

Tackling the state of the finances to get Western Australia back on track.

The McGowan Labor Government is delivering a jobs focused agenda, with responsible financial management and fair Budget repair measures which will deliver sustainable expense growth and an operating surplus by 2020-21, which will lead to net debt reduction over time.

STATE FINANCES AT A GLANCE

- Underlying general government expense growth of just 2.4% in 2017-18.
- Net debt forecast to peak at 30 June 2020, with an operating surplus forecast in 2020-21.
- \$3.5 billion in Budget repair measures fairly distributed across the Western Australian community including the public sector and the corporate sector.
- \$5 billion write down in revenue since the Pre-election Financial Projections Statement (PFPS), largely offset by \$3.5 billion in new Budget repair measures.
- \$3.1 billion of expenditure on election commitments funded from within the existing Budget.

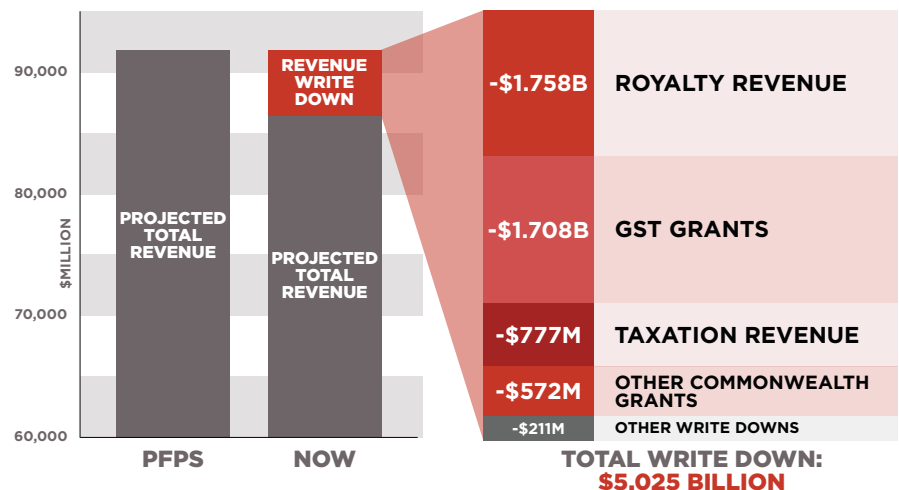


THE BUDGET CHALLENGE & RESPONSE

Constrained expense growth and Budget repair measures of \$3.5 billion have helped offset revenue write downs of \$5 billion to set the Budget on a path of sustainability which will lead to lower net debt and an operating surplus by the end of the forward estimates period.

- Underlying general government expense growth is forecast at just 2.4% in 2017-18.
- Average annual expense growth of 1.9% over forward estimates.
- Headline general government expense growth includes the once-off impact of reclassifying two agencies (\$194 million) as part of public sector reform and the upfront costs of the Targeted Voluntary Separation Scheme (\$185 million in net terms).

REVENUE WRITE DOWNS BETWEEN PFPS AND 2017-18 BUDGET



THE PATH TO SURPLUS

It is forecast that by 2020-21 the general government sector will return to an operating surplus of \$1.3 billion. This would be the first operating surplus since 2013-14.

- This return to surplus in the final year of the forward estimates coincides with a reduction in net debt in the same year, with **total public sector net debt forecast to reach \$43.8 billion by 30 June 2020**, before reducing over time.
- Despite a \$5 billion write down in the general government revenue estimates since PFPS, **the increase in total public sector net debt has been constrained.**
- **The Government's Budget repair measures will deliver a total public sector net debt improvement of \$3.5 billion to 2020-21.** In the absence of these measures, total public sector net debt would have increased to \$47.2 billion.



BUDGET REPAIR

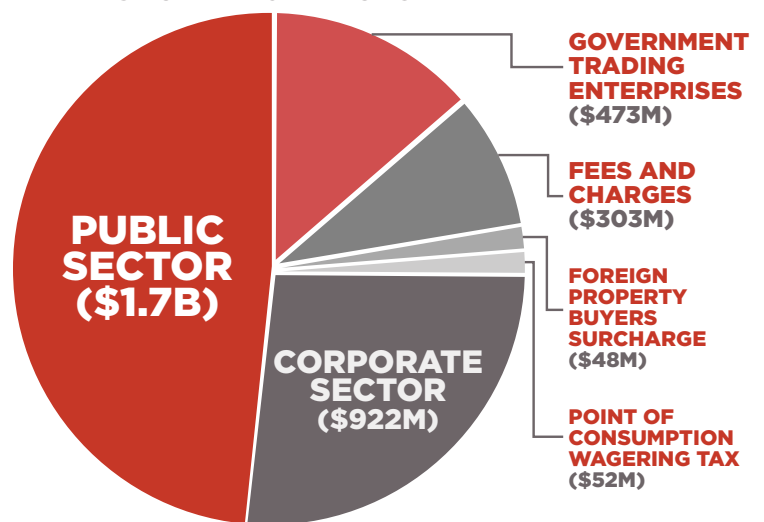
The McGowan Labor Government is delivering responsible financial management and Budget repair that is fair.

Everyone will need to share the burden to help get Western Australia back on track and the State Government is committed to minimising the impact on struggling families and small businesses.

- **\$1.7 billion in savings measures in the public sector** including the new public sector wages policy, four year wage freeze for positions determined by the Salaries and Allowances Tribunal, 20% reduction in the Senior Executive Service, 40% reduction in the number of Government departments, no indexation for non-salary related expenditure, savings through better management of the workforce, State fleet and office accommodation.
- **\$473 million in net debt reduction targets for GTEs.**
- **\$303 million from increases in fees and charges** and better targeting of some concession payments.
- **\$48 million in net additional revenue from the introduction of a 4% foreign property buyers surcharge** on the purchase of residential properties.
- **\$52 million in net revenue through the introduction of a new point of consumption wagering tax** to help create a level playing field for the local industry competing with online betting companies offering their product in WA.
- **\$435 million in revenue through the introduction of a temporary progressive payroll tax scale for large employers for a finite period of five years.** The new rate of 6% (currently 5.5%) for employers with a payroll over \$100 million and 6.5% for employers with a payroll over \$1.5 billion. This will impact less than 1% of businesses in WA from July 2018.
- **\$392 million in revenue through the increase in the gold royalty rate to 3.75% when the price of gold is above A\$1,200/ounce** and by removing the 2,500-ounce exemption for large producers. This equates to a royalty increase of around \$20 per ounce.
- **\$95 million in revenue from a 17% increase in the Pilbara Ports Authority port fees** for the State's biggest companies.

BUDGET REPAIR MEASURES

SINCE THE 2017 ELECTION



FUNDING OUR COMMITMENTS

A reprioritisation of expenditure has meant that 83% of the cost of election commitments will be funded from within the existing Budget.

Of the \$3.7 billion of election commitments funded in this Budget, **\$3.1 billion is funded from within existing funding, including:**

- **Reallocation of over \$1.2 billion of Commonwealth and State funding** from the former Perth Freight Link project to fund a range of METRONET projects and road commitments.
- **\$674 million of Royalties for Regions will be invested** in election commitments that will drive regional economic growth and deliver services to the community.
- **Internal savings of \$571 million have been identified within existing Departmental budgets,** including Health and Education, to fund election commitments.

COST OF 2017 ELECTION COMMITMENTS

