



CHAMBER OF COMMERCE AND INDUSTRY  
WESTERN AUSTRALIA



12 March 2008

Stephen Palethorpe  
Secretary  
Senate Standing Finance and Public Administration  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Stephen

**SUBMISSION TO THE SELECT COMMITTEE ON STATE GOVERNMENT FINANCIAL MANAGEMENT**

The Chamber of Commerce and Industry of Western Australia (CCI) recently received an invitation to make a submission to the Select Committee on State Government Financial Management. In response, CCI will provide two documents that touch on critical issues being explored by the Committee.

In May 2007, CCI released the policy paper, *Federalism in Australia: A Discussion Paper*. Persistent conflict between the Commonwealth and States over policy and resources, of delivering essential services and finding infrastructure, and of providing appropriate regulation for a modern economy, prompted CCI to review how Australia's federation works. For the purposes of this inquiry, the paper found that the key issue surrounding the Federation debate concerns the financial relations between the Commonwealth and States, and specifically the widening divide between revenue raising and expenditure at different levels of government. This imbalance, known as vertical-fiscal imbalance, is a critical issue for state governments, which are financially dependent on the Commonwealth to deliver essential services.

I have also attached a copy of CCI's 2008-09 Pre-Budget Submission to the WA Government. The submission details CCI's concerns over the WA Government's financial management with the record budget surpluses achieved over the past four years masking a worrying trend of excessive growth in government expenditure as a result of even stronger growth in taxation revenues. The submission highlights the need for a number of reforms in order to ensure the public service is operating efficiently and effectively, and therefore provide further capacity for the Government to provide meaningful and needed reform and crucial economic and social infrastructure.

Considering the importance of the issues being considered, I am pleased to attach a copy of both these documents for your information and consideration.

Yours sincerely

John Nicolaou  
Chief Economist