

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 31

Topic: WA's Onshore Royalties

Hansard Page: Written

Senator Siewert asked:

Referring to pages 57-58 of the WA Legislative Council's Public Administration and Finance Committee's 2004 report (Local Government Rating System and Distribution of Funds) where evidence provided by the WA State Treasury and a Joint Departmental Submission informed the Committee that;

"As a general rule, around 80 percent of WA's onshore royalties (including onshore petroleum royalties), and around 90 percent of offshore petroleum royalties (mainly from the North West Shelf) are 'redistributed' to other states through a reduction in WA's share of (GST) grant funding"

1. Can you confirm that the equivalent of 80 - 90% of WA's mining royalties have, for years, been deducted from WA's GST Grants payments, for redistribution (over a four year period) to the other states?
2. If so, how much of the equivalent of WA's 2006-7 and 2007-8 mining royalties were (or will be) deducted from WA's GST Grant payments?
3. And, on this basis, if WA's mining royalties for the 2008-9 year were to reach their predicted level of \$2.7 billion, how much of the equivalent of that amount are likely to be deducted from WA's GST Grants payments?
4. And roughly how much would 25% of the net remaining (undeducted) royalties amount to?

Answer:

1. The Commonwealth Grants Commission is the independent advisory body responsible for calculating each State's relative share of GST (each State's per capita relativities). In determining each State's per capita relativities, the Commonwealth Grants Commission seeks to ensure that all States have the same fiscal capacity to deliver services to their population after the distribution of the GST and health care grants pool.

Western Australia's mining royalties are not deducted from Western Australia's GST grant payments. Mining royalties are one of a range of every States' revenues and expenses the Commonwealth Grants Commission assesses when advising the Australian Treasurer on the distribution of the GST revenue and health care grants among the States and Territories to equalise their fiscal capacity.

To the extent that a State's own-source revenue raising capacity under a particular revenue head is relatively stronger than all other States', then, all other things being equal, its share of GST revenue will be relatively less than it otherwise would be.

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2. See question one.

3. It is not possible to determine the impact Western Australia's 2008-09 mining royalties will have on Western Australia's share of the GST revenue because it is one a range of revenues and expenses the Commonwealth Grants Commission will assess when advising the Australian Treasurer on the distribution of the GST revenue among the States and Territories.

4. See answer to question three.