

Extract from Hansard

[ASSEMBLY — Wednesday, 18 September 2013]

p4329b-4342a

Mr Mark McGowan; Mr Ben Wyatt; Mr Colin Barnett; Mr Troy Buswell; Speaker; Mr Paul Papalia; Mrs Michelle Roberts; Mr Brendon Grylls; Ms Rita Saffioti

STATE FINANCES — AAA CREDIT RATING

Standing Orders Suspension — Motion

MR M. McGOWAN (Rockingham — Leader of the Opposition) [12.40 pm] — without notice: I move —

That standing orders be suspended as is necessary to allow consideration of the following motion forthwith, and that the ordinary rules of a matter of public interest debate apply to this debate —

That this house condemns the Barnett government for its disastrous management of the state's finances and for losing the AAA credit rating.

It is an incredibly serious matter that this government has failed to keep the AAA credit rating that this state has enjoyed for more than 20 years. For more than 20 years, this state has had the AAA credit rating during some rocky economic periods and some periods in which the state's revenues were nowhere near as strong as they are today. We think this matter deserves urgent consideration by this house. It is true that every week we suspend standing orders in this house. It is true that every week we seek to ensure that the issues that matter to people in Western Australia are brought on for immediate debate in this house. It is true that the government criticises us for doing that every week, but it is also true that many things are going wrong and that these matters deserve urgent consideration.

Therefore, I seek matter of public interest debate rules for a debate on the loss of the AAA credit rating, as these rules would allow us to conclude this matter of urgency prior to the commencement of question time today. I will seek an assurance across the chamber from the Deputy Premier about whether the government will agree to such an activity, bearing in mind that an absolute majority is needed in the house for such agreement. If we do not have an absolute majority in the house, I will not sit down. If the government does not allow for an absolute majority to be in the house, I will raise in considerable detail why this matter is urgent. Obviously, being the opposition, we cannot ensure an absolute majority is in the house; otherwise, we would not be the opposition. Therefore, we need the support and assistance of the government to allow this to happen. Naturally, we have some members paired. The member for Mandurah is paired for urgent personal circumstances, so we cannot muster all our numbers as well. It appears that we now have an absolute majority, so I seek the Deputy Premier's assurance.

Dr K.D. Hames: Yes, we agree.

Mr M. McGOWAN: I sit on the basis that the government agrees to this.

Question put and passed with an absolute majority.

Motion

MR M. McGOWAN (Rockingham — Leader of the Opposition) [12.44 pm]: I move —

That this house condemns the Barnett government for its disastrous management of the state's finances and for losing the AAA credit rating.

This is an incredibly serious matter and I would have thought that the Premier of the state would come into the house to answer for what has been an extraordinary disaster to befall this state. I am pleased to see that the Premier is now in the chamber.

When this government was first elected five years ago, it inherited the best set of books in Australia. The government inherited a set of finances that was the envy of every other state. The government inherited a set of finances that was the best in living memory. When the former Labor government of Geoff Gallop and Alan Carpenter was elected in 2001, the state's debt levels were around \$5 billion. When we left office in 2008, the state's debt level was down to \$3.6 billion, yet the size of the state's economy and its infrastructure program had increased enormously over the period of that Labor government. What has happened since under the management of this Premier and this government? The state's debt level has gone from \$3.6 billion to \$22 billion today. The state's debt levels are predicted to increase over the forward estimates to \$28 billion and to \$47 billion in the next 10 years. That is on the Liberal and National Parties' watch. That is a fact; that is what the Liberal and National Parties have done to this state. It is an embarrassment that this Premier has driven this state into this condition. It is shameful that the Premier has so badly mishandled the state's finances that this state, the envy of the nation and the world for its economic prowess, has now lost its AAA credit rating. Why is the AAA credit rating important? It is important because it is an outside assessment of the financial management of the state. It is a determinant of investment decisions in Western Australia by international companies and it determines the interest rate that Western Australia pays on our borrowing. When we lose the AAA credit rating, it is a message to international investors that all is not right. I will tell members which other states have a AAA credit rating—it is New South Wales and Victoria, neither of which is blessed with the natural advantages of

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Western Australia and which this Premier and members opposite denigrate as rust belt and backward states. They denigrate those states, yet those states without our natural assets and endowments manage to retain a AAA credit rating. However, this government under this Premier has taken the best set of books probably in the state's history and has converted it into the worst. It is a matter of shame for the Liberal–National government of this state that it has done this. Richard Court restored the AAA credit rating.

Mr C.J. Barnett: From a corrupt Labor government!

Mr M. McGOWAN: He restored the AAA credit rating and —

Several members interjected.

The SPEAKER: Members!

Mr M. McGOWAN: I think there is a very good reason that members opposite now understand why Richard Court was so keen that the member for Cottesloe not become the Leader of the Liberal Party; it was because the member for Cottesloe would badly hurt this state in the way that he has. The loss of the AAA credit rating by this government, after it was retained in eight years of Labor government and by Richard Court's government, and after the best set of books in the state's history, is shameful. Members opposite should all be ashamed because they have allowed the Premier to do it. Members opposite in the Liberal party room have allowed this Premier to do it. Members opposite sat in cabinet and in the party room and allowed time and again for this Premier to act in the way he has to blow out the state's debt. They have not stood up and shown any intestinal fortitude to protect this state from the ravages of this Premier.

Several members interjected.

The SPEAKER: Member for Wanneroo!

Mr M. McGOWAN: Members opposite have not shown any intestinal fortitude to protect this state!

Several members interjected.

The SPEAKER: I ask members to hear the Leader of the Opposition in silence.

Mr M. McGOWAN: I want to read out what Standard and Poor's said today. Bear in mind that this is after the Treasurer of Western Australia flew across the country to see Standard and Poor's to plead the state's case and say, "All is well; we can manage the show." I expect that when the people at Standard and Poor's met the Treasurer, they realised all is not well in Western Australia. No doubt he went over there and cracked a few gags, thinking that it works over there in Western Australia so naturally it is going to work over here with Standard and Poor's; unfortunately those gags did not work. Standard and Poor's saw the Premier as a risk to the state and the Treasurer's mercy dash to see them in the eastern states did not work. I will read what Standard and Poor's said today about this government —

It has lowered its long-term issuer credit rating on the Australian State of Western Australia to 'AA+' from 'AAA'.

