

2017–18 STATE BUDGET

Motion

DR M.D. NAHAN (Riverton — Leader of the Opposition) [4.00 pm]: I move —

That this house notes the government, in delivering its first budget since the election, has reneged on its promise to not increase taxes, to not introduce new taxes, to return the budget to surplus and to pay down debt like a mortgage, and in so doing, is destroying jobs and undermining confidence in the economy.

We have heard a lot of commentary on the budget and I would like to go through a few things that are relevant to my electorate, particularly the overall issues in my electorate and the community. The member for Churchlands raised a really good issue; that is, the backbenchers of the Labor Party have to look at this budget because it is more challenging for them than us. They are in government, of course, and we are not. I think some aspects of this budget will get more support from us than them. I encourage all backbenchers to look through it. Some of them were not here, of course, in opposition. I remember, both as a backbencher and minister, that on a regular basis the people on the opposite side would bray at us for cutting the tripe out of all sorts of frontline services. Probably the one that they claimed that we had cut the most was education.

Mr T.J. Healy: There is \$3.5 million for Willetton Senior High School in the budget. Correct?

Dr M.D. NAHAN: No!

Mr T.J. Healy: It is in 2017–18. My notes; my research. There is \$3.5 million for Willetton high, where I did my teaching prac. It's a fantastic school.

Dr M.D. NAHAN: Okay, let me say that the third phase has been cut in total and the board and school of Willetton have been told that.

Mr T.J. Healy: You don't want the \$3.5 million?

Dr M.D. NAHAN: There was \$11.7 million in the budget for next year and the next for the completion of Willetton Senior High School, and it is gone.

Mr T. Healy interjected.

The ACTING SPEAKER: Member for Southern River!

Dr M.D. NAHAN: All the additional money that was in the forward estimates that was not committed to has gone. It is a fine school and I am glad the member for Southern River did his teaching there, but it was removed.

Mr T.J. Healy: The \$3.5 million is there.

Dr M.D. NAHAN: It has been removed in total.

I want to talk about education in total and also the challenges of health across the board. During the last period of Parliament, the opposition accused the government of the day of grossly underspending on education. The opposition went out and told everybody up hill and down dale—the member for Southern River was one of the leaders of complaints—that we slashed education assistants and fired teachers —

Mr T.J. Healy: Not one new primary school —

Dr M.D. NAHAN: Not one new primary school?

Mr T.J. Healy: — in my electorate for eight and a half years.

Dr M.D. NAHAN: Good, I am glad the member just restricted that to his electorate. We built 55 new schools—double, I might add, that which the previous Labor government built over the same time. Members opposite said that we did not spend on education, on teacher numbers and on education assistants, but we reformed education with the student-centred funding model, moving kids from year 7 into high school, and the new WA educational testing system. We built capital like no other government in this state's history, yet we were decried. We were complained about. It was said that we did exactly the opposite. By the way, we came in in 2008 and gave the member for Southern River—I think he might have been a teacher then—a massive increase in pay. Over our watch, the average senior teacher had a 70 per cent increase in wages.

When we came into government in 2008, there were reports about 200 classrooms without teachers. Because of the boom, we were having trouble with people graduating from high school going into teaching. In fact, some of the entry-level teachers did not even have to sit a Tertiary Entrance Exam to get into teaching high school. We had a legitimate question about the number of people going into teaching as a profession and, of course, the academic qualifications of those going in. To make up for that, the Department of Education had massive recruitment from around the United Kingdom and other places, and that cost money.

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We piled money into education and in many ways it paid off because when we came into government in 2008, we were seeing a large and continued flight of students from the public system to the private system. Yes, they could afford it back then, but it was not just that; there was a serious question in the minds of the people of Southern River, Riverton and other places about the quality of the public schools. We turned around and talked to the teachers' union and what did it want? It wanted investment into teachers and capital, and it wanted an improvement in the operations of schools, including independent public schools. And we did it! But people on the opposite side decried and complained about all that expenditure.

Do members know what? A large source of the debt that the government is complaining and whipping us about was to fund education. It was to fund a massive expansion in the number of schools and the improvement of old schools, and to improve the funding and incentive for people to go into and stay in education. In certain schools we also had a decline in the number of teachers in STEM-type subjects. One of the great aspects of the student-centred funding model and the level of wages now paid to teachers is that, as the older STEM teachers retire, mature-aged people with experience in STEM subject areas from the private and public sectors, such as geologists and IT people, can come into secondary schools and teach STEM subjects.

