

GOODS AND SERVICES TAX, IMPACT ON STATE FINANCES AND ECONOMY

Motion

Resumed from 13 September on the following motion moved by Hon Ken Travers -

That the House notes the impact of the goods and services tax on the State's finances and economy.

HON DEE MARGETTS (Agricultural) [4.07 pm]: I notice that Hon George Cash is listed to speak on this motion, but given that my name is also there, I am sure that the House will allow him his opportunity once I have completed my contribution on this issue.

I was speaking previously about the impact of the goods and services tax on small businesses and the Western Australian economy. I had reached the point of explaining why the GST has had more impact on small business than on large business. It is clear that different costs are involved, but it is perhaps less clear to most people that the margins of those businesses are considerably different, not only because of their scale but also because of the ability of the supermarket cartels, for instance, to use their market buying power. It is enormously strange to me that in a country that has been so obsessed with competition policy, which is theoretically reducing the impediments to competition, there is no real impediment to large industry using and abusing its market power to the detriment of other players. Bigger businesses may be monopoly buyers of primary produce and therefore have the ability to get the best prices for that produce. We only have to talk to dairy farmers about the impact on their prices at the farm gate to find out whether they are benefiting from the increased power and concentration of supermarkets. At the same time, the larger supermarket cartels have had the ability to bulk purchase some of their most purchased items, such as soft drinks. I have been told that in many cases the small corner shop can buy things, such as soft drinks, cheaper in cartons from the larger supermarkets than they can from their suppliers. The difference in the margins on the cost of purchasing is stark. There are no rules to stop supermarkets from using and abusing their powers as oligopoly or, in many cases, monopoly buyers from primary producers. Any increase in costs, including items such as the time and money required to implement the goods and services tax, will have an enormous impact on a sector whose margins are already stretched.

To some extent people will continue to support their local corner shops. However, there is a point at which those corner shops will not survive because people will use corner shops only for convenient food purchasing, and even in the regional areas people will go once a week, if they can, to large supermarkets to do a bulk buy because they simply cannot afford to shop from the smaller, independent buyer or the corner shop. That is a deep concern. It seems to some people that it means there will be more competition. However, in many cases it means less choice. Many regional centres will lose shops from their areas, which means that people must travel farther and farther to get any supplies at all. It is clear that small business failure is related to the general pattern of moving to an economic system that largely favours the big end of town, and ignores its market abuses of power, even though in some cases the big end of town is also suffering from some of the open competition rules.

What impact is the GST having on state revenue? I guess that initially the States were attracted to the potential for increasing their control over revenue. The graphs available in this Government's *Budget Statements* show that over time the trend has not been good. The trend has been a decrease, and State Governments have found themselves more and more squeezed. The amount of money available for the ongoing operation of services, such as health, education, environment and basic services people expect of the Government, becomes tighter and tighter. Governments these days have almost no choice, except to make extra cuts or find extra revenue sources. There will always be a dilemma when State Governments seek additional revenue from the limited sources of revenue that are available to them.

The GST has made many things worse and has not solved the problem of state revenue. If anything, there might be a slight increase on the graph this year or in the year the GST came into being, but the competition policy tranche payments will not be paid forever, and the costs associated with lost revenue as a result of the implementation of the competition policy will continue even after the tranche payments have finished. I suppose that we can look forward to a situation in the middle of this decade when there will be a further movement down, which may even overcompensate for any benefits that are now received in revenue as a result of the implementation of the GST.

A major overhaul is needed. First, there needs to be a major inquiry into the whole question of the fiscal imbalance between state, federal and local government revenue. There is clearly a problem that is getting worse, as any graph will show. Over time federal Governments have felt the need to make more and more of their special purpose grants. That means the ongoing running of state services becomes more and more difficult. That is why ministers will continue to be in a bind when trying to find extra money to pay nurses, orderlies and school workers, for instance, because revenue is harder and harder to locate. The issue has not been solved. The GST has made problems more difficult for small and micro businesses. I believe it has made choices more

difficult for consumers. Much more work needs to be done. It has not solved the ongoing revenue problem for States. The GST perhaps is part of the problem over time. These matters must be taken into consideration.