The Fiscal Action Plan announced in WA's fiscal 2014 budget (the year to June 30, 2014) improves the state's path, in our view there is likely to be slippage, reflecting our view of limited political will, as evidenced by the early revision of some budget revenue and expenditure measures.

Let us look at these revisions. What is Standard and Poor's saying? It is saying that the Premier announced the fiscal action plan in the budget to much fanfare, and then four days later he rolled back the solar rebate scheme, and yesterday he rolled back the 457 visa charge on families with children in schools in Western Australia. Standard and Poor's is saying that what the Premier says in his own budget cannot be believed. Both the solar rebate contract breaking episode and the imposition of charges on families who send their children to state schools in Western Australia were shocking measures. Anyone with a modicum of sense would know that they could not persist with them. One, breaking contracts; two, misestimating the number of students in schools in Western Australia by more than half; and, three, charging kids to go to school after they have already been invited to come to the state—anyone would have known that those measures would not stand. By putting those things in the budget, and then revoking them, the Premier has sent a message to Standard and Poor's and all the people who judge Western Australia that he does not know how to run the place. That is the message he sent. The Premier would have been better off not putting them in the budget in the first place. Then at least he would not have rolled back measures that were obviously stupid and would not have sent the message that Standard and Poor's has writ large—that the Premier cannot run the state's finances. After five years and the best Treasurer in memory, Eric Ripper, the Premier has converted the state's finances into a laughing stock.

Several members interjected.

The SPEAKER: Members!

Mr M. McGOWAN: That is what the Premier has done. Virtually every day, we on this side of the house come in here and suspend standing orders because there is chaos, division and maladministration in Western Australia. The government gives us so many examples to raise in this house. It is sad for Western Australia that it has a government that is acting in this way. I expect that *The Australian* will finally wonder what the hell is going on over there in Western Australia—from inheriting the best set of books in history to going to the worst with a 700 per cent increase in debt in five years.

Several members interjected.

The SPEAKER: Members! Premier!

Mr M. McGOWAN: Debt is predicted to grow massively in the coming years. What happened during the state election campaign? I announced more than \$3 billion in cuts because we had the fortitude to be honest with the people of Western Australia before the election. What did members of this government do? They said that it will all be okay and that we do not need to make cuts so do not worry about it—everything is affordable. That was clearly dishonest. In the week prior to the state election, the Labor Party said that this Premier will privatise. The Premier said that that would happen under no circumstances, yet there he was out there this morning saying that we have to engage in asset sales. It is untruth after untruth and dishonesty after dishonesty. That is what has gone on and that is what has caused this disaster for the state's finances. It is embarrassing for this state. When I was a minister, I used to go to meetings with eastern states people —

Mr C.J. Barnett: That was a long time ago.

Mr M. McGOWAN: That is true; it was a long time ago—and your time is up! As ministers opposite and former ministers would know, in those meetings people say, “My goodness, you are lucky over there in Western Australia. Look how successful that state is with the huge increase in mining royalties and the massive increase in payroll tax.” It made us think that we are a lucky state. But our luck has run out under this Premier because he cannot manage the state's finances. On the Premier's watch, we have had a massive increase in payroll tax receipts, a huge increase in royalty receipts, an increase in land tax and stamp duty on a number of occasions, and massive increases in cost-of-living pressures on ordinary families. What is the dividend that those families get for those tax increases? For those tax increases, payroll tax increases, royalty increases and electricity charge increases, they get this government's loss of the AAA credit rating. There has not been an economic crisis in Western Australia. I quote the Premier on these issues in August 2006 —

Retaining a AAA credit rating is only a good achievement in tough economic times, or when dealing with a tough legacy.

We had good economic times and the Premier had a great legacy.

Mr C.J. Barnett: The global financial crisis.

Mr M. McGOWAN: Unlike other states and other countries, the global financial crisis in this state was barely a hiccup—and the Premier knows it. There was massive expansion of iron ore exports and massive growth in the state's economy through that entire period. In any event, that was five years ago! It caused barely a blip on this state's radar. We were the luckiest place in the world during that period, and we have a Premier who says —

Retaining a AAA credit rating is only a good achievement in tough economic times, or when dealing with a tough legacy.

The Premier has not only lost the AAA credit rating, he lost it in good economic times. That makes him an incredibly poor financial manager and everyone in the state knows that. The Premier's backbenchers and party members must be shocked by what he has managed to achieve—losing the AAA credit rating—in some of the best economic times that this state has ever seen. At a time when the state has been successful in its exports and everything else, the Premier has lost the AAA credit rating, which will cause massive increases in interest payments. All his efforts and excuses amount to nought because for five years he has not managed this state properly. Members of the government's party room and cabinet need to take a good look at themselves. Those opposite have allowed this man to get away with these things. Those opposite have allowed him to cause Western Australia this strife. They have not stood up. They can sit there thinking that this is all political—it is not. This is Standard and Poor's, which is hardly a left-wing organisation. It lauded Eric Ripper and the Gallop and Carpenter governments, and now it says that those opposite are a financial disaster, because they are.

MR B.S. WYATT (Victoria Park) [1.00 pm]: Standard and Poor's has belled the cat on the financial mismanagement of the Barnett government. The member for Hillarys picked up on this just a few weeks ago. The opposition has been saying for a number of years that the state's AAA rating was under threat. The Premier

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and Treasurer said, “No, no!” Standard and Poor’s has looked into the whites of the Treasurer’s eyes and has delivered its verdict. It is not a good outcome for Western Australia. Standard and Poor’s not only referred to the government’s limited political will, as evidenced over the last few weeks, but also made this point —

The ratings are constrained by our view of moderate budget flexibility and budgetary performance. WA’s debt burden is now at the high end of the domestic peer group, and in our view is likely to continue rising.

