

WESTERN AUSTRALIAN ECONOMY: WHERE DID ALL THE MONEY GO?

A critique of the Liberal National Government's economic management

It was inevitable that one of the greatest mining booms this state has ever seen would end. A competent state government would have foreseen that and prepared for such a situation. But, the Liberal National state government must have thought the golden years would last forever. And so, when the predictable end arrived, they had not planned for it. Now it wants the people to shoulder the load of the \$4 billion dollar budget deficit with which, in its incompetence, it has burdened them.

Without developing a plan, the state government squandered a decade of rising commodity prices, fuelled by strong resources demand from Asia. When it should have been planning, it misspent the wealth that twenty-four quarters of unprecedented economic growth gifted it. It sat on its hands, complacent, as it watched employment, business investment and population grow, never to end, or so it thought. When it did end, the government realised in dismay, that 6.3% of its workforce had no job.

The government might want to talk about its commitment to infrastructure since it came to office in 2008 and yes it has completed some important new constructions. But, infrastructure is not defined just by the physical presence of the structure. It includes too the facilities and systems that ensure efficient functioning. The litany of structural and operational problems that have plagued the new Perth Children's Hospital and the Fiona Stanley Hospital are testament to complacency, which has led to delays and budget overruns. Combine this with a plethora of broken promises and backtracked election commitments and it is little wonder that the electorate has lost confidence in its government.

The Barnett Government's unsustainable spending has brought net state debt to an estimated \$33.8 billion this financial year. Or put in terms more meaningful to all West Australians at the coalface, a debt of \$13,000 for every man, women and child in this state. But this travesty does not end at \$33.8 billion. By 2018-19—only 24 months away—net debt will have risen to \$40 billion.

The state government refuses to own up to its incompetent economic management and poor long-term planning. Instead, it tries to shift the blame to Western Australia's reduced share of GST and falling commodity prices for the state's appalling financial position. Treasurer Mike Nahan tried to explain this year's depressing state budget with a disingenuous comment reported in *WA Today*. "I'm not blaming anyone, but our source of revenue across the board, including a drop in GST and iron ore has seen revenue drop by 22%. Tell me how would you deal with that?" The answer to that, surely, must be that a competent government does not wait until the inevitable happens before it addresses the problem. You plan for it. You adjust your spending commitments.

Dr Nahan's comments are indicative of the Liberal National Government's approach to cyclical and structural challenges in government. React; do not plan. Rather than prepare for the inevitable end to the mining boom, Dr Nahan's rhetorical question "Tell me how you would deal with that?" highlights the government's failure to equip the state with savings initiatives and diversified industries to absorb the economic shocks of reduced demand for lower-priced resources.

In the State Parliament, Shadow Treasurer Ben Wyatt gave Dr Nahan's rhetorical question, the treatment it deserved. "The Liberal Party has delivered us into this financial mess, not the federal government, not the Commonwealth Grants Commission, not America, not China; it has been the Liberal government." Wyatt followed with this damning indictment of state government profligacy. The state government, he said, was guilty of "operating on the assumption that the commodity prices were going to stick around at record high levels for a lot longer than anybody thought."

By failing to adopt a responsible, slow and steady increase in expenditure during the good times, the state government has amassed \$33.8 billion of net debt. How? By increasing its borrowings to fund infrastructure and services needed, it says, for an expanding population. That recklessness has cost Western Australia its AAA credit rating from ratings agency Standard and Poor's. There is truth in the argument that increasing population generates a need for increased infrastructure. Western Australia's population increased 1.3% (33,200 people) between 2014 and 2015. But, the state's population increase has now slowed dramatically. In 2015-16, it grew just 1.1% compared with 1.8% nationally.

There is no question that an expanding population does require substantial investment in areas such as transport, health, and education to ensure these services can function effectively. But some infrastructure projects of this government, such as Elizabeth Quay, do have to be questioned.

Yes, Elizabeth Quay represents an attractive addition to Perth's lifestyle. But, is this "grand" construction project as important as increasing the number of hospital beds in Western Australia, reducing congestion on busy roads, or, lo and behold, reducing the state's debt?

Peter Tinley, the Shadow Minister for Science and Trade (among other things) summarised the awkward position in which the state government currently finds itself: "The state now has the worst set of books it has ever seen and the worst set of finances of any Australian jurisdiction ever in the history of this country. We also have the highest level of gross and recurrent debt and the deficit is running at an inordinate \$3 billion-plus. That cannot be sustained by this government and, on the current estimates, certainly cannot be repaid, at least not by the next generation."

The Liberal National Government has failed, not only against economic management criteria, but also against the human values criterion that is the heart of Labor's *raison d'être*. WA Labor has a plan. It is a blueprint for jobs to create a more robust Western Australian economy beyond the boom and bust cycles of the mining and resource industries. Labor's task is to continue to communicate that plan to the people between now and March 2017. And, if WA Labor, led by Mark McGowan, takes government after the March 2017 state poll, the Labor Government's responsibility is to commit to that plan, and to honour that commitment.

Dr Tony Buti MLA (Member for Armadale)
7 October 2016