

IRON ORE ROYALTY REVENUE ASSUMPTIONS — 2019–20 STATE BUDGET

**592. Ms C.M. ROWE to the Treasurer:**

I refer to the responsible financial management of the McGowan Labor government that has delivered an upgrade to WA's credit rating and the first budget surplus in five years.

- (1) Can the Treasurer outline to the house why this government has taken a cautious approach to iron ore royalty revenue assumptions?
- (2) Can the Treasurer advise the house whether he is aware of any alternative approaches being proposed that would wreck the state's finances?

**Mr B.S. WYATT replied:**

I thank the member for Belmont for that very good question.

- (1)–(2) As a government, we have been very keen to have a conservative set of assumptions that underlie the budget because, as a state, we are vulnerable to very volatile commodity prices and therefore a very volatile revenue source for the state. Of course, we are also seeing something of an escalation of trade disputes that will have an impact also on Western Australians. Nowhere has that been more highlighted in the last week, member for Belmont, with a dramatic fall in the iron ore price. Last Tuesday, the price was \$US121.15—now, it has fallen to \$US92.80. I want to highlight that this is a 23 per cent fall in six days—one of the largest falls in the history of the iron ore benchmark spot price. That is incredibly significant.

That volatility is something we have sought to protect the state government and therefore the people of Western Australia from. I recall quite clearly the Pavlovian response from colleagues on the other side of this chamber not long after the budget was tabled, which highlighted that we had assumed an iron ore price of \$73. We saw a Pavlovian response to spend and do what the former government had done—assume high prices and spend the lot. The member for Carine, who used to be in tax—who would have thought—had this to say, “They are flush with money. They’re going to get \$3 billion extra just this year from the iron ore royalties.” Of course, only a few days after the budget, the shadow Treasurer, my friend the member for Bateman, was very active on Twitter, and said, “Every one dollar increase per annum in iron ore adds \$80 million royalty to WA. Every one cent reduction in exchange per annum adds \$100 million. This is worth \$4.5 billion to WA.” That is what the shadow Treasurer had to say in this Pavlovian response to go out there and spend, spend, spend.

**Mr D.C. Nalder** interjected.

**The SPEAKER:** Member for Bateman!

**Mr B.S. WYATT:** That is perhaps why the Leader of the Opposition has been making commitments to freeze fees and charges, to increase public sector salaries and to fund roads or part thereof that may or may not be funded by toll roads. That is why the Leader of the Opposition has been spending money that the shadow Treasurer is already assuming is there. He said that we have \$4.5 billion a year, apparently. That is why we are determined —

**Mr D.T. Redman** interjected.

**The SPEAKER:** Members!

**Mr B.S. WYATT:** Stepping on his toe—causing some pain!

That is why we are determined to protect the state against that volatility. We subscribe very strongly, member for Belmont, to the principle that we are a government that wants to get back in black. I suspect it is a principle to which the member for Kalgoorlie also subscribes, I note!

Several members interjected.

**Mr B.S. WYATT:** My eyes are just drawn to the member for Kalgoorlie; I cannot get past it.

We are determined to get back in black because we know that when we are back in black we can ensure that debt starts reducing and we can start to protect Western Australians from the sorts of things we saw happen under the former Liberal government.