It has been a period of huge investment and improvement in the public education system in Western Australia. Over the last three years, for the first time in 15 years, we have seen a move of market share; the numbers in the public system are increasing. It is largely driven by the catchment areas of large secondary schools. People want to get into those schools, and because they are very hard to get into, they have to live in the catchment area and go to the primary schools that feed into them. All we have to do is look at Shenton College, Churchlands Senior High School, Mount Lawley Senior High School, Kelmscott Senior High School, Willetton Senior High School, Rossmoyne Senior High School, Applecross Senior High School and Margaret River Senior High School—a very good school—and we can see the investment. Now listen to the people on the other side decry that investment —

Mr T.J. Healy: If it was so fantastic, why are there no more Liberals here? Shouldn't there be more Liberal Party members in this chamber?

Dr M.D. NAHAN: Just let me finish. I know the member for Southern River worked closely with the educational union in his area to do exactly what I said: decry the investment we were making into his area. By the way, huge numbers of people in his area go to Willetton and Rossmoyne.

Mr T.J. Healy: It is a great school.

Dr M.D. NAHAN: I know, but the member has decried the investment we put in there and the government has stopped it. One of the things members have to realise is that we invested and we spent well. But if members look in the forward estimates, yes, the government has gone out and invested in an increase in education in 2017–18. It put out a whole range of new education assistants and it put in some new teachers and Aboriginal aides.

I hope that the government finds Aboriginal teaching aides, because we had difficulty recruiting them in the past—but that is legitimate. The government's justification for employing more education assistants is that the previous government cut the number of education assistants. On our watch, we increased the number of education assistants across the public system by 2 000.

Mr T.J. Healy: Not in my classroom.

Dr M.D. NAHAN: Yes. There were 2 000 education assistants.

Mr T.J. Healy: I lost them; where did they go?

Dr M.D. NAHAN: There were 50 per cent more education assistants per student than the national average, and the number of teaching aides per student increased every year under our watch. We took away one group of assistants who were hired for peanut allergies. With the State School Teachers' Union of WA, we decided that having only one person in a school to look after peanut allergies was dangerous, so we trained the whole staff. The education assistants who were supposed to do that job were redirected, and some of them went to other schools.

Mr T.J. Healy: You admit that you cut them?

Dr M.D. NAHAN: We expanded the number of education assistants massively. My point is that the Labor Party went out and said the opposite.

Mr T.J. Healy: But where were they?

Dr M.D. NAHAN: They were in your classes. If the member does not know where the education assistants were, I can tell him that they were on the books, they were being paid, they were in his schools—and they still are. I encourage every member to look at this budget, because after 2017–18, there is no growth in education spending at all—none! In 2020–21, there will be a \$110 million reduction in overall spending.

Ms A. Sanderson: Where's the federal funding?

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Dr M.D. NAHAN: The member agrees with what I said. After next year, there is no additional money into the education budget at all!

Ms A. Sanderson: Where's the federal funding?

Dr M.D. NAHAN: It is in here.

Ms A. Sanderson: No.

Dr M.D. NAHAN: Yes, it is. Gonski mark II is fully funded over the forward estimates and beyond that. When we look at the state appropriations for education, the truth of the matter is that there is no growth beyond 2017–18. There is no growth for teachers, teaching aides, assistants of any type or to cover for population growth. I might add that we are seeing a decline in population growth, but the budget forecasts population growth returning to 1.8 per cent. Unless more people send their children to private schools, we will see a substantial increase in the number of children going to classes. Also, over the last few years, we have had a mini baby boom, which means more children will come into our schools over the next five to six years.

Implicit in the budget is driving significant efficiencies in the delivery of education in schools. We all know that education is a human service; it is all about people—teachers, teaching assistants, administrators, all the people who occupy schools. There is not much non-human resource expenditure in a school other than for materials and computer systems, so the efficiencies underlying that are largely about reducing either wages, which has been dealt with by the government's \$1 000 wages policy, or reducing the number of human services provided in schools; it has to be. These people opposite sit there in silence.

