

COMMONWEALTH GRANTS COMMISSION, FUNDING CUT

444. Mr M.P. MURRAY to the Treasurer:

I refer to the news that Western Australia has received a funding cut of \$20 million in the latest recommendations of the Commonwealth Grants Commission. Will the Treasurer explain what this means for Western Australian families?

Mr E.S. RIPPER replied:

By way of a simple example, \$20 million would build four new primary schools. A \$20 million reduction in commonwealth grants means that the State has \$20 million less to invest in community needs, including the community needs that the Leader of the National Party thinks should be a priority. It is small change to the Commonwealth, but it is a significant amount of money for Western Australia. It will put added pressure on the Government as it puts together the next State budget. Most importantly, it is not the first time it has occurred. We have seen our share of commonwealth grants decline by \$374 million over the past 10 years. That means that we have \$374 million less this year to spend on services to Western Australians than would have been the case but for the decade-long commonwealth attack on grants to Western Australia. However, our subsidy to the rest of the federation continues at a high level. When the entire commonwealth collection of taxes from Western Australia is balanced with the entire commonwealth expenditure in WA - direct expenditure, grants to local and State Government and so on - there is a big gap of \$3 billion. That money flows from this State as a subsidy to the rest of the federation. We have an antiquated Grants Commission process that was set up in the 1930s, and which very few people understand. A handful of specialists in each state and commonwealth Treasury and in the Grants Commission understand the system, which is unaccountable and lacks transparency. We cannot expect our community to understand why this is happening.

I give one example of how it works. The Commonwealth Government does not take into account the investment Western Australia makes in infrastructure to support resource development projects. An example is the common-user \$134 million infrastructure provided for the Burrup Peninsula. What happens with proceeds from the resource development projects? First, the lion's share goes to the Commonwealth through income and company tax. Second, the State gets the royalties, but for every dollar of additional royalty received, 90 cents is redistributed to other States. That is one example of the poor Grants Commission process.

I give the House another example. How can the Grants Commission recognise it is more costly for WA to provide nurses, teachers and police because of the size of the State, but believe it is cheaper than average to provide hospitals, schools and police stations? It lacks commonsense. It penalises Western Australia for economic success. Ultimately, it is to the disadvantage of the entire nation because the economic growth we are generating benefits not only Western Australia, but also the entire nation.

Where does the money go? I do not mind if it goes to Tasmania and South Australia; they have economic difficulties, and we have an obligation to support them. I do mind if goes to the Australian Capital Territory, where taxpayers have the highest per capita income in the nation. I mind if the money goes to Queensland, which received \$44 million extra this year. It is hardly a mendicant State. It has a strong economy, competes with us and pinches business from other States through tax concession and subsidies to companies as a result of being subsidised by Western Australia, New South Wales and Victoria. The Treasurers of New South Wales, Victoria and WA are jointly supporting an independent review of commonwealth-state finances - the Garnaut-FitzGerald report - that recommended a significant change to commonwealth-state financial relations. It is very hard to expect that a State like Queensland that benefits unfairly from the current system will agree to change. The power is in Peter Costello's hands. He must show some leadership. He pretends that he wants to be the leader of the nation, but let us see him show leadership in his portfolio and tackle a fundamental reform task that is unattended to in this country. I refer to the reform of commonwealth-state financial relations. It is costing not only Western Australia but the entire nation by harming economic growth. The entire country would be better off if the engine rooms of economic growth such as Western Australia were not penalised.