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ANOTHER WA BUDGET, ANOTHER SURPLUS, BUT BUDGET RISKS GROWING

“The forecast of a WA budget surplus would, if realised, represent a significant achievement during difficult economic times,” said Ms Julie Novak, Research Fellow at the Institute of Public Affairs, a free market think tank.

“While the 2012-13 forecast surplus of \$196 million is somewhat on the thin side, the overall state of WA’s fiscal books puts other states, and the Gillard federal government, in the shade.”

“The budget result is especially significant given that the state’s GST share has been whittled away by an anachronistic fiscal equalisation formula that penalises growth and rewards fiscal ineptitude among eastern states.”

“While the fiscal circumstances of Western Australia are generally superior to that of other jurisdictions, there is a risk that solid economic growth and robust revenue inflows could lead to future fiscal ill-discipline.”

“The small business payroll tax relief measures put in place by the Barnett government are important for non-mining businesses in WA,” Ms Novak said.

“Rather than provide further tax cuts benefiting the community at large, the government has announced a \$1 billion Future Fund which could be raided by future governments for wasteful spending purposes.”

“It is far better to ensure that excessive revenue collections are returned back to taxpayers, who are in a much better position to spend their own funds wisely.”

Another problem identified in the budget papers is the strong growth in state public sector debt.

“A worrying feature of the budget is that it projects non-financial public sector net debt to balloon from \$14 billion to \$25 billion over the forward estimates, with general government debt to rise 216 per cent to \$9 billion over the next four years,” Ms Novak said.

“State politicians should guard against borrowing wherever possible, given the limited revenue capacities of state governments and risk of interest payments crowding out spending on essential services.”

“The slow-growing eastern states of Australia are struggling under the weight of significant government debts, a position that would be best avoided by Western Australia.”

For media and comment:

Julie Novak

Research Fellow

Institute of Public Affairs

0437 646 045