

Western Australian Government Mid-Year Financial Projections Statement

19 December 2013

West Australian Treasurer, Hon Troy Buswell MLA, has released the 2013-14 Mid-Year Financial Projections Statement or mid-year review.

The mid-year review updates the August State Budget's financial projections for the Western Australian public sector for the period 2013-14 to 2016-17.

Accompanying the review is the announcement of extensive reforms and restructure to the government's Business Model and Asset Investment Program which includes the sale of public assets. (Read Barton Deakin's brief from September on the WA Asset Sales announcement [here](#).)

Public asset sales will include Kaleeya maternity hospital in Fremantle, the Utah Point bulk terminal in Port Hedland, and the Kwinana Bulk Terminal south of Perth.

The government will also extend the budget-time [Fiscal Action Plan](#), with new measures contributing to lower recurrent spending in 2013-14 and lower debt across the forward estimates period. (Read Barton Deakin's Brief on the 2013-14 Western Australian State Budget [here](#).)

Overall, the restructure and reform measures are intended to assist in regaining the State's AAA credit rating, which was downgraded by Standard & Poor's to AA+ in September 2013.

Economic Context Overview

Some key points on Western Australia's economic context:

- Western Australia was the strongest growing state in the nation in 2012-13, with economic activity increasing by 5.1%, almost double national economic growth of 2.6%. This represented 28% of national investment.
- The state's economy continues to grow strongly, growing by 5.1% in 2012-13 compared to 2.6% for the nation as a whole.
- The economic outlook remains positive as the economy transitions from construction-led growth to export-led growth.
- The state's population is estimated to have grown by 3.4% in 2012-13, double the expected national population growth. Almost two-thirds of these people moved to Western Australia from overseas.
- Further strong population growth of 2.5% is expected in 2013-14.
- Recent data indicates that unemployment has not risen as quickly as anticipated. Unemployment is now forecast to increase from 5.0% in 2013-14 to 5.5% in 2014-15.



Government Mid-Year Financial Projections Statement

Highlights of the mid-year review include:

- The state is still on-track to achieve a surplus this budget year. The surplus is forecast to be \$473 million, around \$50 million greater than the August prediction. Western Australia would join Victoria as the only governments in Australia in surplus.
- Revenue growth for 2013-14 of 9.9% is now expected, up from the budget-time projection of 8.9%. Revenue growth is, however, expected to slow to just 0.4% in 2014-15.
- The mid-year review forecasts additional expenditure of \$1.1 billion across the forward estimates to meet pressures in areas such as health, education, and electricity. In order to fund these pressures, further Fiscal Action Plan measures have been announced.

New Fiscal Action Plan measures

Additional measures (to those announced in the August State Budget) in the Fiscal Action Plan are:

- A 10% reduction in general government agencies' procurement budgets for the last three quarters of 2013-14, with the exception of Western Australia Police and smaller agencies. This is expected to save \$92 million.
- A cap in the provision of local government road funding (under the current State Road Funds to Local Government Agreement) at the level projected when the agreement was signed. This is expected to save \$70 million.
- A review of the Asset Investment Program, featuring measures expected to save in excess of \$1.5 billion. (Further details provided below.)

Asset Investment Program restructure and review

The 2013-14 Budget contained an Asset Investment Program totalling \$26.9 billion over the four-year forward period. This included \$7.5 billion in 2013-14 alone. As part of the State Government's Mid-Year Financial Projections Statement and following an announcement of asset sales in September, further measures have been announced.

These measures include:

- Asset sales:
 - Kaleeya maternity hospital in Fremantle
 - The Utah Point bulk terminal in Port Hedland, and
 - The Kwinana Bulk Terminal south of Perth.
- A three-year deferral of the MAX Light Rail Project for Perth.
- Cancelling previously planned expenditure on the Kwinana Bulk Jetty and Terminal facilities.
- Reductions in Housing Authority, Water Corporation and Main Roads expenditure.

Click [here](#) to read the 2013-14 Government Mid-Year Financial Projections Statement.

Click [here](#) to read the Treasurer's media release.

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