

THE STATE BUDGET.

On the whole the State Budget has been favourably received. At least so far as the Consolidated Revenue Fund is concerned its principal features are outlays increased by 6.7% (only slightly more than the anticipated 6.5% inflation rate) financed by a 13% increase in taxation and a 2.7% increase in Commonwealth Grants. It is not to say that the Consolidated Revenue Fund does not finance a lot of waste, to note that by the standards of recent budgets it is quite restrained. It doesn't look as good if one believes the nonsense that inflation can be measured by a Consumer Price Index from which health care costs have been substantially removed by the change to Medicare. It is worth noting in passing that when politicians misuse statistics to score political points they quite often injure their own credibility somewhere that they have not anticipated.

State Governments traditionally speak of their budgets as 'balanced' when the Consolidated Revenue Fund is balanced but in the sense that a Commonwealth Budget is balanced, State Budgets never balance. The accounting methodology by which Premiers talk as though they balance their budgets, designates certain classes of expenditure as capital and balances these with loans raised to accounts other than the Consolidated Revenue Account. Sometimes loans finance items, like buses, which merely replace depreciated equipment. If new debt is counted as revenue then any budget outcome is possible. The fact is that the States contribute mightily to the public sector borrowing requirement.

Last year the States borrowed a sum equal to 3.3% of Gross Domestic Product and the Commonwealth borrowed 4.7%; together making 8.0%. It is here that State financial management becomes frightening although the last W.A. State Budget, unlike the last Commonwealth Budget, is no more frightening than its recent predecessors.

The justification for this method of accounting is that the new debt is invested for the same future taxpayers who have been placed in hock by it. However, the then Secretary of the Commonwealth Treasury, Mr. John Stone, had this to say about it "... public spending 'on time payment' is proceeding today on works which display not the faintest likelihood of servicing the interest rates which are being contracted by the governments concerned in order to pay for them."

That there is cause for concern is clear. The Western Australian Government is spending \$1,165 million on capital works this financial year. The biggest items are: \$186 million for housing, \$53 million on education buildings, \$521 million for the State Energy Commission including \$377 million paid toward the \$900 million Dampier to Perth pipe line, and \$44 million on country water and sewerage. The public has never seen cost/benefit analyses for these projects. In particular a cost/benefit study of that Dampier to Perth gas line should be demanded if only to allay fears that it is an another expensive white elephant like the Ord River Dam. When governments use public monies and encumber future generations with debt they are obliged to use the resources at least as efficiently as the private sector would use them. They seldom ask the right questions about the investments they make and never trust the public with the answers.