

Thank you for the opportunity to comment on the Commonwealth Treasurer's letter relating to contemporaneity.

In respect of your queries, Western Australia considers that contemporaneity can and should be improved and has previously outlined our views that this could be done on the basis of forecasts with ex post adjustments.

We consider our previous submissions adequately outline our position in respect of these issues. In particular:

- our September 2014 submission (Chapter 3);
- our Under Treasurer's 29 October 2014 presentation to the Commissioners;
- our Under Treasurer's 20 November 2014 letter to the Chair of the Commonwealth Grants Commission; and
- our December 2014 submission (Chapter 2).

However, we would be happy to clarify any queries you have on these matters.

A number of States have commented that this issue has been raised too late in the process to be considered. However, although the Commonwealth Treasurer sent his request only recently, it really only asks the CGC to consider issues that we had already raised and that are relevant under the CGC's existing contemporaneity principle. In this respect, addressing contemporaneity does not involve any reduction or broadening of fiscal equalisation, as suggested by some States.

As such, we believe it would be appropriate for unlagged mining revenue needs to be reflected in the relativities required by the 2015 Review terms of reference (in which case, the relativities requested by the Commonwealth Treasurer's separate letter would be identical to the 2015 Review relativities).

Other States and the CGC have also raised the concern that Western Australia has benefitted from time lags in the past. This was addressed in our December 2014 submission, but we also note that:

- the CGC considered an option to remove all time lags as part of the 2010 Review (when WA's royalty revenues were increasing) but States did not support this option;
- the CGC does not adjust funding for past errors (for example, there has been no compensation to Western Australia for the lack of recognition of population growth prior to the 2010 Review).

Finally, some States have argued that mining revenue should not be treated as a special case. We fully agree with this in principle, but (as addressed in our October presentation to Commissioners and December 2014 submission) our calculations suggest that iron ore mining royalties are by far the most material case of errors introduced in the assessments through time lags.

We look forward to the CGC's consideration of this matter.