

STATE REVENUE — PROPERTY MARKET DOWNTURN

106. Mrs L.M. HARVEY to the Treasurer:

I refer to comments made yesterday by the chief executive officer of Landgate regarding the downturn in the property market. I believe that the figures for January and February show the lowest activity measured for document lodgements with Landgate in 19 years. Could the Treasurer please advise the house of the impact that this downturn in the property market will have on state revenue?

Mr C.C. PORTER replied:

I thank the member for her question.

A lot of events have occurred this week. There has been talk of windfall revenue, and the member for Rockingham talked about a doubling of mining royalty revenue at a big rally yesterday. The property market is something that has come to my attention. We have also spoken this morning with the Leader of the Opposition about the Premier's noting to the members assembled at the rally that we are not in a boom.

Mr E.S. Ripper: Resources boom, he said.

Mr C.C. PORTER: I was there. I listened to what he said. He said that we are not in a boom. That statement is a very fair one, and the response was very interesting, because when we look at the midyear review of the budget, we see that we have downward forecast our growth rates for this year from 4.5 to four percent.

Dr A.D. Buti: That's a boom

Mr C.C. PORTER: What—4.5 down to four percent is a boom, is it?

Dr A.D. Buti interjected.

Mr C.C. PORTER: Fair enough. Everything above 3.5 percent is a boom. When are we not in a boom? That is absolutely ridiculous.

Dr A.D. Buti: Under your definition, the boom just keeps going up, does it?

Mr J.H.D. Day: You should've listened to ABC radio this morning.

The SPEAKER: Member for Armadale, Minister for Planning and member for Riverton, I call you all formally to order for the first time today. Only one person has been asked the question, and that is the Treasurer. He is the only person I want to hear from.

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I formally call you to order for the second time today.

Mr C.C. PORTER: During the next enterprise bargaining agreement negotiation, I will be sure to tell the workers that if they get a wage increase above three per cent, they are getting a boom wage increase. I will tell them that the member for Armadale said that that is how it works.

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I am going to formally call you to order for the third time today.

Mr C.C. PORTER: In any event, something struck me while watching the rally yesterday.

An opposition member: A tomato?

Mr C.C. PORTER: It may have been a shoe; I do not know! Several things struck me. Clearly, the narrative and the agenda in this case are to build expectations, and it is obvious why an opposition would do that. If it talks about windfall royalties and those sorts of things, it creates a level of expectation that —

Several members interjected.

The SPEAKER: Members!

Mr C.C. PORTER: Obviously, the stratagem is to create a level of expectation that is difficult for any government to meet, no matter how responsibly it manages the finances. I have a note of caution. If members opposite do not want to listen to the note of caution, perhaps members on this side will listen to it, certainly during the budget Economic and Expenditure Reform Committee process.

Mr E.S. Ripper: That is code for "You're not getting what you want in your electorates."

Mr C.C. PORTER: That is pretty much it, Leader of the Opposition.

There are three key sources of revenue for the state budget—mining royalties, property transfer duties and GST grant receipts. In the midyear review, we predicted an increased level of budget surplus this year to \$758 million, which is an increase of about \$472 million. Obviously, Treasurers have a tendency to argue that not every increase in expectations in a surplus is a windfall. However, I argue that, with those three key sources of revenue, there are windfalls in the budget and the economy if they are all moving in the same direction. There might arguably also be windfalls if one of those three key indicators is steady, but the other two are moving in the same direction. The fact is that there are reasons for serious caution in the Western Australian economy at the moment. Let me just concentrate on two of those reasons, but one of them is —

Several members interjected.

The SPEAKER: Thank you, members!

Mrs M.H. Roberts interjected.

The SPEAKER: Member for Midland!

Mr C.C. PORTER: One of the reasons that there is cause for some caution is the transfer from the sales of properties. In 2007–08, under the previous government, \$2.65 billion in revenue came in from transfer duties. In fact, the then government enjoyed receipts from transfer duties at that extraordinary level of at or above \$2 billion for about three years. In this year's budget, we think that receipts will be about \$1.3 billion. Under Labor, that represented 11.7 per cent of all revenue. This year it is about 5.6 per cent of revenue. On that point, this graph shows the latest information I have received. The line that I am pointing to is the amount predicted in the budget estimates to be the revenue that will be returned from transfer duties. The bars on the graph are the monthly takes. There is just no way known that we will make up that average. I predict at this stage that we will have perhaps \$70 million less than was predicted in recovery from that issue. Landgate had the lowest lodgement of documents in 19 years.

The second note of caution is that the other key area of revenue, GST receipts, is also moving in the wrong direction in a considerable fashion. I will read to members this quote from *Hansard* —

We have now had seven years of good economic growth, but we have not seen the full impact of that seven years of good economic growth reflected in Grants Commission reductions to our share of commonwealth grants. It will now hit us in a big way.

This was in 2007 —

We currently have a 10.1 per cent share of goods and services tax. By 2010–2011 we will have 7.5 per cent of GST. That will mean a loss of \$1.4 billion from state finances compared to the situation that would have occurred if our current share was maintained. I am forecasting a surplus of approximately \$1.4 billion next year. By 2010–2011 an amount equivalent to that entire surplus will be withdrawn from our finances.

That sage was the current Leader of the Opposition. The Leader of the Opposition got it absolutely spot on. The point is that there were windfall gains under the previous government because it enjoyed mining royalty revenues, the penalties that exist under the GST system had not been imposed on it, and it got massive amounts of money into the coffers from transfer duties. Yet this week we have seen the unedifying spectacle of people talking about booms and windfall revenues when they simply do not exist. If members opposite want to use that terminology to stoke the flames of expectation for political purposes, they will no doubt continue to do so. But what they are saying is simply not true.