

PUBLIC ACCOUNTS COMMITTEE

Tenth Report — “Report on Investigative Travel to London and Edinburgh” — Tabling

Dr A.D. Buti presented the tenth report of the Public Accounts Committee titled, “Report on Investigative Travel to London and Edinburgh”.

[See paper 2565.]

Eleventh Report — “Budget Briefing 2019–20” — Tabling

DR A.D. BUTI (Armada) [10.35 am]: I present for tabling the eleventh report of the Public Accounts Committee, titled “Budget Briefing 2019–20”.

[See paper 2566.]

MR S.A. MILLMAN (Mount Lawley) [10.35 am]: I rise to say a few brief words on the tabling of the report titled “Budget Briefing 2019–20”. I remind members that this is an important transparency and accountability function of the Parliament. Since 2001, the Public Accounts Committee has provided a briefing to members of Parliament on the budget each year, and subsequent to that briefing, the portable document format PowerPoint presentation that is prepared by the Under Treasurer and the Department of Treasury is tabled in Parliament as a report from the Public Accounts Committee.

I refer to appendix 1. The background is provided in the Chair’s introduction to the report. Before I go any further, I thank all members of the Public Accounts Committee, who have a great dedication to transparency and accountability. I particularly mention the Chair, the member for Armadale; the Deputy Chair, the member for Bateman; and my colleagues, the members for Bicton and North West Central.

I take members to slide 5 on page 7 of the report, which refers to the Western Australian economy. It says quite clearly that the WA economy is set to grow by 3.5 per cent in 2019–20 and by three per cent in 2022–23. That is because the McGowan government is taking a prudent, conservative approach to financial management, and we are seeing the rewards in the lifting of the state’s credit rating. Something as simple and straightforward as lifting the state’s credit rating has incredible benefits for the state. A saving of \$20 million in interest payments due to the state’s credit rating is two-fifths of the cost of upgrading Osborne Park Hospital, or five times the cost of the refurbishments to Mount Lawley Senior High School that are coming in the financial year ahead. The government’s conservative approach to forecasting gives us a great chance to do well. This approach compares very favourably with the Morrison government’s approach to forecasting. The commonwealth’s “Pre-election Economic and Fiscal Outlook 2019” forecast of year-average real gross domestic product growth of 2.75 per cent was unrealistic when it was delivered. Less than a month later, the Reserve Bank of Australia forecast 2.5 per cent. Greg Jericho, economics columnist for the *Guardian Australia*, noted —

When the budget was handed down the most recent GDP figures showed the previous six months had the slowest growth for 10 years. Since then the most recent figures show the last three months of 2018 and the first three of this year were the slowest six months of growth for 19 years.

At the time of the budget the latest job figures had the unemployment rate at 4.9%—the lowest for eight years—and the trend level of unemployment had been steady at 5% for three months. Now the seasonally adjusted rate is up to 5.2% and the trend rate —

This is the trend rate of unemployment —

has risen for four consecutive months.

Back in April the market was predicting an outside chance of the Reserve Bank cutting the cash rate to 1% some time late next year. Now the market has almost fully priced in a cut to 1% to occur by August this year and an outside chance of a cut to 0.5% by late next year.

That is the cash rate. There are some deeply troubling signs emerging regarding the commonwealth budget with implications across the nation. More than ever, we need a state government that can guide us through the waters made more treacherous by the Morrison government’s cavalier attitude. It is this cavalier attitude that the Liberal opposition would have us acquiesce to. Every day this week during question time it has demanded that the McGowan government endorse tax cuts on the never-never. Not only does it seek to deny its own tax and debt disaster from which we are barely beginning to recover, it also apparently has not learnt the lessons from the federal government’s profligacy. In cutting interest rates in June, Reserve Bank governor, Phillip Lowe, said —

As a country we should also be looking at other ways to get closer to full employment. One option is fiscal policy, including through spending on infrastructure. Another is structural policies that support firms expanding, investing, innovating and employing people.

The McGowan government is taking precisely this course—on the one hand, fiscal rectitude that reduces debt; on the other, targeted and sensible programs that boost economic activity and employment. One example that the

report sets out in very clear terms is on the slide on page 10. I refer members to that slide, the Keystart stimulus package, which will support the housing sector and jobs growth in construction. On the slide on page 13, the report also lays out the upward trajectory for mining job growth with an increase in mine site employment across the state's key commodities. The report at slides 19 to 25 provides well-considered and cautious revenue projections, highlighting yet again the McGowan government's credentials as a sound administrator of the state's finances. Western Australia is headed towards a cash surplus in 2020–21. As a result, the \$40 billion debt that the former government left us and this Premier to attend to will start to decrease from next financial year.