Mr W.R. Marmion: If there's no grant, they'll have to increase class sizes.

Dr M.D. NAHAN: The government can increase class sizes, close down some of the small, underperforming schools—we have schools that were built for 1 500 kids that have 600 kids in them—or reduce the student-centred funding allocation. There is a limit on the things that the government can do to drive efficiencies in schools. That has nothing to do with increasing teaching outcomes; that is not implicit in the budget. Members opposite should take a real look at the budget and understand that they were elected to a large extent on claims made about the former government's record on education. How we restricted the budget, failed to employ teachers, did not pay teachers well, fired education assistants and did not invest in schools. We did the opposite, but the government will do what it claimed that we did. This is what the government is doing, and it will be held to account for that.

The member for Southern River said that he has found \$3.5 million in the budget for Willetton Senior High School. I have been told by the Willetton high school board that it was informed last week that the third phase of the Willetton high school redevelopment funding has been cancelled—in total, \$11.7 million. The board was also told that the government of the day will be changing the student-centred funding model for larger schools with over 1 200 kids—that was reported in the paper today—and Willetton and Rossmoyne Senior High Schools will each lose \$1 million, which is the equivalent of 10 teachers each, and that they will have to wear it after 2018–19. There is a range of these schools. Members have to realise that Rossmoyne has 2 100 kids and Willetton has 2 300, and they are full. The redevelopment of Willetton high school was to be done in three phases, because it is not easy to redevelop a high school with 2 300 kids and keep it operational at the same time. We decided that the last thing we would build would be the classrooms—that is what they decided. By cancelling the third phase of the redevelopment, the government has cancelled the building of 24 classrooms. Willetton now has between 24 and 26 demountables, some of which are 20 to 30 years old, and most have eaves with asbestos in them. When the demountables are altered by drilling and whatnot, the whole classroom has to be closed down. We had a problem with some rain incursion into the roof a couple of years ago, and they had to close down the whole school, and 2 300 kids—3 000 people altogether—had to stay away from the school because of asbestos in the eaves around the buildings. That school redevelopment has been put off. The government has added money to a raft of schools in its members' electorates, but it has cancelled funding to Willetton high school. I argue that the Willetton high school development is strongly justified.

As I said, the government has announced to all large secondary schools that it will cut their student-centred funding allocation by on average \$1 million per school. That is funding for 10 teachers at Willetton high school. Willetton is an extremely important school, as is Churchlands Senior High School and all the other large secondary schools, because they have driven increased preference for public education in our community. They are very large, very efficient and they account for a large proportion of students in the public system who are studying science, technology, engineering and mathematics subjects. Last year, Willetton high school had 17 courses in physics. How many at Southern River College?

Mr T.J. Healy: A variety, but we can do more. We're building new science labs with this budget.

Dr M.D. NAHAN: Southern River College needs more labs; I agree with that. A large number of people in the member's electorate send their children to Willetton Senior High School; the member knows that.

Mr T.J. Healy: It's a great school. I did my teaching prac there.

Dr M.D. NAHAN: Yes. The level of services on offer at Southern River College is not what parents decide. The government is purposely redirecting money away from Willetton Senior High School, and Rossmoyne Senior High School has been told not to ask for any money. The Premier stood in this chamber today and said that he will have a record spend on new capital this year, but that will be largely at the cost of allocations in really important schools. Putting that aside, there is no forward growth in expenditure in the forward estimates—none!

Let me talk about health. Health was the bane of my life as Treasurer. We had huge growth rates in expenditure on health, and we had the shadow Minister for Health, now Minister for Health, braying about growing queues at emergency rooms, the difficulty for people to get into hospitals, slow services —

Mr T.J. Healy: And Serco.

Dr M.D. NAHAN: I will talk about Serco in a moment. It is a delicious one, and I will go back to it because the government is doing the same thing. Sometimes hypocrisy is delicious!

The budget admits that the biggest challenge in controlling expenditure is, in fact, health. We pay our doctors, nurses and assistants more than is the case in any other state. We have had rapid growth in the numbers of people attending public hospitals. We have a lack of spending on Medicare because people prefer to go to our public hospitals, and, of course, we have a very large state that requires servicing. At times we had growth in health and public hospital expenditure of seven per cent to eight per cent per annum. In the last few years, we got it down to 4.8 per cent, which was a very big drop, but it was still too high and not sustainable; I admit that. Do members know what the government has done? It has put almost no growth in health and hospitals in the forward estimates.