The GST has imposed a considerable complexity on the community. The community sector, in addition to the small business sector, has suffered perhaps even more badly in comparative terms. The non-government sector is having enormous difficulties dealing with the effects of the GST. If roll-back comes from a federal Labor Government, will it deal with those issues? I do not know. I guess we must wait to see if that happens. My overall position is that the GST has had an enormous impact on small business, which equals an extra pressure on employment and which results in an impact therefore on the choices available to communities, especially in regional Australia. An ongoing impact on communities is apparent. It has not solved the revenue problem but has really tinkered at the edges of taxation reform. A major taxation commission needs to be set up to examine taxation and initiate real reform of the taxation system, rather than some tinkering around the edges, which in fact the GST has done.

HON GEORGE CASH (North Metropolitan) [4.17 pm]: I am aware that leave was sought by Hon Bruce Donaldson for me to continue my remarks. However, I indicate to the House that the file I was using has disappeared. I know that it was an extremely valuable file. I shall listen carefully to what everyone else says to see whether they make the points that I was going to make in the continuation of my remarks. Because of that, I do not wish to exercise that leave.

HON LJILJANNA RAVLICH (East Metropolitan - Parliamentary Secretary) [4.18 pm]: Under the circumstances, I feel quite pleased that I am somewhat prepared.

Hon George Cash: You have not seen my file?

Hon LJILJANNA RAVLICH: No, and I do not think that we would use information from the same file as the member.

I support the motion. I will comment on some points made by Hon George Cash. Before I do so, I make the point that the GST is a centralist tax. It is regressive and has not brought benefits to the Western Australian community, nor to the Australian community generally. Hon George Cash, like so many Liberal members, has the view that if he tells the general public often enough how good this bitter pill is for them, somewhere down the line the general public will believe him. However, irrespective of how many times the Liberal Government attempts to advise the general community of the benefits of the GST, the simple fact is that nobody feels that it is delivering any real benefits to people in any way.

Hon George Cash said that one of the reasons this tax is particularly good is that it meets the objective of taxation reform; in other words, it is equitable, efficient and transparent. I have a problem with the claim that it must be a good tax for everybody because it meets those three criteria. For whom is it efficient, for whom is it equitable and for whom is it transparent? I am not so sure there is a particularly compelling argument that the tax is more transparent. I have recently made purchases, and I have not seen the GST component identified anywhere in my purchase documents. I am sure that argument applies across a whole range of goods and services, such as machinery that I may not be purchasing.

Hon Barry House: It was hard with the wholesale sales tax, was it not? You knew exactly what you were paying, did you?

Hon LJILJANNA RAVLICH: The Liberals are using the argument that the tax is more transparent. My purchasing practices have not demonstrated to me that I am dealing with a more transparent tax system.

Several members interjected.

Hon LJILJANNA RAVLICH: The fact that members opposite react to that point indicates to me that in practice they know it is not a more transparent system. It is a regressive tax and it is not equitable. An increased burden has been placed on people with lower and fixed incomes, such as age pensioners, and people on social service pensions and the like. It is not therefore a more equitable tax. When one considers the efficiency argument, one must ask for whom it is more efficient. It sure as hell is not more efficient for me as a consumer, and I am sure it is not more efficient for a small business person, who must deal with a range of compliance requirements.

For whom is it more efficient? It may well be more efficient for the Government; however, that is true only at a certain level. For example, a section of the Auditor General's second public sector performance report of 2001 - which has just been tabled - deals with compliance with the goods and services tax requirements by Western Australian government agencies. The finding of the Auditor General does not indicate that this tax is any more efficient for government agencies. In fact, my quick reading of the report indicated that the Auditor General found it is not more efficient. He highlighted the problem the tax is for government agencies, as they must use resources to meet the compliance requirements. Apart from anything else, sometimes they do not know what should be included when they calculate their GST obligations. There are also issues of ensuring that they

comply and of the impact on their resources of having to meet those compliance requirements, so in that regard government agencies are not unlike small businesses.

The GST is therefore not more efficient for state government agencies. That raises the question: if it is not more efficient for consumers and small business, probably not more efficient for large businesses and definitely not more efficient for state government agencies, for whom is it more efficient? It is probably more efficient for a federal Government, which has responsibility for macro-economic policy. It is probably an efficient tax lever at that level, because by increasing the GST requirement, the Government can affect consumption, investment and government spending patterns and the like. At that high level it might be deemed to have some efficiency. However, that does not mean that it is an efficient tax at other levels, where it should be demonstrably more efficient than the tax system that existed prior to its having been introduced.