Every single time the opposition raised this issue, the Premier got up and said the government was building this and doing that. Ultimately, there had to be a consequence. That has happened today. The reality is that at no point since the member for Cottesloe became Premier has there been a consistent, rigorous process around the spending of public money. That is the reality. We have seen the Economic and Expenditure Reform Committee relegated from its position. We have heard the Treasurer say that the government was committed to the solar feed-in tariff, but five minutes later that had gone! The Premier is not interested in the EERC process; it has gone! That is why Standard and Poor’s has doubts about the Premier’s political will. In September 2010, the Premier said that he had put a \$20 billion cap on public debt—I made this comment to the Treasurer the other day—but he did nothing to enforce that cap. Now, we see a headline that reads “Buswell puts no limit on State debt”. Let us not forget that since the Premier said there was a \$20 billion cap on state debt and today, we have received an extra \$6.5 billion in revenue that is above and beyond what the Premier thought he would have when he made that commitment. That is the financial reality. This is not an issue arising from the global financial crisis and the state’s finances being in a budgetary emergency. On 30 June 2008, the end of the 2007–08 financial year, the revenue of Western Australia was \$19 billion. At the end of this financial year, the revenue of the state was \$28 billion, including an 8.9 per cent increase in this financial year alone. We have not had a budgetary crisis. When the Premier gets up and complains about the GST, he does not mention that the GST has always come in exactly as budgeted. There has been no GST shock! When I complain that ever-increasing amounts of the net debt are being held in the general government sector, the Premier says that the government is building schools and hospitals. The reality is that the Labor government left this government with a set of books in which it had funded the non-revenue generating assets out of surpluses. We applied a level of spending that has always been lower than the average this government has maintained, at 10 per cent. I will quote what the Premier said back in 1991. I like this quote! It reads —

... we need a change in policy in the way in which we operate our State Budget. We need to shift the financing of non-income generating assets away from debt finance into finance from current revenues. That is the socially responsible thing to do, it is the economically responsible thing to do ...

The Premier knew that back then, but that was the opposition member for Cottesloe. We have seen the damage that government member for Cottesloe has caused. That is the reality, but no member opposite seems to get that. When the government builds non-income generating assets, it adds to operating costs. Governments can do that over a period of time. But, now, Standard and Poor’s has said that has to stop. The government can keep doing it, but it will pay more for its debt. How much more? It will pay \$21 million a year more on current debt levels. We asked the Treasurer about this in the estimates hearing just the other week. He said that it will cost an extra \$21 million a year as of now—let alone the upward trajectory of debt that Standard and Poor’s noted in its downgrade today. There is a consequence when the Premier gets up and says, “Don’t worry about the forward estimates!” If the Premier is not worried about where the state’s finances are going; ultimately, this is where we end up. That is the reality of having a Premier with no interest in the forward estimates. That is why John Langouant pinged him back in 1998 for what he was—a guy with no interest in the state’s finances.

The Premier has lurched from method to method and story to story. In last year’s budget, Christian Porter said that net debt was peaking. He underlined “peaking”! Members can have a look, as it is still on the Treasury website with “peaking” underlined. Christian Porter then said that net debt would start to decline. That was just a year ago. Now we read the headline, “Buswell puts no limit on State debt”. That has occurred in one year! There are consequences for this sort of lurching, chaotic financial management. This is the consequence: Standard and Poor’s says that in the next two years the government has no hope of getting its AAA rating back. The Premier’s wages policy failed in its first term. The nurses’ enterprise bargaining agreement that was struck by the Liberal Party in the election campaign was free from any involvement of Treasury and free from any involvement of the then so-called wages policy. It is no wonder now, when Standard and Poor’s looks at the fiscal action plan, it says, “Hang on a minute!” The Treasurer is now saying the fiscal action plan is dependent on wages increasing at the rate of the consumer price index. I do not think so!

Let us look at the government’s form in its first term. The government lost the state’s AAA credit rating because of the chaotic management of the Premier and the Treasurer. The Treasurer gets up and talks a good game, but his delivery has been abominable. Ultimately, it is the taxpayers of Western Australia who will have to face the consequences of this. The Labor opposition picked it during the election campaign. We said the government

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could not keep on this path if it was committed to maintaining the AAA rating. The opposition identified savings. The Premier said at the time, “The Labor Party had gone nuts! We’ll just keep borrowing.” The Labor Party knew there was a problem. The Premier sure as hell knew it! I am sure that Standard and Poor’s knew it when it saw that the assumption about all those election commitments was they would be paid for by the commonwealth government. Then, when that changed, did the government say that those assumptions, which it said were fully funded, were a lie and it would have to revisit them? No! The government put no limit on state debt. What does the Treasurer say when we ask why the budget has fundamentally changed from Christian Porter’s budget in which he said that net debt was peaking? The Treasurer said it was because the community wanted the government to do this. The community also wanted the government to tell the truth when it said that all its election promises were fully funded and fully costed and would impact net debt by only \$1.2 billion. The community expected that to be the truth. The Premier has not dealt with the lie he sold to the people of Western Australia. Standard and Poor’s has delivered the present! The state lacks a coordinated EERC process. The member for Cottesloe is at the centre of the government’s financial management and he is causing the state significant trouble.

Before I conclude, I want to reflect on one other point that no doubt will get some attention over the next little while. When the Western Australian Future Fund was brought into this place, I was heavily critical of it because the government will borrow money at one rate of interest to stick into an account at a lower rate of interest. That has been highlighted by the average interest rate of return by WA Treasury Corporation. Guess what, members? The government is now paying more for the money it borrows to put into that account. That is what the government is doing. The future fund, which was already a bad financial outcome for the people of WA, has just gotten worse. That is what government members have done. I warned members opposite at the time that if the government lost the state’s AAA rating, this situation would get worse. That is what has happened. This is a serious issue, members. I know the Treasurer and the Premier will get up and say that it is not that big a deal and \$21 million a year is a tiny percentage of total state revenue and it does not matter because the government is building for the future. The Premier was right back in 1991 when he was in opposition. Unfortunately, the standards he has applied to himself since he got into the seat of power have not once matched what he said when he sat on this side of the house. As I said, the Treasurer flew over to Standard and Poor’s to outline the fiscal action plan. That plan crumbled immediately. Who would have thought that as a component of the fiscal action plan there would be something that was probably illegal, because the Minister for Energy did not do his work to check whether we could actually cut the solar feed-in tariff? That is what government members applauded on budget day. This guy will get up now and talk about what a wonderful financial manager he is. What is left for government members and the people of Western Australia is an awful financial legacy. Government members inherit that and carry it forward. It is now up to them to do something about it. At no point in five years has this Premier met any of the fiscal standards he has set himself. No standard has been met in the forward estimates. There is \$20 billion debt—it is all gone. It is up to members of the Liberal Party to stand up to the Premier because in three years things will be a lot worse.