We had a zero-based budgeting program called the agency expenditure review in public health outside hospitals. We took those savings, which I think were in the vicinity of \$200 million, and gave them to the hospitals to plug their inexorable demand for expenditure. The government has taken that money out and banked it. If the Treasurer can achieve greater efficiencies without increasing queues for emergency rooms, access to hospitals or elective surgery, that will be very good. I know that the Treasurer hopes and plans to do it. The government has a number of reviews. One is called the Sustainable Health Review. I like the word sustainable because it means anything you want it to mean. I assume that it means reducing costs but the minister of the day sold it to Parliament as not cutting costs but improving services. Doctors, of course, jumped on "sustainable" to say that it means reducing costs. Savings are put against it in the budget so it is about reducing costs. The government is planning to basically freeze health expenditure in aggregate over the last three years of the budget. That is a heroic assumption. If the Treasurer achieves that, he is a miracle worker. Members on the backbenches made hay in opposition when we increased expenditure on health at a very high level. Wait until there is a freeze on health expenditure for three years. How will their communities respond to that? Wait until that happens. Again, the Treasurer has to drive efficiencies and, outside education, there are a great deal more efficiencies to be gained in health so I am not ruling it out. But he will have to take on the very powerful interests in the health professions who will vociferously argue for more and more expenditure. Doctors, nurses, and allied health—everyone—will push and push for more expenditure. That is understandable; they are looking after themselves and their patients. Driving efficiencies in the health system is exceedingly difficult and will take a concerted government-wide effort. Without the efficiencies, there will be blocks in the throughput of the hospital system. Emergency rooms will have longer queues, waiting lists for elective surgeries will go up and facilities will break down.

I might add that there will be virtually no capital expenditure in the health system after next year—after what we have done. Admittedly, we did a lot, so the government will not have to do that much more. I know that the government has done a deal with the Joondalup hospital. It has made a lot of noise about Osborne Park Hospital but that is not in the budget. It has made a lot of noise about Royal Perth Hospital but that is not in the budget. It has made a lot of noise about Kalamunda but that is not in there. There is a large amount of commitments and sometimes need for expansion in the capital facilities and hospitals, but it is not in the budget. People on the backbench should look at this. I know that the Treasurer will tell them, "C'mon; let's have a Labor team that focuses on driving efficiencies in human services—health education and otherwise." I have never seen a Labor government do that. They say, but they do not do. After the Palaszczuk government came in in Queensland, numbers of staff and wages have grown almost seven and a half per cent per year. This government has held it very tight, but to achieve its wages target it has to convince quite a few unions, which represent over 80 000 public servants, to accept wage increases below what it promised them in the campaign. Good luck to you! Other than the police, we are alongside, but the unions do not vote in our preselections; they do in yours.

If members look at police or agriculture or virtually any area of essential service in government, expenditure flatlines after 2017–18, with no growth whatsoever. It is based on the hugely historic and optimistic assumptions about no expenditure. Other than the Richard Court government, no government in recent memory in Western Australia has even come close to doing that. Good luck to you! If the government can drive efficiencies without undermining essential services, we will support it. But if it is going to meet these targets by undermining

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essential services, we will not. The government promised in the election not just that it would not undermine essential services, but that it would augment them and expand their quality and performance. It proposes in this budget to do it without any money. Good luck to you. We will hold the government to account. If the Treasurer wants assistance driving efficiencies while maintaining the quality and delivery of essential services, we will support him. My problem is when I look at the justification. It is easy to come in and put a target there that shows no growth whatever, especially if the backbench is silent and compliant. The question is: how will it do it? So far, we have seen a reduction in wages policy from 1.5 per cent to \$1 000, which is a good step that saves about \$500 million. We have seen the firing of about 100 senior executive service public servants, which saves money—unless the government hires them back. Geoff Gallop did that last decade and he just employed them back very quickly. The government is supposedly streamlining the bureaucracies—fair enough. That is theoretically possible; let us wait and see. The government has booked some savings with that. Otherwise, the source of the savings has yet to be determined. How the government will achieve it and whether it will be through cutting services, there is no clear pathway to delivering those efficiency savings or delivering those costs. We will wait and see. The government bought itself a year with very large increases in some cases in 2017–18, but beyond that it has flatlined. The government should give itself a year to come up with the mechanisms to do so. My view on this is that the Labor Party has come into government with a plan to get elected but no plan for when it got into government except to blame us, the GST, which it said was not issue, and everyone else. Then it will think about it. It got hit with further revenue writedowns.

