

BARNETT: WE NEED LUCK

Royalties leave deficit certain

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The Barnett Government has been forced to slash petroleum royalty forecasts by more than half a billion dollars over the next 3½ years due to the falling oil price.

The revision is on top of an estimated \$2 billion downgrade of iron ore royalties over the same period, guaranteeing a Budget deficit for 2014-15 and likely beyond.

Premier Colin Barnett said the Government would run a “significant” deficit this year, which would be reflected in the mid-year economic review, to be released early next week.

“I hope over the remainder of this year we can pull that back somewhat — that remains to be seen,” he said.

“You need a bit of good luck to do that. We will certainly want to return the Budget to surplus as quickly as we can.”

Mr Barnett said while the Government had plans to cut its own spending, it was dependent on what happened to commodity prices and exchange rates, which were beyond its control.



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Premier Colin Barnett

Both oil and iron ore prices have nearly halved since the State Budget was handed down in May.

Mr Barnett then launched into a critique of “people on the east coast” who had a “relaxed attitude” during the period of high commodity prices.

“People on the east coast believed that high commodity prices could carry the nation,” Mr Barnett said. “That was never, ever the case — and indeed I made comments to that effect over the past three years.

“To rely on commodity prices at a national level was a mistake. And I think Australia is feeling that now.”

Government spending has grown 59 per cent in WA since Mr Barnett came to power, while revenue grew 44 per cent.

Revenue from royalties grew 127 per cent while revenue from all other sources grew 31 per cent over the same period.

Asked why his critique did not equally apply to his own Government’s management of the State finances, Mr Barnett said: “We grabbed the opportunity to do what had been overlooked in WA for a long time.”

“In disability, in mental health, in the city centre, in regional development. And yep, that leaves us with a bit of a hangover,” he said.

“But this State has to grasp those opportunities, and the Government I lead is not going to miss out on that.”

Shadow treasurer Ben Wyatt said Mr Barnett’s comments showed an “utter lack of self-reflection”.

“Relying on highly volatile commodity prices is exactly what Mr Barnett has done.

“Now he seems to be running a strategy of rabbit foot economics where he sits back in his office furiously rubbing a rabbit’s foot for good luck.”