MR C.J. BARNETT (Cottesloe — Premier) [1.11 pm]: Today’s announcement by Standard and Poor’s to lower the credit rating of Western Australia from AAA to AA+ is a blow to the state. There is no doubt about that.

Ms M.M. Quirk: A lack of political will.

The SPEAKER: I warn the member for Girrawheen now that she is not obliged to talk every time another member talks. This has been a good debate so far.

Mr C.J. BARNETT: The fact remains that Western Australia has the strongest economy of any Australian state, that income levels in this state are the highest of any Australian state by a large margin, that this state dominates all Australian exports—nearly half of all Australian exports—and that the majority, a disproportionately high share, of business investment, about 30 per cent of national investment, is in this state. Western Australia is leading Australia on all of those economic indicators and will continue to do so. That is a fact.

It is disappointing that the AAA credit rating has been downgraded from the highest to the second highest level, and the government will react to that, but it is not entirely surprising. I agree with members opposite, it is not surprising. However, what Standard and Poor’s said is correct. Its financial analysis is fundamentally correct and is exactly in line with what the Treasurer and I have been saying for the past two years. There are three substantive points that Standard and Poor’s makes, and each of them is correct.

The first point Standard and Poor’s makes is that Western Australia has population growth. Western Australia has the highest population growth in Australia. Over a thousand people a week are coming to Western Australia. Why are they coming? They are coming because economic opportunities are so good in this state compared with those in other states, and because of our education, health care, quality of life, environment, and the revitalisation

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of the city of Perth—all those factors. People are coming here from interstate and overseas because it is the best economy and is arguably the best place in Australia to live. Point number one of Standard and Poor's is high population growth.

Mr M. McGowan: It's not in their release.

Mr C.J. BARNETT: It talks about population growth.

The second point relates to fiscal arrangements within Australia, which the opposition dismisses and walks away from. If Western Australia were getting its pro rata share of GST, the government would be receiving an additional \$3 billion a year, which the opposition does not fight for.

Mr B.S. Wyatt: When is it coming?

Mr C.J. BARNETT: When the Labor Party was in government it got a fair share of GST. This government now gets 45c in the dollar, and it could get 7c in the dollar. Without doubt, the biggest impact on the state's finances is the way in which Canberra —

Mr M. McGowan: Tony Abbott.

Mr C.J. BARNETT: I do not care who is Prime Minister, the loss of GST is the biggest financial impact on Western Australia. The Labor Party does not care about it; it does not fight for it—it never did and it never will.

The third point in the Standard and Poor's release is that because of declining GST, a rising population and, therefore, increasing demand and dependence on mining royalties, Western Australia's financial position is volatile. Mineral prices and mineral demands go up and down with world cycles. Population growth, more expenditure on schools and hospitals, declining GST, loss of a stable revenue base compared with every other Australian state, and increasing reliance on increasingly volatile and unreliable mining royalties are the realities, and in that regard Standard and Poor's is 100 per cent right. They are the problems that the Western Australian government faces. Whoever is in power in Western Australia faces those three problems. We could change sides tomorrow and the Labor Party would face exactly the same problems—falling GST, ever-increasing dependence on mining royalties and a rapidly rising population without the funds to run schools and hospitals to cope with that growth. They are the fundamentals no matter who is in power in Western Australia.

If the Labor Party wants to make one substantive accusation—its accusations are the usual garbage it carries on with—it can make one.

Mr M. McGowan interjected.

Mr C.J. BARNETT: It is always personal, because that is all the opposition can do. If opposition members want to make a substantive accusation against me or this government, they can say that perhaps we tried to do too much too quickly, and perhaps we did.

Ms R. Saffioti: We did.

Mr C.J. BARNETT: I concede that. We have grasped the one-in-one-hundred-year opportunity to build this state, to revitalise the city of Perth, to rebuild the public hospital system, to build a new children's hospital, and, in regional areas, develop the Ord River scheme and the Pilbara Cities scheme. The challenge now, which the opposition has banged on about quite rightly, is to invest in roads and the public transport system for a rapidly growing population. I do not apologise for that. My interpretation of Standard and Poor's decision is that we have tried to do too much too quickly, and maybe we need to slow down, and we will. The test will be how the Treasurer and I will react to the Standard and Poor's rating.

Ms M.M. Quirk: A lack of political will.

The SPEAKER: I call the member for Girrawheen to order for the first time. We are having a very good debate, so can it please continue.

Mr C.J. BARNETT: As of 30 June, state debt was \$18.5 billion. I happen to think that is manageable. Given the projections of a further decline in the share of GST, an actual drop this year of \$400 million, which the opposition laughs about, but it should care about —

Mr B.S. Wyatt: What are you going to do about it?

Mr C.J. BARNETT: The opposition should actually care about Western Australia. This year the GST fell by \$400 million. Every other state got GST increases; we got a \$400 million cut.

Mr M. McGowan: Why did you sign that deal?

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Mr C.J. BARNETT: I did not sign it.

Mr B.S. Wyatt: Yes, you did.

The SPEAKER: I call the Member for Victoria Park to order for the first time. I really do not want to be popping up and down; I would rather hear the debate.

Mr C.J. BARNETT: I think people will continue to come to this state for lifestyle, employment and economic opportunities. We will continue to grow our resources industry and probably become more dependent on mining royalties. There is volatility and there are risks that did not exist even at the time of the previous government. No other state in Australian history has seen a loss of GST to this extent.

Mr B.S. Wyatt: And an increase in royalties.

The SPEAKER: Member for Victoria Park.

Mr C.J. BARNETT: No other state in Australian history has led Australian exports like Western Australia and no other state in Australian post-war history has had the economic and population growth of Western Australia. I happen to be proud of that. There is every reason to be proud of it, but it does bring with it some financial management risks, and Standard and Poor's has highlighted that.

The Labor Party opposition will not be up for this, but the government is going to react to this. I will tell the house what will happen. We will have significant expenditure cuts right across government, in every area, and we will do it in a way that will not impact on services. The Labor Party will not be up for it. It will criticise every measure.

Mr B.S. Wyatt: You can't do that.