There is no doubt that the government was hit with further writedowns, but it should not have been a surprise because every year for the last four years the government of the day has had writedowns of that magnitude or larger. If the government had not seen that trend in writedowns, it was not awake—but the Treasurer was awake, as was the Premier. We are here. We are going to hold government backbench members to account for the government's commitment to the Treasury's exceedingly tight expenditure growth in health, education, police, child protection, mental health and all the other areas. We will hold them to the targets in the budget. We will support them if the government achieves those targets via efficiencies, but if it does not achieve them, we will hold government backbenchers to account for that higher debt. If that is achieved by providing poorer levels of services and a reduction in services, we will hold them to account for that also.

Mr T.J. Healy: Maybe the member for Churchlands will hold us to account—maybe not you.

Dr M.D. NAHAN: I have seen the member for Southern River's Facebook page. He was one of those people who went out —

Mr T.J. Healy: Thank you.

Dr M.D. NAHAN: It was, quite honestly, dishonest.

Several members interjected.

Dr M.D. NAHAN: He was making claims about a lack of spending in schools in his then-to-be electorate that were simply untrue.

Mr T.J. Healy: How many primary schools were built?

Dr M.D. NAHAN: He was making claims about cuts to education assistants, a reduction in the number of teachers and the lack of spending in education. Fair enough—that is what he said.

Withdrawal of Remark

The ACTING SPEAKER (Ms J.M. Freeman): Leader of the Opposition, I am wary of the “honestly, dishonest” comment. Perhaps you would like to withdraw that and phrase it in another way.

Dr M.D. NAHAN: The member for Southern River made claims during the campaign that we were cutting the number of education assistants in Southern River.

The ACTING SPEAKER: I am not making a ruling; I am just suggesting that you may want to withdraw the claim that he was dishonest and frame it in another way.

Dr M.D. NAHAN: I withdraw that and say he was misrepresenting the facts to his constituency and that he got elected on that basis.

Debate Resumed

Mr T.J. Healy: Did the former member break his promise?

Dr M.D. NAHAN: I remember that we went to that election with a large investment in the Southern River College.

The ACTING SPEAKER: Members! Member for Southern River, I am making sure that the record does not contain severe language. It does not help if you interject and cause more chaos. Please let the Leader of the Opposition speak.

Dr M.D. NAHAN: The member for Southern River was elected largely with the support of the State School Teachers' Union of WA.

Mr T.J. Healy: I got nothing.

Dr M.D. NAHAN: I saw them in their red shirts and whatnot. They were all over the place. The member for Southern River's picture was all over various pamphlets of the teachers' union.

Mr T.J. Healy: They gave me zero dollars.

Dr M.D. NAHAN: If the union gives bodies to campaign on the member's behalf, that is better than dollars. We know that. The union paid for that and it helped run the member for Southern River's campaign. He should be truthful. We saw it. It was there. He did not hide it.

The ACTING SPEAKER: Leader of the Opposition, move on.

Dr M.D. NAHAN: The member for Southern River promised implicitly to be a friend of the teachers' union by supporting higher wages, better conditions and higher staffing levels in schools. He now has to deliver on those promises, but this budget will not do that. That is what the member campaigned on—fair enough. If that is what he wishes to do, that is his choice; but my point is that he has to also go out and justify this budget. Most government backbenchers were elected on an approach to fiscal management that is completely opposite to what is contained in the budget. In their statements in this place today most of them have expressed views that are directly opposite to the fiscal approach taken in this budget. It will be interesting to see how they justify that over the next few years. I suspect the Treasurer will get more support from this side of Parliament than from that side. This budget, as we go through it and continue to go through it, is the first statement of approach of the McGowan government. It contains a range of backflips on commitments the government has made.

