

GOODS AND SERVICES TAX REFORM

**253. Mr P. ABETZ to the Treasurer:**

I understand that the Treasurer attended the Ministerial Council for Federal Financial Relations in Canberra last week, and at that meeting the terms of reference for the impending goods and services tax reform were discussed and agreed upon. Can the Treasurer inform the house of the position of the various states on the GST review?

**Mr C.C. PORTER replied:**

I thank the member for his question. Albeit it is late on a Thursday before we break for a month, I think this is the most important question that has been asked in the past month. I am very surprised it did not get up earlier than this, but that is how things go. This time last Thursday, I was at the meeting of state —

Several members interjected.

**Mr C.C. PORTER:** It is clearly not as important to the opposition as it is to the government and the people of Western Australia! This time last week I was at a meeting of state Treasurers, which was inclusive of the federal Treasurer, Hon Wayne Swan. I want to touch on three things that were discussed at that meeting about the now-live GST review, which is without doubt the most important issue facing the state over the next decade. I would like to briefly touch on, firstly, the language of those discussions; secondly, certain acknowledgements made about the efficiency of the present system; and, thirdly, what was agreed on. What was remarkable to my eye at that meeting was that, whereas the GST is in fact physically the carve-up of GST payments from each of the states back to the states, the language of this meeting was squarely in the quarter of determining the carve-up of mining royalties. The GST review meeting we had focused on mining royalties. The reason for that is that we physically redistribute the GST through the Commonwealth Grants Commission, but because that takes into account mining royalties, we actually redistribute mining royalties that are earned and paid to the state governments —

**Mr E.S. Ripper:** What a tragedy the Court government signed up to that in 1999.

**Mr W.J. Johnston** interjected.

**The SPEAKER:** Perhaps it is a question you might want to ask, member for Cannington.

**Mr W.J. Johnston** interjected.

**The SPEAKER:** I formally call the member for Cannington to order for the first time. I was not going to do so, but I will now. Quite simply, members, I want to hear the Treasurer.

**Mr C.C. PORTER:** The language was clearly about dividing up royalties. In a discussion we had yesterday, the best estimates of our Treasury are that from the present financial year, 2010–11, out to 2014–15, our relative share of GST will go down to 0.37 per cent. What that represents against what we could expect if we got 100 per cent of the GST collected in this state is a loss in revenue to this state of \$12 billion. When that is put before all the other state Treasurers present there is an undeniable acceptance that that is an inequitable system. When we looked at it—these were points I put at the meeting—it was clear that over the years 2006–07 to 2008–09 the Western Australian economy generated on average about \$2.6 billion in royalties in this state. Each year, \$2 billion of that was redistributed to other states. We earned \$2.6 billion and we got to keep about \$518 million.

**Mr E.S. Ripper:** It would have been nice if we had support from the Liberal Opposition for our attempts to get it changed.

**Mr C.C. PORTER:** It was instructive to me to be sitting next to the person in the room who, ironically, among every single human being in Australia, had the greatest interest in the Western Australian mining industry. His name is Hon Kim Wells, the Victorian Treasurer. No other person has a greater stake in the mining industry of Western Australia than the Victorian Treasurer. When this was pointed out to the meeting, there was something similar to the silence I am experiencing now because it is quite remarkable. Victoria raises \$43 million a year in mining royalties and receives \$1.5 billion a year in mining royalties. What is remarkable about that is that it is investment-free return, because to receive that return the Victorian government does not have to spend a cent on the infrastructure that we in this state are required to spend money on. It is like buying Microsoft shares, but not even having to pay for the original share portfolio. Victoria is making a killing.

What was very interesting about this meeting is that there was a very broad acknowledgement, save for one state, that that is an inequitable, unfair system that is now falling into disrepute. That state was Tasmania. Hon Lara Giddings, Treasurer and Premier of Tasmania, said to all assembled that she had never once had provided to her at any gathering or at any time a single example of the inefficiencies of the present system. I offered her this example: the Premier, early in this term, negotiated the removal of a concessional royalty rate with BHP Billiton

and Rio Tinto, which brought in a lump sum of \$350 million to this state, and a commensurate amount of royalties going forward.

**Mr E.S. Ripper:** Even on the principles of the system, that should have had no effect on our GST, but it did.

**Mr C.C. PORTER:** Under the principles of the system, had it not been for the federal Treasurer intervening—I am very glad he did because his intervention meant that we lost 60 per cent of that \$350 million; that 60 per cent was distributed to the other states and indeed a large chunk of it went to Tasmania—and had the principles applied, strictly speaking, we would have lost somewhere between 130 and 140 per cent of that money. We would have gone through the significant political pain of negotiating a revenue increase for the state, efficiency benefits for the companies, which are released from liabilities of state agreements that they are never going to make, and penalised by something like \$60 million for the effort, if the present system had applied. Miss Giddings seemed, through silence at least, to accept that that represents something of an inefficiency. The question would be asked: why would we ever bother doing that again if more than \$350 million of what was being raised would be redistributed to the other states? The point I think the federal Treasurer made very well is that the equalisation system has benefited certain states and, indeed, Western Australia to some extent. The visionary actions of previous Premiers of both stripes here has put us in a position from where we are able to take advantage of our great mineral wealth, but it is now a system falling into disrepute.

The final point I will make is that a system under which the per capita receipt from mining royalties per head for those two years I mentioned in Western Australia of \$250 and about \$290 in Victoria is inequitable. The final point —

**Mrs M.H. Roberts:** Another final point.

**Mr C.C. PORTER:** There are quite a few final points. Every single state around that table agreed—this is a major step forward—that the review had to happen and they agreed to the terms of reference.

**Mr E.S. Ripper:** Thank goodness we have a federal government that takes the issue seriously, unlike the Howard government.

**Mr C.C. PORTER:** Indeed, it does. I have very high expectations for the outcome of this review because, as we discussed yesterday evening, the final out year of this budget will see our GST receipts fall to 0.37 per cent for the full relativity—37c in every dollar. I expect, as the Premier and this government expect, that the result of this review is moneys well in excess of that 0.37 per cent. If we do not receive them, we will not be able to invest in the infrastructure about which we all spoke last evening.