

# Assets firesale amid deficit blowout

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A horror \$2.7 billion deficit has forced the Barnett government into a \$5bn fire sale of assets as Western Australia's once-booming economy heads for its weakest growth since the early 1990s recession.

Releasing the state budget, Treasurer Mike Nahan said the decision to sell major assets, including Fremantle Port and the state-owned TAB betting agency, had been sparked by a "perfect storm" caused by the sudden collapse in iron ore prices and the

state's falling GST revenue. The government's revenue estimates over the next four years have been revised down by a massive \$10.2bn since the 2014 budget.

"This is the largest drop in revenue in the state's history," Dr Nahan said.

The government will continue to push up its debt burden by spending \$24.1bn on infrastructure over the next four years, with \$1.3bn allocated to build a rail line to Perth Airport and a further \$1.6bn for the Perth FreightLink project.

The state's net debt will rise from an estimated \$25.5bn in 2015 to a forecast peak of \$36.3bn by June 2018 — a figure Dr Nahan admitted was "too high" but one he hoped would be reduced by the planned asset sales.

Just as federal Treasurer Joe Hockey splashed out on families and small business to stimulate the economy in Tuesday's federal budget, Dr Nahan said the state government needed to keep spending to create jobs and boost a domestic economy that is expected to contract next year.

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## Firesale amid deficit blowout

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employment rate is forecast to rise from 5.5 per cent to 6.25 per cent next year. Economic growth is being driven by strong export performance, but is forecast to slow from 3.25 per cent to just 2 per cent next year, which would be the lowest rate of growth since 1990-91. "It's worse than the recession we had to have or the stockmarket crash of 1987," Dr Nahan said.

Labor leader Mark McGowan described the budget as "the worst in WA history".

"What have we got to show from the resources boom?" Mr McGowan said. "Record debt and deficit and rising unemployment. That's Colin Barnett's real legacy to WA. This guy has been a financial catastrophe for this state and everyone living in it."

According to the budget, Western Australia will post an operating deficit of \$1.29bn this financial year — a figure that will be reduced by Tony Abbott's \$499m special grant to the state, announced last week. That will be followed by a record deficit of \$2.71bn next year and \$1.15bn in 2016-17. But the state is expected to post a surplus of \$874m in 2017-18 and \$2.2bn 2018-19 when the state's share of GST revenues begins to grow as the lagged Commonwealth Grants Commission process starts to compensate for declines in royalty income.

The state's predicament is summed up by its iron ore price forecasts. Last year, the budget predicted a heavily inflated iron

ore price of \$US122 for 2014-15, but Treasury is predicting a price of just \$US47.50 for 2015-16 — a level that would lead to further job losses in the mining industry. This forecast is also lower than the federal government's assumed iron ore price for next year of \$US53.50.

Dr Nahan said the government would consider selling Fremantle Port, the TAB, power stations, the Forests Product Commission, the state car fleet, part of housing lender Keystart, some government office buildings and other assets.

The government was confident of raising \$3bn to \$5bn from the asset sales to reduce the state's growing debt pile.

He denied the privatisation program was linked to any reform measures promised as part of the Abbott government's \$500m assistance package. The planned sale of Fremantle Port is occurring despite Premier Colin Barnett's previous opposition, and comes as Darwin and Melbourne ports are being sold.

The government was put on notice last month by ratings agency Standard & Poor's that it must take action to constrain spending and reduce its net debt. WA lost its AAA credit rating in 2013. S&P's said yesterday WA would remain on negative watch, noting the government's plan to sell assets.

In other moves, Dr Nahan said the budget included \$1.3bn in new spending measures, including a change to land tax that would raise \$826m over the next four years.

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