

WESTERN AUSTRALIAN ECONOMY — CREDIT RATING

262. MR N.W. MORTON to the Treasurer:

Can the Treasurer update the house on the credit rating assessment for Western Australia released on 14 April?

Dr M.D. NAHAN replied:

I thank the member for the question. As everyone knows, on 14 April, the Standard and Poor's credit rating agency announced a number of what it calls event-driven credit ratings. "Event-driven" means it was in response to the recent decline in iron ore and oil prices. At that time it announced that eight major iron ore producers were on credit watch, including Rio Tinto, BHP Billiton, Fortescue, Vale and Anglo American—and Western Australia. The main reason for that was, as I said, the 50 per cent-plus drop in iron ore prices over the last year and a 45 per cent drop in oil prices. As everyone here should know, royalties account for a large proportion of our total state income and therefore over this last year we have seen the royalty income drop by —

Several members interjected.

The SPEAKER: Member for Warnbro, I call you to order for the first time. Member for West Swan and member for Cockburn!

Dr M.D. NAHAN: Total revenue, including royalties, has dropped by about 12 per cent. People opposite were avoiding this debate and cringing from it, but the other issue is the GST. It was also recognised that the GST revenue did not cushion the reduction in royalties but actually accentuated it. The forecast for the 2015–16 relativities is that the GST revenue will decline from the 2014–15 rate by a further \$330 million; that is, if relativities are adhered to, we will receive a total of \$1.9 billion. That compares to the Northern Territory receiving \$3.2 billion, and I remind members that the population of the Northern Territory is the size of the City of Stirling, so it is accentuated. If the relativities are achieved, we will receive —

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan, I call you to order for the first time. That is enough now.

Dr M.D. NAHAN: We will be required to contribute \$4.5 billion of GST payments paid to the commonwealth to be distributed to the other states. That is why throughout the debate the Premier and I have been arguing that members opposite have been missing in action and that they will be held accountable for it in the end. Over the last few months we have done a lot. I might add that when we came to government, the wages bill was growing at 12 per cent a year and under our watch it has grown at 5.2 per cent.

Mr B.S. Wyatt interjected.

The SPEAKER: Member for Victoria Park!

Dr M.D. NAHAN: Over the year to the December quarter it grew by 2.1 per cent. People opposite were expanding the wages bill in this state on average, year after year, at 12 per cent, and we are running it at two per cent. Expenses growth under the former Labor government grew on average at 7.8 per cent.

Mr B.S. Wyatt interjected.

The SPEAKER: Member for Victoria Park!

Dr M.D. NAHAN: Ours has grown at 5.3 per cent and, as we will see in the budget, it will go down further. Standard and Poor's recommended that we immediately move to a five per cent surplus relative to revenue.

Mr B.S. Wyatt interjected.

The SPEAKER: Member for Victoria Park!

Dr M.D. NAHAN: This would require a 35 per cent increase in our own tax take and we are not going to do that. When Standard and Poor's issued its assessment, it did not bother to talk to Treasury. It usually talks to Treasury to make sure it gets its data right, but this time it issued an assessment that included an estimate of royalty rates at 50 per cent below what is reasonable. It also expects the GST share to decline each year in the forward estimates below 30 cents in the dollar. That is not to be expected. Standard and Poor's got some things wrong. This was a response to iron ore prices and we are pulling ourselves through it. These are difficult times. We are fighting for the GST share, which the opposition —

Several members interjected.

Dr M.D. NAHAN: I remind members opposite that everyone in WA knows that we are getting duddled in the GST and one of our requirements is to inform them that the only ones who are not standing up for it are the Labor Party. The Labor Party has done nothing; it has squibbed the debate. We now know that the Leader of the

Opposition is a whinger not a leader. We are working to drive down costs in the public sector with these people opposite fighting us all the way.