The SPEAKER: I call the member for Victoria Park to order for the second time. The idea is not to drown people out.

Mr B.S. Wyatt: Your fiscal action plan is —

The SPEAKER: I call the member for Victoria Park to order for the third time.

Mr C.J. BARNETT: There will be expenditure cuts, savings—whatever we call them—across all areas of government. Will the Labor Party support that? No, it will not. The opposition calls for fiscal responsibility. It should get ready because there will be a fair dose of that, and I apologise to the people of Western Australia for that. We are going to contain debt and adjust expenditure to match our limited financial grants, especially the GST. The reality will be that the money flow across the Nullarbor to Canberra will be less than Canberra thought. The other thing that will happen is that we will have some asset sales. Will the opposition back those? No, it will not. There will be some asset sales —

Several members interjected.

The SPEAKER: I call the member for Warnbro to order for the first time.

Mr C.J. BARNETT: Debt is \$18.5 billion and we need to contain it—everyone is conscious of that.

Several members interjected.

Mr C.J. BARNETT: There will be across the board —

The SPEAKER: Member for Cockburn!

Mr C.J. BARNETT: There will be asset sales. The most immediate and direct way of reducing debt is to sell something or several things. There will be a program of asset sales introduced very quickly. I want to reassure the public that there will not be asset sales that impact on services to the public, or that directly impact on the public. These will be carefully thought through before being implemented. Today, the opposition carries on about debt, and it has a point, but when it comes to the hard work of reducing debt by asset sales, the opposition is not up for it. The Leader of the Opposition will not be up to it.

Ms R. Saffioti interjected.

The SPEAKER: I call the member for West Swan to order for the first time.

Mr C.J. BARNETT: I conclude.

Mr M. McGowan interjected.

The SPEAKER: Leader of the Opposition!

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Mr C.J. BARNETT: Mr Speaker, I conclude. There are three fundamental problems: rising population, absolute falls in GST, and a heavy reliance on a volatile minerals royalties revenue.

Several members interjected.

Mr C.J. BARNETT: The response—three basic problems; maybe a political criticism that we tried to do too much, but we are committed to building this state, just as previous Liberal governments have done. There are two solutions that are about to happen; one is cuts to government programs, and the other is asset sales. I bet the opposition will not be up to it.

MR T.R. BUSWELL (Vasse — Treasurer) [1.21 pm]: It would appear that every cloud brings with it a silver lining. I think the silver lining out of this —

Mrs M.H. Roberts: Certainly not you!

Mr T.R. BUSWELL: It is certainly not the member for Midland either.

I think the one message out of this for government and the community more broadly is that we have to do more to live within our means. I will talk about that —

Several members interjected.

The SPEAKER: Members!

Mr P. Papalia: Is this part of a comedy routine?

Mr T.R. BUSWELL: The member for Warnbro was in here last night begging me to build a train station in his electorate. Today, he has the gall to come in here and criticise me for borrowing too much money! The member for Warnbro has no idea!

Several members interjected.

The SPEAKER: Members!

Withdrawal of Remark

Mr C.J. BARNETT: The member for Warnbro said to the Treasurer, “You lied.” I would ask that he withdraw that comment.

Mr P.B. Watson interjected.

The SPEAKER: Member for Warnbro, withdraw the comment.

Mr P. PAPALIA: I withdraw.

The SPEAKER: A withdrawal of remark is to be taken in silence. I call the member for Albany to order for the first time. This debate started off in a reasonable manner and it is deteriorating.

Debate Resumed

Mr T.R. BUSWELL: I will just read one sentence from the Standard and Poor’s press release that came out today —

Overall, our view of financial management is positive. However we consider that WA’s financial management is more aggressive than domestic peers ...

That is a fact—the government’s approach to financial management in the current climate “is more aggressive than domestic peers, and also more challenging.” These are the facts —

Overall, our view of financial management is positive. However we consider that WA’s financial management is more aggressive than domestic peers ...

That is the circumstance that we find ourselves in; managing the state’s finances well, but managing them aggressively. The government makes no apology for managing them aggressively. The message to take from what Standard and Poor’s has told us today is that we have to do more. We simply have to do more in this place to protect the long-term sustainability of the state’s finances.

For my sins in life, as many as some claim there are, I have spent a long time in this chamber in the last few weeks listening to the budget reply speeches made by members opposite. I listened to the budget reply speeches and the third reading responses to the budget bills, which have dragged on for some time, and all I heard in every single one of those speeches was arguments that could be summarised as: debt is too high and spending is too low in the areas that are of interest to me. They oppose any effort to reduce spending and direct revenue measures, no more so than the Leader of the Opposition —

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Mr W.J. Johnston interjected.

The SPEAKER: Member for Cannington!

Mr T.R. BUSWELL: — who has no financial plan for the long —

Several members interjected.

The SPEAKER: I call to order for the first time the member for Cannington. The member for Bassendean will be next.

Mr T.R. BUSWELL: In my view, the quality of that debate has effectively dealt the opposition out of meaningful discussion on what Standard and Poor's is talking about. They have no credibility!

Several members interjected.

Mr T.R. BUSWELL: No credibility whatsoever! None more so than the member for Warnbro; there he goes again. He was on his knees last night saying, "Build me my train station."

Mr P. Papalia interjected.

Mr T.R. BUSWELL: "Build me my train station." But debt is too high. He is symptomatic of the totality of the problem that sits opposite us.

Several members interjected.

Mr T.R. BUSWELL: That is why the opposition will go out of the debate. They might as well all leave the chamber.

Several members interjected.

The SPEAKER: I call to order the member for Cannington for the second time. The aim is to have a debate, not for members to drown the other members out.

Mr T.R. BUSWELL: There is a classic example of this lack of responsibility that will occur in this state on Thursday. The government has introduced reforms to deliver efficiency in the state's education system—the kind of reform that Standard and Poor's, in this document, demanded of the state government of Western Australia. Who in this place opposes these reforms? The opposition, every single member! Who in this place —

Several members interjected.

The SPEAKER: The member for Armadale can ask to speak but cannot drown out the Treasurer. I call him to order for the first time.