The basic underpinning argument for this taxation seeing the light of day and being introduced by the Howard Government, and the assumptions on which that argument is based, are wrong, because it is not evidently more transparent for consumers and it is not more equitable for the average person. It is definitely not a more efficient tax. If it did not make the grade in respect of those three measures, it should not have been introduced. However, it has been introduced and we are stuck with it. That does not mean changes cannot be made to it.

Hon George Cash: I really wish at times that you had got my file because you might have been able to learn a little more about the reasons for it.

Hon LJILJANNA RAVLICH: The member could not possibly be arguing with the logic of my very watertight argument.

The Government cannot believe that the GST has met the three essential requirements of a good taxation system because that is clearly not true. In addition, being a centralist tax, the GST takes power away from the States. It is a tax that is collected and administered by the Commonwealth and redistributed to the States. It is in fact the biggest centralisation of financial power in Australia since the 1942 income tax grab; nothing has changed in that regard. It will in fact make States more vulnerable and will obviously give more power to the Commonwealth. There is already evidence of that. The States argue that it is not a fair tax. Western Australia has argued that it is not getting as much revenue as it is putting in. However, the States are powerless to do much about it, which therefore puts all the States at a disadvantage. Western Australia's dealings with the Commonwealth Grants Commission has a poor history. Historically, as a resource-based State, it has always contributed more to the commonwealth coffers than have other States. Yet, because part of the formula is based on a per capita distribution arrangement, Western Australia gets considerably less than it is otherwise entitled to. It is therefore reasonable to argue that it is not to the benefit of Western Australia to be part of this centralised tax structure.

It is fair to say that some States have demonstrated their displeasure at the way this tax is not only collected but also administered. I understand a joint communique from the Labor States indicated clearly that the States and Territories are concerned that the Commonwealth is perpetuating the myth that the GST is a revenue bonanza for the States but in practice holds a different view. The States have said that the rhetoric is not supported by what is happening in practice.

The projections agreed to by the Commonwealth, State and Territory Treasuries indicate that the introduction of the GST will not improve the States' financial position for some time. That makes unbelievable the rhetoric of the federal Treasurer about the States giving tax cuts to their citizens. The Treasurer would be well aware that the States do not have the capacity to give tax cuts to their citizens simply because they are not in a financial position to do so. The reason they are not in that financial position is that the GST has not delivered the revenues to the States as originally anticipated.

It is true that all the GST revenue is redistributed to the States and in return the States have relinquished their financial assistance grants and other payments from the Commonwealth, in addition to revenue from a wide range of state taxes that have been abolished. I have said in the past that the State got itself into a silly position when the previous Premier went to Canberra to negotiate a deal on the GST for Western Australians. The Premier of Western Australia, together with the other Premiers, entered into an intergovernmental agreement on the goods and services tax arrangements. Unfortunately, like anything else, the Premier did not read the fine print. Given that the intergovernmental agreement has been entered into, it is difficult for the States to re-argue the case and get a better deal from the Commonwealth. As I understand it, there will not be a review of the GST arrangements between the Commonwealth and the States until about 2004. For Western Australia, which is missing out and which is financially disadvantaged by these arrangements, to wait until 2004 for some redressing of this imbalance seems to be a fairly heavy burden that has been placed fairly and squarely on the taxpayers of Western Australia by the previous Government. That is most unacceptable.

It is fair to say that the GST is a dead weight on the Western Australian economy. It was argued by the federal Government and by the State Government that people would be better off as a result of the GST, that businesses would be better off and that we would have a booming economy. However, the economic data recently released by the Australian Bureau of Statistics shows that the Australian economy is suffering as a result of the GST and a slowdown is on the way. That is already evident. Much of that has been put down to the direct impact of the GST. In view of the fact that the projections in growth have not been realised, and are unlikely to be realised, that creates a more pressing case for the redistribution of moneys by the Commonwealth Grants Commission to be reformed; in other words, we need to look at the original agreement entered into between the Commonwealth and the States and ensure that that agreement treats the States more fairly than has been evident to this point. Until such time as that occurs, Western Australia will be behind the eight ball.

