

LOAN BILL 2017

Receipt and First Reading

Bill received from the Assembly; and, on motion by **Hon Stephen Dawson (Minister for Environment)**, read a first time.

Second Reading

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Environment) [6.24 pm]: I move —

That the bill be now read a second time.

Borrowing for general public purposes, as distinct from borrowing by statutory authorities with borrowing powers in their enabling acts, must be authorised by Loan Acts. This bill seeks a new Loan Act authorisation of \$11 billion to meet the estimated borrowing requirements of the consolidated account until 30 June 2021.

The large authorisation reflects the financial estimates for consolidated account borrowing under the policy settings of the previous government, consistent with the financial forecasts detailed in the *2016–17 Pre-Election Financial Projections Statement* released on 9 February 2017, with an allowance added for likely borrowings in 2020–21. This will be the largest Loan Act authorisation on record and reflects the state of the books inherited from the previous government.

It is a matter of public record that the previous government brought forward no less than four loan bills during two terms of office, obtaining approval for a total of \$23 billion in consolidated account borrowing during that time. This bill seeks the authority for the consolidated account to borrow a further \$11 billion to meet the financing needs of the previous government’s policy settings.

In opposition, we were highly critical of the huge increase in borrowings incurred by the previous government. We continue to be concerned with the direction and magnitude of the state’s public sector borrowings. It is the government’s intention that as it goes through the process of formulating its first budget—to be presented to the house on 7 September 2017—it will reduce the need to draw on the full authorisation sought in this bill. In the meantime, until the government can start to implement much-needed fiscal repair as part of the coming budget, it is essential that the Parliament approve this increase in the central borrowing limit to ensure adequate access to the funds required to continue to provide public services and infrastructure investment.

Members of this house who were here during the last Parliament will recall that the previous government’s last Loan Bill, now the Loan Act 2016, sought a \$1.7 billion increase in the cumulative loan limit applying to the consolidated account. That authorisation was expected to provide sufficient financing of the deterioration in revenue detailed in the 2016–17 midyear review and be sufficient to cover borrowing requirements to 30 June 2017. It included a \$1.2 billion buffer for any further deterioration in central revenue that may emerge during 2016–17. As expected, the \$1.2 billion buffer is all that will remain available by the end of this financial year. It is expected that this residual borrowing will be utilised during July, exhausting the remaining loan authorisation.

Accordingly, it is essential that the Loan Bill 2017 be passed without delay and by no later than the end of this financial year to provide sufficient lead time to meet borrowing requirements in August and beyond. In this regard, the bill cannot be left to pass beyond 30 June 2017 as both houses will be in recess for the month of July.

For that reason, Madam President, members in the other place suspended so much of that chamber’s standing orders as was necessary to facilitate the expeditious debate and passage of the bill and give the Legislative Council time to deal with the bill by 29 June 2017.

The urgent nature of this bill should not be a surprise to the house and is consistent with the observation made by the then shadow Treasurer on 15 September last year when he noted that as that bill was expected to carry the consolidated account through to 30 June 2017, and I quote —

It is clear that whoever forms government after the 2017 election ... one of the very first things that government will do is to bring in yet another loan bill, subject to the movements in our revenue that happen from time to time. Bear in mind that this loan bill will get us through to 30 June 2017, and a new government, regardless of its political colour, will turn its mind to this in 2017.

As with all previous Loan Act authorisations, any unused borrowing authority not drawn during the period for which it is expected to apply will remain available for borrowing requirements into the future. I remind the house that loan bills are administrative in nature. The borrowings authorised by the current bill were reflected in the *2016–17 Pre-election Financial Projections Statement* and there are no additional costs in excess of the approved forward estimates associated with the passage of this authority.

In accordance with clause 4 of the bill, the proceeds of all loans raised under this authority must be paid into the consolidated account. The moneys will then be advanced to agencies as required by appropriations in the budget. Details of consolidated account appropriations are laid out in the budget papers, which will be tabled in this house in September and be examined in detail by members through the estimates hearings process as part of the passage of the budget bills. In accordance with clause 5 of the bill, in addition to seeking the authority for loan raisings, the bill also permanently appropriates money from the consolidated account to meet principal repayments, interest and other expenses of borrowings under this authority.

Pursuant to standing order 126(1), I advise that this bill is not a uniform legislation bill. It does not ratify or give effect to an intergovernmental or multilateral agreement to which the government of the state is a party, nor does this bill by reason of its subject matter introduce a uniform scheme or uniform laws throughout the commonwealth.

I commend the bill to the house and table an explanatory memorandum.

[See paper 231.]

Debate adjourned, pursuant to standing orders.

House adjourned at 6.31 pm