Mr T.R. BUSWELL: Who in this place stood up and encouraged the teachers to go on strike? The Leader of the Opposition said he supported it—a very small piece of reform opposed by the opposition. If I went back to 2008 and looked at every single line item of saving that this government has introduced—there has been billions and billions of dollars of them—every single one of those was opposed by members opposite, and yet they come in here and claim the high ground when it comes to financial responsibility. The opposition's credibility is at zero! It is at zero!

Several members interjected.

Mr T.R. BUSWELL: It is at zero, and it is heading south! Every single component of spending control that this government has introduced has been opposed. The opposition predicted riots in the streets and disorder the length and breadth of the state when we introduced efficiencies in police. It did not happen. Mild efficiencies in education, the number of kids that will not get educated in the schools —

Mr M. McGowan interjected.

The SPEAKER: Leader of the Opposition!

Mr T.R. BUSWELL: I want to reflect on another comment made by Standard and Poor's, and in doing so I will reflect on the performance of the opposition. Standard and Poor's is effectively saying that there are some structural issues. I will deal with those in a second. Standard and Poor's use the term "budgetary flexibility", and say that in order to respond to structural problems, budget flexibility needs to be embraced. In our view, WA has the potential for further budgetary flexibility —

Mrs M.H. Roberts: Would you take responsibility?

Mr T.R. BUSWELL: Just listen, member for Midland.

Mrs M.H. Roberts: Do you take responsibility?

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The SPEAKER: Member for Midland!

Mr T.R. BUSWELL: In our view, WA has the potential for further budgetary flexibility through either—there are three things—expenditure measures, revenue measures or asset sales. This government has been embracing expenditure measures, reluctantly revenue measures and we will embrace asset sales, in principle. What is the view of the opposition in relation to each of those three elements of budgetary flexibility? The solution suggested by Standard and Poor’s has three ingredients—expenditure, revenue and asset sales—and the opposition supports none of them. Several members interjected.

The SPEAKER: Member for Cockburn, I call you to order for the first time.

Mr T.R. BUSWELL: They then come in here and say they did a great job in the election campaign with the finances. Members opposite had one of their commitments costed. It was called Metronet—that word that shall not be spoken! They promised that would cost \$3.8 million. The cost was \$5.2 million. Members opposite came in here and said they had billions of dollars of savings. They reckoned they could build a new stadium at Subiaco for hundreds of millions of dollars cheaper than we could. Rubbish! They claimed savings from Roe Highway, when there is no money in the budget for it! Rubbish! That argument was fraudulent. The people of Western Australia saw that it was fraudulent. Members opposite have no credibility on that matter, and that is one of the reasons they lost the election.

Mr M. McGowan interjected.

The SPEAKER: Leader of the Opposition!

Mr T.R. BUSWELL: Members opposite claimed a saving from a project that had zero money in the budget. It is very hard to claim a saving from that.

Mr W.J. Johnston interjected.

The SPEAKER: Member for Cannington, I call you for the third time.

Mr T.R. BUSWELL: I want to close —

Mr D.J. Kelly: By saying sorry!

The SPEAKER: Member for Bassendean, I call you to order for the first time.

Mr T.R. BUSWELL: The member for Bassendean was in here last night, begging us to do some upgrades on Tonkin Highway. That is another example of wanting to have his cake and eat it too.

Point of Order

Mrs M.H. ROBERTS: Mr Speaker, the Treasurer has been pointing to opposition comments and policies and whatever. This motion is very clear. It says that this house condemns the Barnett government for its disastrous management of the state’s finances and for losing the AAA credit rating. Surely the Treasurer’s argument should be about whether his own government’s management has been disastrous or not. I have not heard much from the Treasurer in actually trying to justify his government’s record and saying it is not disastrous. He is spending all his time attacking the opposition for an assortment of comments. He is not addressing the motion before the house. The motion before the house is about the government’s management of the state’s finances, not what various members of the opposition might say they do or do not support as a particular priority.

The SPEAKER: Member for Midland, I take it that the Treasurer is defending the government’s position. Treasurer, carry on.

Mr C.J. Barnett: Precious!

Mrs M.H. Roberts: It is about you and your government’s failings! That is what it is about! We are not the government. You are! Take responsibility!

The SPEAKER: Member for Midland, I call you to order for the first time. Treasurer, continue.

Debate Resumed

Mr T.R. BUSWELL: I will read this again: “Overall, in our view the financial management is positive”. I did not write that. Standard and Poor’s wrote that. Let me just explain what Standard and Poor’s has said today. Standard and Poor’s has reiterated and confirmed observations that it made last year, I think in October, when it basically said there are some significant structural issues that we need to address in Western Australia. Those structural issues are the rate of expenditure growth relative to the rate of revenue growth; the level of debt; the inherent volatility in our revenue flows; and the pressures that population growth is bringing to this state. In many ways, those issues are obvious; they are difficult, and they are part of the structural challenge. Standard

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and Poor's has said repeatedly—I touched on it then—that the solution is what it terms “budget flexibility”. Budget flexibility has only three ingredients: expense control, revenue measures, and asset sales. None of those ingredients, as we now clearly know, is supported by the opposition.

Mr M. McGowan: We brought them out the week before the election!

Mr T.R. BUSWELL: No! They were not supported by the Leader of the Opposition. The Leader of the Opposition is a great financial Luddite. He does not want any change. He does not want any reform. He has no ticker. He is happy to go out there and have his union mates clap their hands for him. He is not happy to make the hard decisions, though. He is not happy, and he has no capacity —

Mr M. McGowan: Will you apologise?

The SPEAKER: Leader of the Opposition, I call you to order for the first time.

Mr T.R. BUSWELL: The Leader of the Opposition is happy to bark from the cheap seats and happy to take the cheap claps—happy, happy, happy!

Several members interjected.

The SPEAKER: Members!

Mr T.R. BUSWELL: The issue is budget flexibility. I think it would also be fair to say that Standard and Poor's has acknowledged that the government has responded in the way in which we have framed the budget around the fiscal action plan. Standard and Poor's rightly says that there are significant difficulties and challenges in implementing the fiscal action plan—and, guess what? Standard and Poor's is absolutely right. We have had difficulties with the initial components of that plan. There is no doubt about that. There is a clear message to government in what Standard and Poor's is saying. That message is: do what you are doing, and do it better. I accept that. That is a challenge. There is also a message to the community. That message is: you cannot continue to consume government goods and services of the quality and rate that you have been consuming, because in the long run it is unsustainable. There is a message in that for the teachers who want to go on strike on Thursday. That message is: forget about it. There is also a message in that for the police who want to negotiate their enterprise bargaining agreement in the middle of next year. That message is: forget about where you think you are going to land, because we cannot afford to do it. These are hard times in managing these aspects.