An article in *The Australian Financial Review* of 30 May stated that the federal Treasurer, Mr Peter Costello, called on the States to cut their taxes, as the GST had given them growth and funding certainty. A similar line was used by Hon George Cash. The idea is that if all state opposition members and federal government members, who are conservatives, tell the people that this is a great thing for them and that one of the flow-on benefits will be tax cuts, people might believe that those members have done a good thing in this taxing area. However, we know that is not the case. There is no capacity for the States to deliver tax cuts. We know that it is purely and simply a marketing tactic that has been employed to make this unpalatable taxation regime appear better than it is. It is an absolute gross furphy. The benefits certainly are not there to the extent that the Government has claimed.

The simple fact is that Western Australia is worse off under this taxing arrangement than it used to be. In addition, many of the grants that are handed out to the State are tied grants, which means that apart from getting less money, the way in which the money can be expended is also limited to some extent; the State is restricted in the way it can spend that money. My understanding is that as a result of the GST, we experience an annual shortfall in the order of \$65 million, which seems to be a pretty sizeable chunk of money to be missing out on. It is fair to say that more work needs to be done in relation to the Commonwealth Grants Commission. The model that was originally set up might have been put together in some haste. As a result of that, the States are experiencing some financial difficulty. It is time to revisit it.

I am a person who can be fairly critical of the Commonwealth Government and of some of the structures it has put in place. A good case in point was when the Western Australian Treasurer went to a meeting of state and federal Treasurers in Canberra in March. He found that there had been a \$20 million blunder in the commonwealth calculations of Western Australia's share of federal funding. If a Treasurer can go to Canberra and identify a shortfall of \$20 million, I would hate to have a close look at the extent to which we might be missing out in broader terms. If he could identify a \$20 million shortage in funding that easily, it is likely that the State has been short-changed to a larger extent. We must take a little more seriously and look at in more detail the intergovernmental agreement between the Commonwealth and the State on how much money we get back, to ensure that we are not short-changed. There is a strong case for the State to lobby the Commonwealth Government for a review of the Commonwealth Grants Commission methodology.

Hon Derrick Tomlinson: Do you realise that the relativities that the Commonwealth Grants Commission uses as the basis for the fiscal equalisation were established by a review initiated by a Labor Government in 1976?

Hon LJILJANNA RAVLICH: That might well be the case, but I do not care whether it was established by a Labor Government.

Hon Derrick Tomlinson: It has been around for a long time.

Hon LJILJANNA RAVLICH: Yes, it has been around for a long time. It has imposed a differently structured taxation regime over the top of that model. That whole area needs to be revisited. I do not care whether it was put in place by a Liberal Government or by a Labor Government; the bottom line is that it may be a model that no longer suits our needs. It may need to be looked at very carefully, particularly in the light of the fact that we have put a new taxation regime over the top of that model and we expect it to fit. It may be a square peg in a round hole for all I know.

Hon Paddy Embry: It is certainly a bottomless hole.

Hon LJILJANNA RAVLICH: It is certainly a bottomless hole. There are a lot of things that we do not know, but we do know that there are problems with the present model. We know that Western Australia seems to be disadvantaged by it. If we are losing \$65 million annually, and we are \$65 million worse off as a result of the money given to Western Australia by the Commonwealth through the Commonwealth Grants Commission, clearly it is in our interest to work out how we can do it better. I think we sometimes hold the view that the bods in Treasury know everything. However, sometimes it is better if the Government has an idea exactly where it is

going and puts its plan on the table rather than being told what will occur. However, I am sure with the very able Treasurer we have at the moment that will be attended to!

Hon Paddy Embry: Are you talking about the state or the federal Treasurer?

Hon LJILJANNA RAVLICH: I am talking about the state Treasurer. I said that, given the ability of our state Treasurer and his enormous capacity and intellect -

Hon Derrick Tomlinson: He has incredible taste in women.

Hon LJILJANNA RAVLICH: I am sure he will have the matter in hand.

Several members interjected.

The PRESIDENT: Order! Members should not be overwhelmed by Hon Ljiljanna Ravlich's speech. If they are, they should listen in silence.

Hon LJILJANNA RAVLICH: The point I am making is that there should be a review of the methodology used by the Commonwealth Grants Commission. It is not appropriate that we should wait until 2004 for that review. By the time the review is finished it will probably be 2005-06. That will provide an opportunity cost because, from the commencement of the review until it is finalised, Western Australia will be financially worse off.

I understand that the issues to be considered as part of that 2004 methodology review will include - this is another interesting point - whether the allowances for special circumstances granted to the Australian Capital Territory continue to be necessary. One of the arguments is that Western Australia makes a greater contribution to that area, but it is not seen to be disadvantaged; whereas, other States are seen to be disadvantaged. Western Australia therefore pays more and gets less for the benefit of other States. That could be seen as a reasonable argument for our not feeling good about the process.

