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News release

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Baragwanath calls for new laws for investment incentives

Former Auditor General of Victoria, Mr Ches Baragwanath has called for new laws to govern state investment incentives to industry, in a report co-authored by Dr John Howe of Melbourne University and released today by the Australia Institute.

The report found the current practice of States having secret bidding wars to woo business investment through tax incentives and subsidies is failing tax payers.

“The drive for secrecy is undermining accountability” said Mr Baragwanath. “In 1996 state governments spent \$6 billion on industry assistance. But in contrast to the public scrutiny of handouts to the least well-off, the disbursement of industry assistance is treated as a private commercial matter between the government and the corporations involved.”

“The secret bidding wars are also hitting tax payers in the hip pocket. Corporations are playing governments off against each other to secure the sweetest deal. The tax incentives and subsidies are a gift from the tax payer to some of our wealthiest companies” said Mr Baragwanath.

The report calls for the Commonwealth to write the rules by which all the States and Territories compete. It recommends the Commonwealth require all State and Territory governments to publicly disclose all industry assistance.

The report also called for industry incentive programs in all jurisdictions to be subject to proper evaluation. It said in some cases governments have paid as much as \$40,000 per new job.

“To ensure tax payers are getting value for money, incentive programs should be enshrined in legislation clearly stating their goals, performance standards and monitoring mechanisms”, said Dr Howe.

The report argues that having governments compete against each other is playing into the hands of business interests. It said that governments must co-operate to defend the community’s interest.