

STATE BUDGET 2011–12 — AAA CREDIT RATING

296. Mr F.A. ALBAN to the Treasurer:

What a fantastic —

Several members interjected.

The SPEAKER: Member for Willagee, I formally call you to order for the first time today.

Mr F.A. ALBAN: One of the most fantastic elements of last week's budget that I noticed was the statement of Standard and Poor's confirming Western Australia has kept its AAA credit rating as a result of this government's strong economic management.

Several members interjected.

Mr F.A. ALBAN: And what a great budget it was too!

The SPEAKER: I have given you an opportunity to ask a question, member for Swan Hills; I have not given you an opportunity to do anything else. Member for Girrawheen and member for Joondalup, I formally call you both to order for the first time today.

Mr F.A. ALBAN: Can the Treasurer please inform the house why it is so important that Western Australia has retained its credit rating?

Mr C.C. PORTER replied:

I thank the member for Swan Hills for his question and for paying close attention during the budget, and for noting that Standard and Poor's did indeed reaffirm our AAA credit rating. It is worth noting precisely what Standard and Poor's had to say about the Western Australian economy, and in particular this budget, when reaffirming that AAA credit rating. Standard and Poor's said —

The government has used the improved revenue forecasts to delay the full cost recovery and support the operating revenues of the electricity retailers as well as further support social services, health, and education.

The Leader of the Opposition will be interested that Standard and Poor's has said that the government has used improved revenue forecasts to delay the full cost recovery and support the operating revenues of the electricity retailers.

Mr E.S. Ripper: What is your definition of full cost reflectivity?

Mr C.C. PORTER: Obviously, the Leader of the Opposition knows something that Standard and Poor's does not. Maybe he can share it with us in due course. Standard and Poor's went on to say —

Despite the introduction of these measures, we expect both the general government and the whole-of-government operating surpluses to remain strong over the forward estimates period.

The government has forecast that the whole-of-government net financial liabilities (net debt plus unfunded superannuation) to operating revenue will peak at about 71% in fiscal 2014 before declining in fiscal 2015. Although this is higher than what was forecast at the time of mid-year budget update, it remains well below the 90% level Standard & Poor's highlighted that would lead to a reassessment of the ratings.

“Despite these additional expenditure measures and slightly higher debt levels, the government's forecast operating surpluses provide some headroom to absorb any unexpected revenue deterioration,”... “Downside rating potential over the short-to-medium term remains low, with the biggest risks to the ratings being a slippage in wage controls or the savings and efficiency measures introduced in this and previous budgets.”

Standard and Poor's did not have to worry about analysing efficiency and savings measures under the previous government because that government saved them the trouble of doing that by not having any, which was helpful!

I will make these comments with respect to Standard and Poor's measures.

Mr W.J. Johnston interjected.

Mr C.C. PORTER: I have a slide on this.

Mr W.J. Johnston interjected.

Mr C.C. PORTER: When members look at the situation since 2001, they will see the blue bars —

The SPEAKER: I will give the member for Cannington the opportunity to ask a question later on, if he would like. I formally call the member for Cannington to order for the first time.

Mr C.C. PORTER: Members will see that the blue bars on this graph represent the level of surplus that has been achieved by successive Western Australian governments, and both sides of politics are to be congratulated for achieving surpluses. There were, of course, some very large surpluses under the previous government when it was caught completely unawares by the massive rise in housing property prices and the stamp duty revenue came in. Members will see that the surpluses are somewhat more modest under this government; nevertheless, they are hard earned. What is interesting is that the black line represents a cash position. Members will see that the increases in debt that have been occasioned by this government, which are targeted and planned, represent both those surpluses being spent and borrowings being added to investing in infrastructure, which this government is doing. From my perspective—this is probably a question that a lot of members often ask themselves—when people talked, as they did regularly in the lead-up to the last election, about wasting the opportunities of the boom economic conditions that the previous government experienced, I think what they were talking about was three near-on \$2 billion surpluses and savings. They were talking about infrastructure bottlenecks, the need to invest in infrastructure and a failure to respond quickly enough because the previous government did not understand the economic circumstances that it was in. I remember the previous Premier was referred to at times as “Carps the Builder”, but he was very modest compared with what our very own Premier is investing in infrastructure. The reason that that side of politics lost a full state general election is that during a period of rampant expanse —

Several members interjected.

The SPEAKER: Member for Cannington, I formally call you to order for the second time today. Treasurer, I just hope that you are reaching the conclusion of your answer to this question.

Mr C.C. PORTER: So do I, Mr Speaker. What the previous government did not do was invest enough —

Mr E.S. Ripper interjected.

The SPEAKER: I have given you some leniency today, Leader of the Opposition, but I am formally going to call you to order for the first time today.

Mr C.C. PORTER: I will draw this to a close by saying that I am looking forward very much to the Leader of the Opposition’s reply to the budget speech. A lot of things have been said by federal members of the Labor Party in the past couple of days, not many of which were particularly edifying. But I thought that one very interesting quote from the Prime Minister was worthwhile reading in this place. The Prime Minister was talking about Tony Abbott’s reply to the federal budget speech. She said that he has to walk into Parliament and either back the government’s savings or identify alternative savings of his own that pass the Treasury test. What I am interested to hear this evening from the Leader of the Opposition is what he would do differently. What is his hit list of infrastructure expenditure that he would put a big cross through? I was very interested to listen to Mr Travers from the other place speak. During an interview on radio, he was asked what the opposition would have done differently, as he was complaining about debt. Mr Travers said that the opposition could spend all afternoon pulling out projects from the budget. Of course, the opposition could, but it did not. What I am interested to see is whether that is what the Leader of the Opposition will do tonight. Will he reveal the secret hit list of infrastructure that he is going to put a line through?