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Ms Renae Jewell
Committee Clerk
Estimates and Financial Operations
Committee
Legislative Council
Parliament House
PERTH WA 6000

Dear Ms Jewell

**TRANSCRIPT OF EVIDENCE - INQUIRY INTO THE ROYALTIES FOR
REGIONS POLICY**

On 20 March 2009, you requested that I review the transcript of my evidence before the Committee in relation to the Inquiry into Royalties for Regions.

With regard to the transcript, I submit the following amendments:

1. Page 3, paragraph 9 – The relevant Cabinet decision was made on 13 October, not 19 October as indicated on the transcript.
2. Page 11, final paragraph - The last sentence should be changed to read:

“The specifics around the draw-down on the fund and the financial flows out of the fund and what you get for that, I would assume would be fully detailed in Budget Paper 2 under the budget statements for the relevant implementing agency of the specific Royalties for Regions initiative.”

In relation to supplementary information requested by the Committee, please find attached a briefing note on royalties and the Commonwealth Grants Commission process, and an historical series of general government sector net debt.

Yours sincerely

Timothy Marney
UNDER TREASURER

14 April 2009

Enc.

**DEPARTMENT OF TREASURY AND FINANCE
BRIEFING NOTE**

**ROYALTIES AND THE COMMONWEALTH GRANTS
COMMISSION**

- The Under Treasurer agreed to provide further information on the Commonwealth Grants Commission (CGC) redistribution of royalties (through adjustments to GST shares among the States).
- The CGC process effectively ensures an equal per capita distribution among the States (and Territories) of all mining royalties (nationally) that would be raised from national average (i.e. "standard") royalty rates. A State 'keeps' any royalties that are attributable to it levying above standard royalty rates.
- It is currently estimated that Western Australia effectively keeps 10% of its offshore petroleum royalties (mainly from the North West Shelf Project), reflecting our population share, and around 40% of its onshore mining royalties.
- There are two reasons why Western Australia keeps 40% of its onshore mining royalties (rather than only 10% as in the case of offshore petroleum royalties).
 - Firstly, Western Australia is considered by the CGC to have above standard onshore mining royalty rates. Western Australia keeps all the 'above average' component of its royalty collections.
 - Secondly, Western Australia's loss to other States is partially offset by receiving its 10% population share of onshore royalties raised by other States (based on standard royalty rates).
- By contrast, Western Australia is the only State to receive offshore petroleum royalties (under a sharing arrangement with the Commonwealth), and these are fully redistributed according to population shares.
- Altogether Western Australia effectively keeps around 30% of its total offshore petroleum and onshore mining royalties, reflecting the average of the above figures (at times this proportion has been closer to 25%).
- In the transcript, the Chairperson suggests that about 80% of Western Australia's onshore royalties are redistributed to the other States. This coincides with the CGC's pre-2004 methodology, which redistributed much more (around 80%) of Western Australia's onshore royalties to other States, compared to the new methodology (around 60%).

PUBLIC

ATTACHMENT

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>General Government Net debt</i>	2,750	2,588	1,432	1,388	400	417	726	458	472	396	-291	-997	-2,737	-2,716	-3,409