



It's Time to Challenge the TCCI Attack

Over the past few years you will have heard the mantra coming out of the Tasmanian Chamber of Commerce and Industry that the government must cut the public sector in order to redirect tax revenue into the pockets of big business through tax cuts.

In their recent submission on the State Budget they described the public sector as 'unsustainably large' and 'insatiable' and called upon the government to move to a model represented by a small public sector where the private sector meets most of the needs of the Tasmanian people through user-pays arrangements. They want the savings made by cutting public services to be redirected to business by abolishing both payroll tax and insurance duty by 2013/14.

While many Tasmanians stopped taking the TCCI seriously years ago as they stumbled from crisis to crisis, there is a risk that forecast tough economic times may see their ideological hatred of the public sector given a new lease on life so the time has come to set the record straight.

Swapping Public Services for Private Profit

The TCCI has called on the State government to reduce spending on public services in order to abolish payroll tax. They want Tasmanians to believe that if the savings made through slashing public services were used to cut business tax then business would use that extra money to invest in the economy and create more jobs.

The truth is that very few Tasmanian businesses would gain anything from abolishing payroll tax because only businesses whose payroll exceeds \$1.01M per annum pay this tax. This means businesses with fewer than about 20 employees would gain nothing. Australian Bureau of Statistics figures show that around 94% of Tasmanian's 37951 businesses employ less than 20 workers. In reality the TCCI is lobbying for services to be cut to all Tasmanians in order to boost the profits of a few large businesses.

Furthermore, what guarantee would Tasmanian tax payers get that money business saved through a tax cut would remain in the State through reinvestment or employment. History has shown that many businesses would see a cut in payroll tax as a windfall and they would take the money as extra profit.

Table showing the number of employees in Tasmanian businesses

No of employees	Sole Traders	1-4	5-19	20-49	50-99	100-199	200+	Total
Number of businesses	22325	8324	5338	1330	358	162	114	37951
Percent of all businesses	58.7%	22%	14%	3.5%	1%	0.5%	0.3%	100%

Australian Bureau of Statistics – Counts of Australian Businesses, December 2010

The TCCI Doesn't Want a Level Playing Field They Want it Tilted in Their Favor.

The TCCI would have you believe that Tasmanian businesses are burdened by an unreasonable level of business taxes. This is not true. A recent report by the Institute of Public Affairs into State taxation found

that Tasmania is mid-ranked when compared to other States. While some of our taxes are higher others are lower – overall Tasmanian businesses pay a little more than their counterparts in Victoria and Western Australia but less than in New South Wales and South Australia. Queensland businesses pay exactly the same rate of business tax as that levied in Tasmania.

If you would like further information on any of the issues raised in this Update contact the CPSU Information Centre on the number below.

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Table comparing relative business tax regimes in each Australian State.

State	% of CIT
Western Australia	17.5
Victoria	17.5
Tasmania	18.0
Queensland	18.0
New South Wales	18.4
South Australia	19.2
State Average	18.1

* State tax as a percentage of commonwealth corporate income tax paid by a medium sized reference company (Business Bearing the Burden - The size and impact of State Government Business Taxes – Institute of Public Affairs, December 2010)

By contrast workers in Tasmania are paid less on average than workers in any other state, earning \$159.30* or 12.6% less each week than the average Australian. You would think paying their workers less that interstate businesses would be sufficient competitive advantage for the TCCI but no, they want to pay less tax as well. * Australian Bureau of Statistics – AWOTE - Fulltime Persons (original)

Cutting Public Sector jobs Will Undermine the Whole Economy.

A recent report by Access Economics showed that while the Tasmanian economy remains resilient there are potential challenges ahead as the stimulus from Federal government programs such as the Building the Education Revolution conclude. This means the state needs a steady hand on the economic tiller, one that looks to stimulating rather than dampening activity. The impact of cutting jobs from the public sector would be to slow the economy and further weaken confidence levels already undermined by a concerted campaign to ‘talk’ the economy down.

Public sector workers live in every community across this state and spend their income in that community. Many communities, particularly smaller region communities, are underpinned by the salaries paid to their public sector workforce. A 2009 report by Professor Bill Mitchell of the University of Newcastle’s Centre for Full Employment and Equity entitled ‘The economic and social impact of staff reductions in the South Australian public sector’ showed that for every public sector job that is cut approximately 2.3 private sector jobs will also disappear.

Massive cuts to the public sector as advocated by the TCCI would also see thousands of private sector jobs go as small businesses reliant on public sector spending close down. It seems clear the plans advocated by the TCCI are focused on serving the best interests of the 6.5% of Tasmanian businesses they represent - principally big businesses - rather than being in the best interests of all businesses or the wider community.

A Skill Shortage Is Holding Back Business

For years TCCI surveys of their members have shown that the single factor that most limits the growth of business in Tasmania is the availability of skilled workers. The state government recognized this issue several years ago and to avoid running into problems of service failure began addressing the difference between the salaries paid to their staff and workers doing the same job in other states. Generally Tasmanian businesses chose not to address this issue and so the problem remains.

Now they complain that they can’t grow their businesses because skilled, experienced workers prefer to either be employed at decent salaries in the public sector or to travel interstate where employers understand they need to pay competitive wages to attract the best workers.

The solution the TCCI has developed for this problem is to call on the government to sack thousands of public sector workers. Presumably local businesses would then be able to grab these workers at discount rates. The reality is that if the government was to cut jobs in this way many would choose to move interstate to get a decent wage while others would simply drop out of the paid workforce – further exacerbating Tasmania’s low participation rate.

It’s Time to See Who This Government Really Represents

In the next week the government is set to hand down their mid-year budget review and the TCCI has already indicated they believe this is the perfect opportunity to implement their agenda.

In their submission on the 2011/12 State budget (A Productive Economy for a Liveable Tasmania, December 2010) the TCCI call on the government to significantly cut the public sector, to abolish permanent employment for public sector workers and to reintroduce forced redundancies.

They also encourage the government to remove itself from the provision of public services instead ‘facilitating the private sector meeting most of the needs of the people’. They suggest this could be achieved through public/private partnerships or even user-pays models eg. toll roads. Clearly they believe the Treasurer and new Premier Lara Giddings is sympathetic to this agenda, a belief no doubt strengthened by the fact the Treasurer recruited former TCCI economist and long time advocate of these extreme views, Richard Dowling, as her senior financial advisor.

At this stage the Premier/Treasurer has been unwilling to rule out implementing the TCCI agenda so we will all have to wait for the mid-year review to see if the Labor/Green government continues to represent the whole community or if they have decided to throw their lot in with the TCCI and their big business buddies.