

STATE FINANCES — DEBT REDUCTION ACCOUNT

1151. Hon Dr STEVE THOMAS to the minister representing the Treasurer:

I refer to Labor’s 2017 election commitment that promised that “a McGowan Labor government will protect future iron ore windfalls from being exploited by future governments, by bringing in laws to allocate 50 per cent of iron ore royalties into a new debt reduction account”, and to evidence given to the Standing Committee on Estimates and Financial Operations yesterday that of the \$2.7 billion that cycled through the debt reduction account in 2021–22, only \$589 million was actually used to pay down existing debt.

- (1) Was the other \$2.1 billion in the account simply spent in 2021–22 on normal government activity and is it now being described conveniently as an “alternate source of funding”?
- (2) Is the commitment to allocate 50 per cent of iron ore royalties to the debt reduction account dead in the water, and thus represents another broken Labor promise?
- (3) Given that, even with this broken promise, \$6.1 billion has passed through the debt reduction account over the last four years, why had the government reduced actual total public sector net state debt from \$32 billion when it came to government in 2017 to only \$29 billion by the end of 2021–22?

Hon STEPHEN DAWSON replied:

- (1)–(3) The debt reduction account is used to pay back borrowings and reduce the need for new borrowings. As Hon Dr Steve Thomas has previously acknowledged, the McGowan government inherited a budget with net debt heading to \$43.7 billion. Since coming to government, we have reduced debt by a third, to \$29.2 billion.

Several members interjected.

Hon STEPHEN DAWSON: In 2021–22 alone, net debt reduced by \$4.3 billion—the largest decline in debt on record.

Hon Dr Steve Thomas interjected.

The PRESIDENT: Order! Let the member answer the question.

Hon STEPHEN DAWSON: Thanks, President.

In contrast, the previous Liberal–National government did not reduce net debt at any point during its term. Western Australia is the only state in Australia in which debt is declining, with three consecutive years of reduction and net debt at its lowest level since 2014–15.