

# WESTERN AUSTRALIAN MARCH 2009 SUBMISSION

## CGC2008/30 THE ADJUSTED BUDGET

### Key Points

- We are comfortable with the proposals in the position paper.
- The Commission should ensure that revenue data are net of refunds.
- When the Commission splits the Mining Revenue standard into components, it should scale State-provided component revenues on a State-by-State basis (to match GFS totals), rather than nationally (as it does currently).

We are comfortable with the proposals in the position paper, but wish to raise a couple of issues not covered by that paper.

### REVENUE REFUNDS

As noted at the 3-4 December 2008 meeting, Western Australia's accounting treatment of refunds of revenue has changed.

Previously, revenue refunds could be netted off revenue receipts, under the GFS presentation. However, as result of the harmonisation of GFS presentation with accounting standards, all refunds of revenue collected in previous years will be classified as expenses.

This is not an explicit requirement of the accounting standards, but is the Western Australian interpretation of the appropriate treatment in recognition of the Consolidated Fund operating under an annual system of appropriation.

For the Commission's purposes, we consider it appropriate to use net revenues.

We understand that when the ABS compiles GFS data, it will adjust State provided data so that, when refunds regularly occur, they will be netted off revenues. If this is the case, the ABS data should be fine for the Commission's purposes.

However, we have flagged this issue for Commission staff to confirm (in consultation with the ABS, and other States as appropriate) that refunds will be netted off the revenue standards.

## **MINING REVENUE**

Although the Commission uses total standard mining revenue from GFS data, its assessments (both existing and proposed) require this to be split into components.

This split has been based on data provided States through the annual update data request.

However, the mining revenue by component data provided by States sum to less than the GFS standard. Therefore, the Commission scales up the component revenues so that their national total matches the GFS standard. This adds roughly \$100 million nationally to the State-provided data each year.

This scaling is currently being done on the national totals. However, we believe that the scaling should be done State-by-State.

In the 2009 Update, we took considerable care to ensure that our data reconciled to GFS, including revising data for three earlier years. Therefore, apart from possibly the 2003-04 data year, nearly all scaling related to other States' mining revenues.<sup>1</sup>

This issue is significant for the mining assessments, as by scaling the national totals (instead of State-by-State), the Commission is attributing a much larger proportion of the gap to non-energy minerals.

- In this regard, Western Australia (where the data gap is small) has about two thirds of the non-energy mineral production, and only a very minor share of other energy mineral production. Other States' mining revenues are heavily weighted towards energy minerals.

The component split of mining revenues can have a significant impact on the assessments because of the large differences between State shares of energy mineral production and non-energy mineral production.

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<sup>1</sup> A small amount of scaling relates to the Commission using Commonwealth Department of Innovation, Industry, Science and Research offshore petroleum royalty data, instead of Western Australian GFS data.