

OIL AND GAS ROYALTIES

904. Mr O'GORMAN to the Treasurer:

I refer to a report in today's *The West Australian* about gambling revenue forgone by this State, in which Senator Ian Campbell, the Parliamentary Secretary to the Federal Treasurer, is quoted as saying that some States would say that Western Australia already gets an incredible free kick from oil and gas royalties. Will the Treasurer confirm whether this is the case?

Mr RIPPER replied:

What an amazing comment from the Parliamentary Secretary to the Federal Treasurer. He does not know what happens to the funds distributed by the Commonwealth Grants Commission. Western Australia is blessed with a thriving oil and gas industry, which is a benefit to this State. However, most of the royalties are redistributed by the Commonwealth Government. Western Australia receives \$354 million less in commonwealth grants than it did in the distribution that prevailed nine years ago. The Commonwealth Grants Commission, which is an agency of the Commonwealth Government, reduces Western Australia's general purpose grants, most of which are made up of the GST, in proportion to the State's capacity to raise royalties. Because Western Australia's royalty-raising capacity is greater than that of other States, it gets reduced commonwealth grants. This means that up to 90 per cent of the royalty benefit that Western Australia gets is redistributed to other States. It does not just go to Tasmania or South Australia - States that might be regarded as deserving - but to Queensland, which has such a strong financial capacity that it can reduce its tax rates to put competitive pressure on other States. Queensland is being subsidised by Western Australia. The money also goes to Canberra, which has the highest per capita income in Australia. Canberra gets a subsidy from Western Australia - some of that 90 per cent of the State's oil royalties. Western Australia raises \$380 million each year in offshore petroleum royalties, but can keep only 10 per cent of it. In onshore royalties, the State raises about \$600 million, of which it loses 80 per cent.

I agree on this matter with a former Premier of this State, Sir Charles Court. He made a submission to the review of the grants commission processes, commissioned by New South Wales, Victoria and Western Australia, in which he made comments about the Canberra-centric view that Western Australia is a cash cow to be milked. He said that this view was detrimental to the nation. I strongly agree with Sir Charles Court on that matter, and I think Senator Ian Campbell should as well, if he is to properly represent Western Australia in the Senate, and particularly if he is to advise Peter Costello on commonwealth-state financial relations. This whole issue of grants is part of a larger problem. The Commonwealth Government collects from this State \$2.7 billion more in taxes than it spends in this State directly or indirectly through the state and local governments. This is Western Australia's subsidy to the rest of the federation, representing \$1 455 paid by every Western Australian. Senator Ian Campbell has displayed a remarkable ignorance of commonwealth-state financial relations given his position in federal politics. I hope he is able to perform better than that, but his performance on this issue gives me some understanding of the reason he has been the eternal ministerial bridesmaid in federal politics.