

GOODS AND SERVICES TAX — REVIEW PANEL INTERIM REPORT

**168. Mrs L.M. HARVEY to the Treasurer:**

Given that there are few more important issues facing the state's financial future than the GST distribution and given that WA's unfair treatment has seen it lose \$600 million off this year's budget alone, can the Treasurer indicate what the Liberal-National government's response is to the GST review panel's interim report?

**Mr C.C. PORTER replied:**

I thank the member for her question. I think, in summary, the response from this government to the GST panel review report is largely positive. In fact, it is a very, very important document for Western Australia, as the member has noted. This year, our share of the GST will go from 72c in the dollar to about 55c in the dollar, a loss of \$600 million literally overnight off our bottom line for our budget. We project the loss out to 2015-16 to be, compared with our population share, \$16 billion. That is not a loss that this state can suffer and still drive the national economy in the way that it does. Right now, we are getting the same amount of GST as the Northern Territory—the Northern Territory with one per cent of the Australian population, and we with 10 per cent and the most productive economy in the nation.

That GST review panel report is very, very positive for Western Australia. I will just make three quick points about it. The first is that it absolutely destroys the contention that has been put consistently by South Australia, by Tasmania and by the Australian Capital Territory that there should be no change whatsoever in the present situation. This report says that that is absolutely untenable. The second thing that it does that is absolutely critical for Western Australia is that it recognises something that we have been saying for a very long time; that is, the present formula applied by the Commonwealth Grants Commission does not take anything near the right account of the spending that we engage in for infrastructure and services that keep the mining industry growing and supporting the rest of the nation. For those who are interested to read the review report, the most important sentences are at page 101 —

*The Panel recognises the importance of States having the capacity to provide infrastructure to enable development of mineral resources.*

The report goes on —

*This assessment of infrastructure costs does not therefore directly account for the costs borne by States for mining related infrastructure ...*

So we generate the wealth, and it is taken from us in diminished GST receipts, but there is no compensation for the massive spending on the infrastructure and services that generate the wealth in the first place.

The third thing, member, is that the report leaves open a range of live options for reform, all of which are positive for Western Australia. These include readjusting the Commonwealth Grants Commission formula to take into account Western Australia's infrastructure spending; quarantining some amount of royalty revenue to keep it completely outside the grants commission formula; completely redefining what the formula should do, moving away from equalisation to a system of comparative capacity; limiting relativity changes so that no state would receive a lower nominal amount of GST than it did in the previous year—something similar to the floor that the Premier has been suggesting for some time; and, finally, the possibility of a donor-recipient model, under which the donor states would try to reach agreement among themselves and come up with a division to the recipient states that is more credible and sensible.

I would say that one other thing has happened today—it just as a matter of chance happened—and that is that the federal Leader of the Opposition is in town. I must say that, as a member of a conservative government, I have waited with some interest to hear what he may say. He is quoted as saying this —

“I think that what ought to be very seriously considered by the government right now —

That is, the federal Labor government right now —

is the proposal that all the Liberal states have put up, that the GST revenue should be distributed on what is closer to a per capita arrangement.

Mr Abbott went on —

“This is the unified position of the Coalition premiers. I think it makes a lot of sense.”

That would be very, very good for Western Australia.

Several members interjected.

**Mr C.C. PORTER:** Sorry. What was that?

Several members interjected.

**Mr C.C. PORTER:** You know, members, I was getting a bit worried about losing \$600 million. But then I saw that there was a press conference at the airport, and the Leader of the Opposition flew to Canberra and spoke with the Prime Minister —

**Mr M. McGowan:** No, I did not. You have got it wrong.

**Mr C.C. PORTER:** Did she say that she thinks that what ought to be very seriously considered right now is the proposal that the Liberal states have put up that the GST revenue should be distributed on what is closer to a per capita arrangement? Did the Prime Minister say that to the Leader of the Opposition?

**Mr M. McGowan:** No, you have got it wrong. I met Nick Greiner and John Brumby and I put the case for Western Australia. Those are the people I went to see. You need to read more carefully.

Several members interjected.

**Mr C.C. PORTER:** Given that this is so important, I am presuming that the Leader of the Opposition has spoken to the Prime Minister on this issue.

**Mr M. McGowan:** I have spoken to her, yes.

**Mr C.C. PORTER:** Is the Prime Minister going to make a statement —

**Mr M. McGowan:** You have just endorsed the report she came up with!

**Ms R. Saffioti:** Is that a commitment?

**Mr C.C. PORTER:** What ought to be considered very seriously is the proposal that all Liberal states —

Several members interjected.

**Mr C.C. PORTER:** This is the most —

Several members interjected.

**Mr C.C. PORTER:** Mr Speaker!

**The SPEAKER:** Order! Member for Forrestfield, I formally call you to order for the first time today. Treasurer, you have had six minutes on your feet.

**Mr C.C. PORTER:** That statement from Mr Abbott is the most positive development in this debate.

**Mr P.C. Tinley** interjected.

**The SPEAKER:** Take a seat, Treasurer. Member for Willagee, I formally call you to order for the first time.

**Mr M.P. Whitely** interjected.

**The SPEAKER:** Member for Bassendean, I formally call you to order for the first time.

**Mr T.R. Buswell** interjected.

**The SPEAKER:** Minister for Housing, I formally call you to order for the first time. Members, I can recall about six weeks ago some difficulties that some people were having in this place about the number of questions we were getting through. Many of you again today have demonstrated the reason why it takes a long time to get questions through the place.

**Mr C.C. PORTER:** In summary, the news is good; it is just that the good news is not coming from the federal Labor Party.