for a byelection for some action to be proposed. The recent experience, there and elsewhere, should have prompted action on this matter long ago. What preparation has been done on this matter? Design work? I suspect none. Not happy Jan!

Energy

Tasmania joined the national grid at a time when electricity supply outstripped demand. It therefore made some sense to allow supply-side competition to flourish as it drove down prices. However, over time supply has progressively diminished, at least in the provision of base-load power. As such, there are now occasions when there is not enough base-load supply, the wholesale price has increased significantly, and industry has been adversely affected.

The increase in wind and solar power supply is not a substitute for baseload for the very simple reason that it is not available all the time. It requires battery backup to be effective, and that is not yet available, at least not at a competitive price.

The policy dilemma is that there has not been an investment in new baseload supply, and as old plant is falling away, there is nothing to take its place – at least at a competitive price. Pumped hydro for example is years away. Thus prices rise and the system becomes less secure.

Tasmania does not need to be caught up in this scenario as it has a heap of baseload power available through its hydro system. The Minister is correct when he asks whether the old paradigm of linking in to the Victorian price is still relevant. I believe it is not.

While on this topic, and noting that most baseload comes from coal-fired power stations and also that the political argument is to reduce reliance on coal for reasons of climate change, I find it totally hypocritical that Australia is allowing a lessening of its own energy security while at the same time exporting coal without diminution for it to be used in power stations and steel works elsewhere. It is an absurdity, or to use a word mentioned in the last newsletter, bizarre.

The ABC

The call by the Liberal Federal Council to privatise the ABC, no matter how well-meaning it might be, will no doubt have adverse consequences in continuing commentary from the national broadcaster, as well as giving the Opposition a free kick. A badly managed debate, with Federal members present seemingly in support of the proposal - another ridiculous own-goal from the government.

Waste

A recent announcement that China would no longer take waste material from Australia has caused consternation in certain civic circles. I am surprised that we have not done more in Australia to treat our own waste, and this decision is a wake-up call. Maybe it is not a step too far for the Tasmanian Government to devote some resources, maybe in conjunction with the University, to find a better solution to this problem.