

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 72**

**Topic: Intergovernmental Agreement**

**Hansard Page: E28-E29**

**Senator McDonald asked:**

**Senator IAN MACDONALD**—I understand in the early years of the intergovernmental agreement total resources to the state, including transfers, GST revenue, special purpose payments and own-source revenue grew by about eight per cent in nominal terms. Can you confirm or deny that. That is my suggestion to you.

**Mr Ray**—If you look on the next page, page 9, table 1.2, the second last column, you see the growth rate of total Commonwealth payments to the states in each year.

**Senator IAN MACDONALD**—That is right. In the early years of the GST they were quite substantial, but falling as they go. In those times inflation was about 1.5 per cent lower than it is now, in those years from the introduction of the GST.

**Mr Ray**—Off the top of my head that is about right, yes.

**Senator IAN MACDONALD**—What I am suggesting to you is that we are looking in total financial resources from the Commonwealth to the states dropping from five per cent growth in real terms down to one per cent over the next years, 2011-12? Take it on notice.

**Mr Ray**—I will take it on notice. I cannot do the arithmetic in my head.

**Answer:**

The Commonwealth Government payments to the States as outlined on page 9, Table 1.2 of *Australia's Federal Relations — Budget Paper No.3 2008-09* show nominal growth in the payments from the introduction of the GST. The real growth in Commonwealth payments (that is, after adjusting for movements in consumer prices) over the five years between 2002-03 to 2006-07 averaged 2.3 per cent per annum. The Budget provided for real average growth in total payments to the States of 3.1 per cent over the five years 2007-08 to 2011-12. Table 1.2 from Budget Paper No. 3 has been modified below to incorporate real growth.