



Your ref : 2008/19-S
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Mr J Spasojevic
Secretary
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

Dear John

**WESTERN AUSTRALIA'S COMMENTS ON THE NEW ISSUES FOR THE
2009 UPDATE DISCUSSION PAPER**

Thank you for the opportunity to comment on the New Issues for the 2009 Update Discussion Paper. I apologise for the delay.

There are only two issues on which we wish to comment.

UPDATING WAGE INPUT COSTS

We consider it essential to update the wage input cost factors for changes since the 2005-06 SET data was collected, to better reflect the cost as well as the revenue impacts of the resources boom. However, we are concerned that the use of the labour price index for this purpose may be inadequate.

- The labour price index would tend to under-estimate relative wage growth in Western Australia due to the likely greater incidence of promotion as a recruitment/retention strategy in Western Australia's extremely tight labour market.
 - Labour mobility statistics from the Australian Bureau of Statistics show that in the 12 months to February 2006, 13.1% of Western Australian employees were promoted, the second highest percentage of all the States after Queensland (with a 14.0% promotion rate).¹
- On this basis, we support a combination of average weekly earnings and labour price indices as a more balanced approach to updating the 2005-06 SET based relativities.

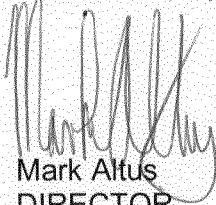
¹ Data for the 12 months to February 2008 will be released in late October.

We do not support an adjustment for industrial structure. As noted in the discussion paper, differences due to industrial structure are small and much less than unavoidable assessment measurement error.

LISTED COMPANY LAND-RICH PROVISIONS

Subject to confirmation by the Commission, Western Australia proposes to exclude listed land-rich transactions from the data we submit for the Update. This reflects that our 2007-08 revenue from these provisions (although involving only seven transactions) was very material (totalling \$339 million), a general acceptance that Western Australia's provisions are unique (i.e. by the Commission's consultant, and by other States as reported in the Commission's 2008 Update report), and a presentation to the Commission during its recent State Visit to Western Australia which demonstrated that other jurisdictions' provisions would not capture listed company takeovers essentially unless the parties were poorly advised.

Yours sincerely



Mark Alfus
DIRECTOR

REVENUE AND INTERGOVERNMENTAL RELATIONS

26 September 2008