The report concludes on page 35 with a reference to pressures on the custodial estate. I take this opportunity to reflect on one final aspect of the WA budget that suffers as a result of the devil-may-care attitudes of Prime Minister Morrison, federal Treasurer Frydenberg and federal Attorney-General, Christian Porter. The commonwealth budget provides that the federal government will not renew the Indigenous Legal Assistance Program. Instead, the commonwealth will roll Aboriginal and Torres Strait Islander legal services into a new single national mechanism for commonwealth legal assistance along with community legal centres and legal aid commissions. This administrative change has caused alarm among Aboriginal and Torres Strait Islander and community legal services, and poses a significant risk to the future funding of many organisations across the country. Culturally appropriate legal services are crucial for the administration of justice in Western Australia, and a failure of such services poses a real risk to efforts to reduce pressure on the custodial estate in our state. The McGowan government's objective to reduce Aboriginal incarceration in Western Australia by 2025, funded in this budget, is similarly brought under pressure by the commonwealth's flippant attitude to funding Aboriginal and Torres Strait Islander legal services.

I commend this report and the work of the Public Accounts Committee, the Treasury, the Under Treasurer, and the Treasurer, for the fiscal discipline that they have shown in bringing both transparency and accountability to this process by putting this report before Parliament, and in all the hard work that they have put into fixing the debt and deficit disaster that was left to us by the previous government.

MR D.C. NALDER (Bateman) [10.43 am]: I also stand to provide commentary on the budget briefings and thank my parliamentary committee colleagues for the work that they undertake on the Public Accounts Committee. I would like to draw the attention of the chamber to and rebut a couple of the points made by the member for Mount Lawley, particularly regarding the debt accumulation of the former administration. The member for Mount Lawley misled the house and should apologise to the chamber. This member has applied 12 years' worth of debt growth to the former administration that was in government for just over eight years. That is what this government has done. It is applying the debt that has been accumulated under this government to the former administration. It is not taking responsibility for it, because the actual net debt of the state of Western Australia was at \$31.96 billion as of 30 June 2017.

Several members interjected.

The ACTING SPEAKER (Mr R.S. Love): Member for Swan Hills and Minister for Emergency Services, other members have been heard in silence; I think the member for Bateman could expect the same.

Mr D.C. NALDER: It has been remiss of the member for Mount Lawley not to acknowledge this. I assess him as quite an astute person who is quite aspirational in this house and sees himself as a future minister of the government, but he was lacking in his assessment on this budget, which should highlight that iron ore prices have increased substantially and are having a major impact on the financial position of this state. During the previous administration, we saw the sudden decline in iron ore prices, which went below \$US40 a tonne to an average \$US52 a tonne in 2015–16. At the moment, we are seeing a price of iron ore averaging above \$US100. If we look at volume 3 of the budget papers, it highlights that every extra dollar in the price of iron ore adds over \$80 million to the bottom line of the Western Australian Parliament. I know that the budget is much lower; the budget for this year has been increased from \$63 to \$73 but it is sitting above \$100. It is well above \$100 now and if that \$100 holds for the next 12 months, we are talking an additional \$4 billion to the bottom line of our budget. Add to that that when the price of iron ore went to an average of \$52 a tonne in 2015–16 because of the sudden fall of iron ore prices, the GST for Western Australia at that point was 30¢ in the dollar, with a three-year lag. It was a broken system. Fortunately, the federal government intervened and fixed that system, but in this next year we will see a 70¢ in the dollar floor guaranteed. If we compare the next 12 months, it will add \$2.5 billion to the bottom line relative to the 2015–16 figure of \$6.5 billion. We were never at a \$6.5 billion deficit in this state, and the member for Mount Lawley knows this. He knows that we did not go over a \$3 billion deficit—closer to \$2 billion was the maximum deficit we actually achieved. All of a sudden we are growing to \$6.5 billion, and we had a \$2 billion deficit. Why has debt still been growing? The government claims this magic about how it is the only state in Australia where debt is going down. That is the forecast, but debt is not going down. Currently, debt is still climbing. What is fascinating is that this additional revenue is coming in, but not just on those two measures, because the dollar has been falling, and for every cent the dollar falls, it adds \$100 million to the bottom line budget. We are now talking about

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a government that with a \$9 billion surplus over five years will reduce debt by \$680 million. The question that everybody has to ask with this tabled budget briefing is: why is that the case? Let me tell members why.

This government went to an election and made unfunded promises such as Metronet et cetera. Some of them continue to be unfunded. We do not see the operational costs for Metronet in the budget, yet we have this supposedly great program that the Minister for Transport espouses in this chamber. There are some real concerns about the transparency of this government with this budget. I am disappointed, given my regard for the member for Mount Lawley and his intellect, that he failed to mention these things, because there are shortcomings in this budget, and this government promised gold-plated transparency when it came into power, yet we have not seen anything like gold-plated transparency.

I thank the members of the committee for their continued hard work in the best interests of Western Australia. I commend this report to the chamber. However, I highlight some of the shortcomings currently contained in the budget. We expect better from this state government. We expect greater transparency in future budgets and will continue to hold this government to account if it fails to do so.