

HANSARD 15 JUNE 2010

STATE DEBT INCREASE

Matter of Public Interest

DR M.D. NAHAN (Riverton) [3.50 pm]: I would like to make a few comments on the issue of debt. Like the Premier, I was around in the early 1990s when we had a serious debt issue.

It was a serious problem and, as the Premier has stated, I think this is one of the areas of public finance of which we have to have control. As is quite correctly stated in the matter of public interest, debt will increase this year from just under \$16 billion to \$20 billion, which is a large sum in aggregate.

The question is: can we afford it? The answer, quite clearly, is: yes. We have retained a AAA rating, and the various indicators that are accepted in relation to the affordability of interest as a share of revenue show that it is 2.4 per cent going to a maximum of three per cent. In 1993, it was eight per cent of total revenue, and as a share of net financial liability was double what it is now.

I encourage members to look at the two recent budgets in Queensland and New South Wales. Queensland, of course, has a large, \$1.7 billion deficit, but its interest as a share of revenue is three times ours. Its net financial liability as a share of revenue is twice ours. The New South Wales rate is double ours. By general indicators, and in comparison with other states—admittedly, they are Labor states—we can afford it.

The second question is: what is it being used for? I would have thought that members opposite, being neo-Keynesians, would recognise this point. Unlike in 1993, when debt was used in part to pay wages and other recurrent revenue, this is being used in full for capital.

It is also being used for productive capital. Yes, a good deal of it is on the general government side for hospitals, roads, water, electricity and schools. Some are on the general government side, but they add to the productive capacity of the state and will help grow the state and pay it back.

The questions I would like to ask members opposite are: What would have happened had we not increased capital works? What if we had not, during the downturn, committed to the largest capital works program in Western Australian history, at least in aggregate, if not as a share of gross domestic product? Firstly, Mr Rudd would have had no partners.

To stimulate the economy, Mr Rudd offered all states, including Western Australia, matching funds for a range of projects, including hospitals, housing and roads. If we had not gone out and done the additional borrowing, we would not have had the funds to match it, and the economy would not have been stimulated.

Given the collapse of our revenue, we would have been a negative draw on the economy had we not provided this capital. We would have made the downturn even worse. I think this is something that members opposite would recognise. If we have large low debts, a sharp downturn in the economy and a large demand for capital works, we use the downturn to keep the public sector going and to keep the economy stimulated.

That is exactly what we have done. If we are to accept the general tenet of this MPI, members opposite argue that schools, housing and roads should not be built. This capital provision is the only way we could have built them. The largest underlying areas of expenditure are electricity, roads and water.