Another key area to be reviewed is the method of assessment, for example, in depreciation and debt charges. That in itself speaks volumes. Surely if distribution of moneys back to the State through the Commonwealth Grants Commission is to be reviewed, the terms of reference should be much broader than those two areas.

Hon Derrick Tomlinson: It is a review of the relativity. There are quinquennial reviews of the Commonwealth Grants Commission. The review in 2004 will be just another quinquennial review. The present system began in 1977 and has been reviewed every five years since then.

Hon LJILJANNA RAVLICH: The point I am making is that the review should not be limited to just those criteria. It should be a review of every aspect of the intergovernmental agreement to ensure that the assumptions on which the model was based can be upheld and are underpinned by some good economic data and information.

Hon Derrick Tomlinson: That is the function of the quinquennial reviews.

Hon LJILJANNA RAVLICH: The terms of the review are too narrow and it is unlikely to give Western Australia the outcome that I think most Western Australians want. That outcome should see Western Australians at least financially as well off under the GST or better off, as we were promised under the GST. That is the outcome the Government is seeking on behalf of Western Australian taxpayers. Anything less would be unacceptable.

Hon Derrick Tomlinson: Your own budget papers show that by 2003 we will be better off. That was exactly what was projected when the GST legislation was enacted.

Hon LJILJANNA RAVLICH: I am saying that for a number of years Western Australia has not been well off. Whether the projections are realised, time will tell. The bottom line is that we were told we would be better off as a result of increased business activity. That has not happened and many people are hurting financially. It is fair to say that Western Australians have not been advantaged due to the GST. It is also fair to say that the principles that underpin the federal Government's arguments for why this is a better taxation system - transparency and the fact that it is supposed to be more equitable and more efficient - are not demonstrated strengths. They are not measures of a good taxation system for consumers because those measures do not serve consumers or Western Australian taxpayers well. For them it is no more transparent, no more equitable and no more efficient than the previous taxation system. If they are the measures, the GST fails on all three counts. It is yet to be proved that the State will be better off by 2005-06. To date there is no evidence of that. The GST has not lived up to the promises made by the Howard Government or by the previous Court Government. This tax has caused enormous hardship for many people in our society and will continue to cause major hardship to many.

Hon B.K. Donaldson interjected.

Hon LJILJANNA RAVLICH: Members opposite should ask small business about their difficulties in meeting compliance costs.

Hon B.K. Donaldson: You should check today's Morgan poll.

Hon LJILJANNA RAVLICH: I have not seen the Morgan Gallup poll, but I will have a look at it. The GST destroyed the building industry. Members opposite carried on about what a wonderful thing the first home buyers scheme was. It was purely a bandaid put on a government policy -

Hon M.J. Criddle interjected.

Hon LJILJANNA RAVLICH: I did not hear that interjection.

The PRESIDENT: Order! That is very sound; thank you!

Hon LJILJANNA RAVLICH: As I was saying, as a result of the GST, the housing market declined. Everyone knows the housing sector is an important part of the economy because it creates employment. The impact of the GST caused a nosedive in the building and construction industry. That was addressed by following the Keynesian philosophy of priming the affected sector of the economy. That is exactly what the federal Government did with the introduction of the first home buyers grant. The federal Government wanted people to believe that it was doing young people a favour because it was handing out \$14 000 as a sweetener. However, the federal Government did not tell people that it mucked up things in the first place. It caused chaos in the building and construction industry, which is rated as having an industry multiplier of six, which means the downturn in that industry would have had catastrophic effects throughout associated industry sectors. That is what the federal Government did not tell us. It has told us what a great open taxation it is and how much better off people are. It wants us to hear it is so fantastic that everybody should get tax cuts as a result of the introduction of the GST. However, the federal Government does not tell us the absolute truth. It will not admit that small business is hurting, that consumers are no better off, or that it destroyed the building and housing sector. They are all the things the federal Government will not tell us. That lot will not tell us the truth. We are getting used to it in this place, because we have worked out the psychology of those opposite. We know that when they say no, they mean yes; and when they say yes, they mean no. We have them all worked out.

