

HANSARD

23 NOVEMBER 2010

QUESTION TIME

Dr M.D. NAHAN to the Premier:

Is the Premier aware of comments reportedly made by federal Treasury secretary, Ken Henry, to a parliamentary inquiry yesterday that the Gillard government could threaten states like Western Australia with financial penalties if the states raise royalties? Could the Premier explain the impact on Western Australia's economy and state-federal relations if the commonwealth carried through Secretary Henry's threat?

Mr C.J. BARNETT replied:

I thank the member for Riverton for his question; he is a very astute follower of public finance in Australia. I want to read an article on the front page of *The Australian Financial Review* under the headline, "Threat to state mining royalties". The article reads —

Federal Treasury secretary Ken Henry has said the Gillard government could threaten resource-rich states with financial penalties to deter higher mining royalties.

I wonder which state he had in mind? Which state do members reckon it was? Which state was he thinking of? The article continues —

He told a parliamentary inquiry yesterday the commonwealth could use its financial clout over the states to defuse the standoff between miners and the government over who will foot the bill for any future rises in royalties.

He says —

"Principally the commonwealth's power comes through states' reliance on the commonwealth for such a large proportion of their funding,"

I will make a few observations about that article. First, this is the secretary of the Treasury speaking. It is the secretary of the Treasury making political threats from one level of government to another. What is he doing? What does he think he is doing? He is one of the most senior public servants in Australia.

He is entering again into the political debate and using his position as a senior public servant to threaten a government and, basically, to threaten Western Australia. I think, this time, Ken Henry has clearly overstepped the mark. If he wants to be a politician, he should stand for Parliament. If he wants to be secretary of the Treasury, then he should perform his duties in an apolitical and professional way. This is not professional conduct by Ken Henry. The mining resource rent tax—his little baby—and its predecessor, the resource super profits tax, is simply a mess. It is a daily saga of confusion and ineptitude. It was poorly thought out and it has been hopelessly implemented.

However, let us get back to the threat. I think members—at least member on this side—understand that under the mineral resource rent tax that is now estimated to raise about seven and a half billion dollars in the first couple of years, two-thirds will come from Western Australia. It is discriminatory between the states, and it is discriminatory within the mining industry; and there is a whole lot of constitutional doubt on it.

But Ken Henry, presumably on behalf of Prime Minister Julia Gillard, is now saying if Western Australia does not hand over control of the mining industry—in effect, if we do not hand over our royalties, if we do not commit to never, ever increasing our royalties again—that the commonwealth will take money off us. They are going to try to intimidate and threaten the one successful state, the leading export state and the leading investment state in Australia.

Let us put the threat into some context. Ken Henry says, and presumably so does Julia Gillard, that he is going to take away more money. Let us look at the GST share. We get 68c in the dollar back. As members now know, New South Wales, Victoria and also Queensland all get in excess of 90c in the dollar back. But what is the forecast? The latest briefing, which I had only yesterday from our state Treasury, shows that on current trends with the policies of the Gillard government, by 2013–14, we will get 43c in the dollar back. What is left to take? That is the Gillard Labor government in Canberra that will do nothing.

Several members interjected.

Mr C.J. BARNETT: Why does the Leader of the Opposition not stand up for this state?

Mr E.S. Ripper: I do!

Mr C.J. BARNETT: Why does he not stand up for this state and refute the Gillard government and Ken Henry? The Leader of the Opposition has an opportunity now. He can get a question. The next call will be his.

Ken Henry also makes the point that the commonwealth provides all this funding. If we take the GST and add to it all the other grants of the commonwealth, we also see an interesting picture. It is true that back in 2001 commonwealth grants, including GST, contributed about 50 per cent of the total revenue of the state of Western Australia.

This year it is down to 42 per cent. By 2013–14, it will be down to 36 per cent. What is left to take?

We are being plundered by Canberra and plundered by the likes of Julia Gillard and Ken Henry. This state is penalised by Labor in Canberra for its success. Bob Brown, the leader of the Australian Greens, has closed down every investment prospect in Tasmania and crippled the Tasmanian economy, and Labor in Canberra has awarded him with increased grants. It tells us something about the way in which the Labor Party approaches things.

Finally, let us look at the economic policy context of this. Ken Henry's, Julia Gillard's and Kevin Rudd's argument has been that the mining companies do not pay enough. That is their view. They did not substantiate it, which they could have done had they wished to.

Several members interjected.

Mr C.J. BARNETT: The Leader of the Opposition is on the record as saying that the mining companies do not pay enough. The former minister, the former member for Armadale —

Several members interjected.

Mr E.S. Ripper: Tell the truth!

Mr C.J. BARNETT: I always tell the truth! Something you always fail at!

Several members interjected.

The SPEAKER: Member for Victoria Park, I formally call you to order for the first time today. If members want to persist in this sort of behaviour, it will be a very, very short question time today.

Mr C.J. BARNETT: The argument coming out of Canberra was that the mining companies do not pay enough. Part of the Labor government's policy solution was to say that the states cannot increase royalties. That is just a bit inconsistent, I would have thought! The current direction of government policy out of Canberra, which presumably the federal Treasury and Ken Henry support, is that higher interest rates are a way of slowing the boom. Perhaps the Leader of the Opposition can tell me how raising domestic interest rates in Australia is going to slow the Chinese economy and the demand for commodities. I cannot quite get it. I will tell him something that raising the interest rate does do.

Several members interjected.

The SPEAKER: Leader of the Opposition!

Mr C.J. BARNETT: Raising the interest rate increases the cost of home mortgages, reduces retail spending and damages the housing industry, which is interest rate sensitive. That is what it does. The other thing it does is that it raises the value of the Australian dollar, which makes imports cheaper in Australia and costs jobs in manufacturing. That is the policy prescription of Labor. That is the one that the opposition is locked into.