

BUDGET PREPARATIONS

328. Dr M.D. NAHAN to the Treasurer:

The upcoming budget is being prepared in much more difficult economic circumstances than those experienced in the boom years. Can the Treasurer outline how the economic slowdown is affecting budget preparations?

Mr T.R. BUSWELL replied:

Thank you very much for that question, member for Riverton.

Several members interjected.

Mr T.R. BUSWELL: Obviously, it is a topic of great interest to members opposite, who were never confronted with the challenges of trying to draft a budget in circumstances like this. I can inform the house that, as I am sure all members are fundamentally aware, the days of record revenue —

Mr A.J. Carpenter: The best financial position the state's ever had!

Mr T.R. BUSWELL: Is that right, my friend? I hope the member for Willagee built a bigger letterbox to take all those CVs that got sent back. That is what I have heard. I am wondering what the member for Willagee was talking about when he was talking with the member for West Swan and a few other people down in Subiaco the other week. Was the member planning his comeback? He has had his denial pills and now he is moving on to his great comeback. We heard about the member's talk at Murdoch—the great denial! What an Easter gift to the people of Western Australia the member for Willagee would be.

Several members interjected.

Mr T.R. BUSWELL: The member needs a big letterbox: return to sender! CVs unopened!

The days of the \$2 billion —

Ms A.J.G. MacTiernan: You are a nasty piece of work.

The SPEAKER: Order! Member for Armadale, do not get caught again.

I instruct the Treasurer to answer the question that has been put to him.

Might I also suggest to the member for Willagee that it is not his question to answer.

Mr P. Papalia interjected.

The SPEAKER: Member for Warnbro, I issue the same instruction I provided to the member for Willagee; I am going to formally call you to order for the first time.

Mr T.R. BUSWELL: What we see is a significant slowing of the state's economy. What we will see in the budget, when it is handed down in five or six weeks, will be levels of economic activity, both in the current financial year 2008-09 and the next financial year 2009-10, that are lower than those anticipated both at the time of last year's budget and at the time of the midyear review. What we will see unfortunately, as the Premier alluded to, is increasing rates of unemployment in Western Australia. The government has a challenge. Our fundamental challenge is to do two things in this budget. The first is to protect Western Australian jobs and support our state's economy during this very difficult time; and the second is to make some of the fundamental structural reforms we need in Western Australia to make sure that when this great state starts to grow again, we can lock in the benefits of the next economic upswing.

We have a number of activities in place to protect jobs. As the Premier indicated, we have a very aggressive capital works program. We are partnering with the commonwealth, we are engaging in state-building activities for today and for the future in Western Australia, and we are trying to create an environment in which the private sector will invest in and employ people in Western Australia. We have to do so in a way that is financially responsible. We have to live within our means and we have to manage our debt. This is difficult in a situation in which we have been so heavily impacted on by the global financial crisis.

As an example, the house may be interested to know that, since the midyear review, our estimates are that state revenues over the forward estimates will decline by \$3 billion. We have to deal with this as we frame the budget. Of that \$3 billion, \$2 billion was previously generated by a reduction in tax revenues and \$1 billion results from an estimated reduction in payroll tax, which reflects the slowing of the economy. There are also cuts in royalties and in GST revenues. It is interesting to contrast. We head into a budget cycle with a reduction in revenues from the midyear review of \$3 billion; last year, when the government headed into the budget from the midyear review, it looked at an increase in revenues of \$2 billion. We are effectively dealing with a \$5 billion turnaround in the parameters that we are dealing with. We will work hard and we will focus on a couple of things—doing

government better, by delivering better services in areas such as health and education, and delivering better infrastructure.

There has been talk about the three per cent efficiency dividend introduced by the former Treasurer. We are using that money and redirecting the expenditure program of the former government to reflect the priorities of this government. We know that we have a lot of work to do to manage state debt. State debt is under pressure. We are very aware of the implications of increasing state debt and we will work hard to fit within the parameters set down by the ratings agencies—the parameters set down, for example, by Standard and Poor’s, which it refers to as a net financial liabilities to revenue measure. That will be the measure that ultimately guides a level of debt that we are prepared to take this state to. Let me close by reflecting on the challenges of the upcoming state budget.

Mr F.M. Logan: Was the Treasurer expecting them to fall?

Mr T.R. BUSWELL: No. Let me focus on the challenges that we face. We have to support the state’s economy and protect Western Australian jobs during this difficult time. We have been doing that and we will continue to do that. We have to keep the underlying financials of the state budget intact and we have to deliver on the structural reform necessary to make sure that we can manage the next boom. If there is one thing everybody on this side knows, and everybody in this state knows, it is that there was one political party in this state that failed to manage a once-in-a-generation boom and it was members opposite! We will not do it.