The goods and services tax is not a good tax for Western Australians. It has caused a lot of pain. Liberal Party members are responsible for it. That is one of the reasons they are on the other side of the House. There are many other reasons for that, but that is a key reason that they no longer control the Treasury bench. It will probably be a key reason that the federal coalition will not control the Treasury bench in about two months.

HON DERRICK TOMLINSON (East Metropolitan) [4.50 pm]: I am provoked to speak, although my failing condition suggests that I should not speak. However, I cannot resist the need to respond to the poor information that Hon Ljiljanna Ravlich gave to the House. In some respects it is far too early to try to assess the impacts of the goods and services tax. The impacts of this tax, positive or negative, will be seen five years after its implementation, when in 2003 the revenue equalisation grants that are now paid by the Commonwealth are replaced by payments under the GST, as a state growth tax.

However, if we are to look at the impact, we can consider it at two levels. The first is the impact upon the pockets of the citizens of the country. The second is the level that Hon Ljiljanna Ravlich attempted to discuss; that is, the macroeconomic level. I will deal with some of the matters Hon Ljiljanna Ravlich raised. It is absolutely essential that members understand the historical context of income tax redistribution and revenue equalisation or fiscal equalisation. It had its beginnings in 1942, when the States transferred to the Commonwealth their income taxing powers as a defence measure. They did not have much say in that, because in 1942 the Commonwealth, under the defence powers available to it, simply took over powers that under the Constitution are the shared powers of the States; that is, the income taxing powers.

When in 1946 the defence measures no longer had application, the States and the Commonwealth agreed to the continuation of the transfer to the Commonwealth of the income tax levy by the Commonwealth. In return, an income tax redistribution formula was established. That income tax redistribution formula was based upon the population of the States, the number of children under the age of five years, the geographic areas of the States, the distribution of population of the States and so on. That formula for income tax redistribution existed until about 1977, when the new set of fiscal equalisation parameters was introduced by the Commonwealth Grants Commission.

In addition to the income tax redistribution agreement of 1946, there were the fiscal equalisation payments from the Commonwealth to the States through the Commonwealth Grants Commission. The formula used in the 1946 agreement was simply to establish standard States, they being New South Wales and Victoria. A set of social indicators of the capacity of the States to pay for services was determined by the level of services provided by the standard States - things such as education, health and community services. Western Australia was a claimant

State. Its capacity to provide services at a level equal to that of Victoria and New South Wales was considerably less. To enable Western Australia, South Australia, Tasmania and Queensland to meet those payments, fiscal equalisation grants were paid. The formula for the fiscal equalisation grants - the horizontal and vertical fiscal equalisation payments - was reviewed every five years, by negotiation between the Commonwealth and the States. Therefore, the grants were reviewed in 1951, 1956 and so on - quinquennial reviews.

The quinquennial review in 1976 by the Commonwealth Grants Commission determined to consider a different set of relativities - not to consider claimant States and standard States. The capacity of the claimant States to provide services almost equal to - they never were equal to - those of the standard States was abandoned. Instead, a set of economic relativities was established. Those economic relativities, while reviewed quinquennially, are the same set of relativities used in the redistribution of GST payments to the States - again, redistribution of the GST to the States on a per capita basis, adjusted for a set of economic variables and fiscal equalisation, according to a version of the 1977 fiscal equalisation formula of the Commonwealth Grants Commission.

Therefore, to blame the impact of the GST, which Hon Ljiljanna Ravlich has tried to do, upon that set of economic relativities is to ignore the origins of those relativities, and the application of relativities that are historical. Those relativities will be reviewed, according to the quinquennial program, in 2003. It might be appropriate at that time, as was done in 1976, to consider the parameters themselves, as they were reconsidered in 1982 and 1987. Even when the rest of Australia was depressed, the relative buoyancy of the Western Australian economy meant, according to that set of relativities, that its economic capacity was greater than that of other States. Hence, when Western Australia was a claimant State up until 1968, and it derived benefits by getting a positive loading in its fiscal equalisation payments, New South Wales and Victoria complained that Western Australia was advantaged and they were disadvantaged. Now Western Australia complains it is disadvantaged and New South Wales and Victoria are advantaged. It is nothing more than a reflection of the changed economic relativities of the State. We have a very buoyant economy largely as a result of the exploitation of our mineral resources. It was the exploitation of our iron ore resources in 1964 that enabled Western Australia to cease to be a claimant State in 1968.

[Continued on page 3935.]