



Western Australian Submission to the Commonwealth Grants Commission 2019 Update

New Issues November 2018

This submission responds to the Commonwealth Grant Commission's (CGC's) discussion paper CGC 2018-04-S, which undertakes consultation on new issues for the 2019 Update.

Mining revenue assessment – treatment of lithium royalties

The discussion paper considers the possibility of assessing lithium royalties in a separate component (currently, they are assessed within the other minerals component). The conclusion is that such a change should not be made in the 2019 Update, as it would not be material.

Our own calculations suggest that separating out lithium would give substantially lower impacts than the \$30 per capita threshold.

Hence, we support the CGC continuing to assess lithium in the other minerals component in the 2019 Update. In any case, further disaggregation seems undesirable, as it would increase the policy sensitivity of the mining revenue assessments.

Mining revenue assessment – transfer pricing of minerals

The discussion paper considers the appropriate treatment of revenues from a settlement that Queensland has reached with BHP, over the sale price of coal sold during the period 1 July 2005 to 31 December 2012. The conclusion is that the revenues should be treated equal per capita because they relate to years prior to the 2019 Update data period and an assessment of the revenue would not be material.

We support the proposed equal per capita assessment of these royalties, as they relate to years prior to the assessment years, and were unknown to Queensland at the time. Even if equalisation were considered warranted, it would be inappropriate to use the current revenue bases.

However, it is not clear to us why materiality is an issue here. This is not an adjustment to a method – it is simply a matter of using correct data. To apply a materiality adjustment is to suggest, for example, that we could leave Western Australia's coal production out of our data return because the impact would not be material.

Welfare assessment – treatment of National Disability Insurance Scheme (NDIS) related payments

We support the proposal to assess States' actual NDIS expenses on an equal per capita basis. The States' arrangements with the Commonwealth for funding the NDIS reflect complex and State-specific issues and should not be subject to redistribution.

Treatment of new Commonwealth payments commenced in 2017-18

Infrastructure Investment program — Road and Rail investment component — Perth Freight Link infrastructure funding

The discussion paper states that these payments are quarantined. However, the paper footnotes that the amount of rail funding is net of a \$4.3 million return from a rail project. If the initial payment for that project impacted on the relativities, then the repayment should also impact on the relativities.

Hydrogen energy supply chain (HESC) pilot program

The discussion paper proposes that this payment have no impact on the relativities, as needs are not assessed. Presumably, this is because the Commonwealth has classed this payment as environmental. However, it appears to us that the purpose is business development, for which the CGC has a deliberative equal per capita assessment. Hence, this payment should impact on the relativities.