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Budget talk

Article by James Pearson CCI, West Australian column

A lot of the people that I've been talking to recently are trying to make sense of the WA economy. Whether you're a retailer down south, a tourism operator up north or a mine worker in the Goldfields, the business you're in tends to influence your perspective.

The strength of our resources industry is masking the struggle in other areas of business. Consumers are uncertain about buying, banks are cautious about lending and many business owners are caught in a Bermuda Triangle of increasing costs, flat demand and looming labour shortages.

The good news is, we don't think it will stay like this for long.

Strong growth should return, to as much as 5.75 per cent in the coming year, boosted by significant levels of investment activity and higher export returns.

The housing market is likely to recover, as continued strong population growth places pressure on rents and sees the return of investors. This population growth should buoy consumer spending, too.

It's against this backdrop that Wayne Swan and Christian Porter will deliver the federal and state budgets.

In recent days, Treasurer Swan has revealed that the federal budget on May 10 will emphasize on job creation. Reportedly, half a million new jobs will be found by encouraging the long-term unemployed and people with a disability into the workforce.

The government is right to encourage people to join, or re-join, the workforce.

However, with CCI's research showing that WA alone will need nearly an extra half a million workers by 2020, much more needs to be done.

That should include allowing more overseas workers into WA, encouraging workers to come here from the eastern states, and training or re-training local people.

And we need to lift Australia's productivity, which has flatlined in recent years, and is being made worse by inflexible industrial relations laws that at times seem to fly in the face of the reality of the modern workplace.

On 19 May, Treasurer Porter will hand down his first budget.

Although the local economy remains one of the strongest in Australia, the government has warned that it is not awash with cash.

This puts the Treasurer in a tricky position. On one hand, government needs to carefully manage the State's finances, on the other, it needs to plan for a growing economy and population.

Many of the answers are well within reach.

The Government must put the brakes on excessive rates of spending growth to make room in the budget to ensure that all Western Australians can share in the benefits of the state's prosperity, including improved services and better infrastructure.

Spending restraint will allow much needed tax relief to businesses. Payroll tax and land tax in particular remain a headache for local employers, and should be a priority.

CCI will be hosting both Wayne Swan and Christian Porter, at separate events, following the delivery of their respective Budgets.

It will be a chance to hear at first hand the news that the federal and state Treasurers have for business.