Several members interjected.

The SPEAKER: Members!

Mr T.R. BUSWELL: I have heard again the barking from the cheap seats!

I will close with this observation. If we think that an appropriate debate around issues like the feed-in tariff, 457 visas and reform of education is tough, the tough measures are yet to come. Those measures are public sector workforce reform, program rationalisation, asset sales, and outsourcing.

Several members interjected.

The SPEAKER: Member for Bassendean, I call you to order for the second time. Member for Victoria Park, I remind you that you are on three calls.

Mr T.R. BUSWELL: These are the challenges. We will have to work hard to push through those challenges. But it is important that we do that. We know it is important, and Standard and Poor's knows it is important.

MR B.J. GRYLLS (Pilbara — Minister for Regional Development) [1.37 pm]: I also want to speak on this motion.

Mr F.M. Logan interjected.

The SPEAKER: Member for Cockburn! I call you to order for the second time.

Mr B.J. GRYLLS: An amount of \$6.8 billion was the decision that the Liberal–National government made in this year's budget to begin to address the problems that Standard and Poor's has made a decision about today.

Several members interjected.

The SPEAKER: Member for Armadale, I call you to order for the second time. Member for Girrawheen, I call you to order for the second time.

Mr B.J. GRYLLS: Thank you, Mr Speaker. The Liberal–National government recognises that there are challenges into the future with the state's finances, and we have already started to make the decisions to address

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that, with \$6.8 billion in this year's budget. It is unfortunate that we cannot bank the hypocrisy that is coming from the opposition benches, because, if we could bank that hypocrisy, we would be much further in front.

Mr P.B. Watson interjected.

The SPEAKER: Member for Albany, I call you to order for the second time.

Mr B.J. GRYLLS: I do not resile for one moment from the decisions that the Liberal–National government has made to set Western Australia up for the next 20, 50 and 100 years.

This was a moment in time for Western Australia to grow and to prosper into the future and the Liberal–National government has taken that moment in time. We have invested in the city; we have invested in the regions; we have invested in the growth infrastructure for the state, and the people will follow. People have come to Western Australia. The eastern states are talking about Western Australia. We have made a new political agenda for this state. I can compare that with when I first came to this Parliament. When I first came to this Parliament—when Western Australia was “that little state over there”—they did not do much, the economy was weak, and we could walk down St Georges Terrace and not see anybody!

However, in the past five years this state has been transformed. We have transformed the CBD; we have transformed the suburbs; we are transforming regional Western Australia; and every single one of those decisions was the right one and every single one of those decisions opposition members did not oppose. They are out there saying, “Do more! Do more to develop the city! Do more to develop the suburbs! Do more to develop the regions!” But what Standard and Poor's has said today is that we now have to concentrate on bringing the state's finances back to a more sustainable level; that is what the government is doing. The opposition wants more investment in the city, more investment in the suburbs, and more investment in the regions, but then when the government makes the decisions about making some savings across the budget, namely, \$6.8 billion in this year's budget across the forward estimates—more tough decisions to come—the opposition opposes every one of them. If opposition members want to participate in the debate about a growing Western Australia, they have to do a very different job from the one they have done today. They oppose every savings measure, they support more and more expenditure, they do not support the retail approach in the way we do business, and that is why its members are sitting in opposition!

Several members interjected.

Mr B.J. GRYLLS: That is why they are sitting in opposition! The Liberal–National government, off the back of a very clear message that has now come from Standard and Poor's —

Several members interjected.

The SPEAKER: Member for Albany, I call you to order for the third time. Member for Armadale, I call you to order for the third time as well.

Mr B.J. GRYLLS: Members of the Liberal–National government will now get on with the job again. We will take this message from Standard and Poor's, we will respond to this message from Standard and Poor's, and we will make sure that we return the state back to the sound financial footing that we need. We will make sure that we do that. But we would have missed a unique opportunity in Western Australia's history if the government had not made the decisions it made, because when I was elected and started travelling around regional Western Australia, there was no future; no hope; and no investment and that is what the Labor opposition presided over! We could walk down St Georges Terrace and we would not see anyone. When walking down St Georges Terrace now, it is the envy of the nation! Visitors from the eastern states come to Western Australia and go —

Several members interjected.

The SPEAKER: Member for Maylands, I call you to order for the first time.

Mr B.J. GRYLLS: We have made those decisions; they were the right decisions. I will defend those decisions every single moment of my political time. We now need to move into the phase of looking at the state's finances into the future, stabilising the state's finances, bringing the debt levels down, managing the recurrent expenditure and that is exactly what we are doing. There will be some tough decisions and the members sitting opposite will oppose every single one of them! As the Treasurer said —

Several members interjected.

Mr B.J. GRYLLS: I will use an example from the farm. There is a moment in time in one's life on the farm when there is an opportunity to buy the neighbour's farm to grow and prosper. When that decision is made to buy the neighbour's farm, there is a need to invest a lot more money than can probably be afforded at the time. After the farm is bought, there is a need to work hard, batten down the hatches and start to pay it off. That is

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exactly what the government will do now! Members of the opposition, in their cold and timid political life, would not do any of that! They would not do any of that investment because that is the legacy that they left. The legacy that they left was no legacy! There was nothing to look at in regional WA!

Several members interjected.

The SPEAKER: Member for Wanneroo!

Mr B.J. GRYLLS: There was nothing to look at in metropolitan Perth! The nation had not turned its attention to Western Australia. We have now done that. There are now some tough decisions to be made and I and my National colleagues will be part of that. This Liberal–National government will get that AAA credit rating back and this period will be remembered as an important and historic time of growth for our state. The only party of government that could do that is the Liberal–National alliance. The only party in government that will make those decisions to grow the state is the Liberal–National alliance because opposition members had their chance and did not do it. They sit there and harp and pine; they had their chance but did not do it. That is why the people of Western Australia chose the Liberal–National government in 2008; that is why the people of Western Australia chose the Liberal–National government in 2013. That is why we are rebuilding the state and that is why we will take this message from Standard and Poor’s and return the state’s finances to a sustainable footing into the future.

MS R. SAFFIOTI (West Swan) [1.45 pm]: We just saw the reason we lost the AAA rating. The Premier, who does not believe in forward estimates, does not care about the finances of the state, and the Treasurer, who spends his time mocking everybody else and not doing the hard work of actually managing the finances. Can we believe that he flew over to Standard and Poor’s—what was he doing? Telling gags? Having a go about the member for Warnbro! He does not understand the finances and has not managed them. I turn to the leader of the National Party. It is the first time I have ever heard him talk about a credit rating in how many years he has been in Parliament. They are the three reasons we have lost the AAA rating. The performance has been disgraceful. Government members have not taken responsibility for what they have done. They have made WA an embarrassment!

Mr B.J. Grylls: We have rebuilt WA!

Ms R. SAFFIOTI: An embarrassment! The strongest economy and we have lost AAA.

Several members interjected.

The SPEAKER: Sorry. The member for Wanneroo, I call you to order for the first time.

Ms R. SAFFIOTI: They have made Western Australia an embarrassment. When they won government, they said that they would bring dignity; that international investors would be happy about the election of this government.

Mr C.J. Barnett: They are!

Ms R. SAFFIOTI: No. The loss of AAA has created a loss of confidence in WA. The government has created a loss of confidence in WA! What are the messages? The government says, “We’re going to keep doing what we’re doing, but we’re going to have massive cuts! We’re going to keep doing what we’re doing, we’re proud of it, but we’ll have massive cuts.” The government now wants opposition members to support the pathetic and stupid initiatives that it will need to bring in because of the mess it made. The government wants the opposition to actually justify its mismanagement for five years. We said time and again that the government had the wrong priorities. When we said we were going to cut funding to the Museum in the election period, government members mockingly said, “Oh, you don’t need to cut the museum. You can do the museum, you can do the riverside project, you can do the waterfront project all at the same time.” That is what the government said!

The government went to the election and misled every single Western Australian. It said the finances were in good shape. That is what it said—the finances were in good shape! It did not fully fund and did not fully cost its projects. Now look at the government. Its members have no idea what they have done. They have no idea about the seriousness of what has happened today. We have lost our AAA rating. We have had the AAA credit rating for over 20 years. We have a strong economy. The government inherited —

Mr C.J. Barnett: You lost it under a corrupt Labor government!

Ms R. SAFFIOTI: The Premier lost it too! He has lost the AAA! Does he not understand that?

Mr B.S. Wyatt: That is your legacy!

Several members interjected.

The SPEAKER: Members!

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Mr C.J. Barnett: The ministers under Labor were corrupt and dodgy.

The SPEAKER: Premier, I call you to order for the first time. Member for Cockburn, I call you to order for the third time. Member for Collie–Preston, I call you to order for the first time; you are drowning your own member out.

Ms R. SAFFIOTI: The Premier lost it. The government lost the AAA. Members sat there with record revenue growth with a strong economy and they have lost it. What a disgrace! Look at all of them; most of them do not know what has happened. Most would not know what the AAA rating is, but they have lost it. What did we hear from the Premier today? He said, “Oh, the GST—let’s talk about the GST again”. He did not talk about it in the lead-up to the election. He did not talk about —

Several members interjected.

Ms R. SAFFIOTI: The member for Scarborough would not know what AAA is—please!

Several members interjected.

Ms E. Evangel interjected.

The SPEAKER: Member for Perth, I call you to order for the first time.

Ms R. SAFFIOTI: The Premier talked about the GST. The Abbott government has just cut a billion dollars out of the budget. In three days—how many days now?—the Abbott government has cut a billion dollars out of its budget. The Premier did not talk about that today; he talked about the GST. He was not fighting for WA in the election campaign, but the day after the election, the Premier was sipping champagne. This is from a government that is cutting more money from WA than any other government in the history of the state. The Premier should not come in here and blame everybody else. Take responsibility. We will not support his stupid initiatives to correct the budget, which the government messed up. Nobody else —

Several members interjected.

The SPEAKER: Members!

Ms R. SAFFIOTI: The government messed it up and should take this issue seriously. Its members said, “Oh, we have to do asset sales!” They should sit down and read the budget for goodness sake!

Mr C.J. Barnett interjected.

Ms R. SAFFIOTI: Of course I do not. They should take responsibility. Look at them—they lost the AAA rating!

Several members interjected.

Division

Question put and a division taken with the following result —

Ayes (18)

Ms L.L. Baker	Mr D.J. Kelly	Mr J.R. Quigley	Mr P.C. Tinley
Dr A.D. Buti	Mr F.M. Logan	Ms M.M. Quirk	Mr B.S. Wyatt
Mr R.H. Cook	Mr M. McGowan	Mrs M.H. Roberts	Ms S.F. McGurk (<i>Teller</i>)
Ms J.M. Freeman	Mr M.P. Murray	Ms R. Saffioti	
Mr W.J. Johnston	Mr P. Papalia	Mr C.J. Tallentire	

Noes (32)

Mr P. Abetz	Ms M.J. Davies	Mr C.D. Hatton	Mr N.W. Morton
Mr F.A. Alban	Ms W.M. Duncan	Mr A.P. Jacob	Mr D.C. Nalder
Mr C.J. Barnett	Ms E. Evangel	Dr G.G. Jacobs	Mr J. Norberger
Mr I.C. Blayney	Mr J.M. Francis	Mr R.F. Johnson	Mr D.T. Redman
Mr I.M. Britza	Mrs G.J. Godfrey	Mr S.K. L’Estrange	Mr A.J. Simpson
Mr G.M. Castrilli	Mr B.J. Grylls	Mr J.E. McGrath	Mr M.H. Taylor
Mr V.A. Catania	Dr K.D. Hames	Mr P.T. Miles	Mr T.K. Waldron
Mr M.J. Cowper	Mrs L.M. Harvey	Ms A.R. Mitchell	Mr A. Krsticevic (<i>Teller</i>)

Pairs

Mr D.A. Templeman	Mr W.R. Marmion
Ms J. Farrer	Mr J.H.D. Day
Mr P.B. Watson	Dr M.D. Nahan

Question thus negatived.

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