I would like to talk about another area I spoke about during the budget debate—that is, business enterprise, and electricity in particular. I will leave it to the member for Bateman to go through that mainly, but I was the Minister for Energy for four years. It is a difficult sector. It is a sector that can result in huge blowouts in costs if it is not done right. It has to continue with the pace of reform. The government will face some real challenges when it decides what to do about the Large-scale Renewable Energy Target and the expansion of self-generation and small-scale solar. There has been substantial reform in the businesses of Horizon Power, Western Power and Synergy. Under my watch—I think in the second or third year—Horizon Power reduced manning levels and aggregates by two-thirds and substituted some of that with contractors. That reduced its costs substantially, but it probably has the largest catchment area, or network, in the world. Synergy had a program to reduce costs. It went about that by, first, getting a consultancy group to identify sources of efficiencies and then getting the board to sign off on meeting those targets. We then gave that to Treasury, and Treasury said, "Book the savings on a year-by-year basis and only book them once they were achieved." That did not go into the forward estimates; it was a planned detailed process, signed off by the board, Treasury and the minister, to drive efficiencies.

Quite a few efficiencies were built into that in the form of ripping revenue off them, but I have not heard about any processes that will actually achieve those efficiencies. The trouble with Synergy is that most of its expenditure—because it is not building too much—is spent on repairing an fleet of old power stations. If one of those power stations were to blow up, it would cost a lot of money. The government is reducing the level of expenditure on that by pulling out an extra dividend of \$100 million this year and expanding the dividend repayment ratio. That will pull money out of Synergy. If anything happens to Synergy—if it does not meet its expenditure targets—the government will have to increase borrowings. It will be the same with Horizon and others. I think what the government is saying is that it is moving towards full retail contestability and therefore some form of competition. I understand that is where the government says it is going—I do not know—but, to be honest, there has been a huge impost on households. The government has reduced subsidies substantially—indeed, it will have eradicated them after next year—on Synergy. By the way, on our watch, that peaked at \$550 million. That is a lot of money. As I said, it makes no sense to subsidise electricity. In my view the path that the government is heading down is the correct one, but it is going there too quickly. I think the government will get very strong feedback from households on that over the next six months. I am concerned that rather than taking some of the subsidy out by decreasing Synergy's costs, the government will be making cost reductions in the form of additional payments and dividends from Synergy. In other words, Synergy can do only certain things. If it lowers costs, it can lower its price increases, or that money can be ripped out of profits to pay for the general government sector. I think that is what the government is doing. As I say, I have not seen or heard about a pathway to reform, but when the government gets to full retail contestability—I assume it will open it up to some form of competition—it will be

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taking a big jump into the unknown. The government will have to do that very carefully and the Treasurer and the Minister for Energy know that.

There are many ways it can be done. It can be split or the coal-fired power stations can be taken out and kept in government hands.

Mr B.S. Wyatt: Do you have a view on that? You are starting to formulate one now, I think, but do you have a view on the best way?

Dr M.D. NAHAN: It is not a firm view. I toyed with splitting it into two —

Mr B.S. Wyatt: Two gentailers?

Dr M.D. NAHAN: Yes, and keeping one in government hands, but that is the government's choice. I would open it up to competition. I would split it into two, allocate the assets to two government-owned gentailers in the first instance, make sure that Alinta, which has a lot of fleet, could compete with them and attract others—I think Perth Energy is no longer very strong in the market—and try to get AGL Energy here and also simultaneously have Synergy 1 and 2 get into the gas market so they would have the same customers. Before the government got there, it would have to pull the high cost structures out of Synergy or else those fleet-footed private competitors would take them to the cleaners.

Mr B.S. Wyatt: And that is the issue. I think I said this the other week, to which you agreed and you're right; otherwise, you're setting Synergy up to get killed.

Dr M.D. NAHAN: There was a massive writedown of its asset base. That is a real challenge. The east faced it years ago. The government has to make sure that it gets Synergy's cost structures into a position before it goes there. It is not just the subsidy; it is Synergy's cost structures. If the government solves the subsidy problems solely by increasing price, it will be a false dawn.

Mr B.S. Wyatt: I accept that. You have to get tariffs to a level that Synergy can compete with.

Dr M.D. NAHAN: That is a real challenge. Horizon Power is a different story. It has very high cost structures, but it was doing pretty good innovation on standalone generation, and I hope it still is. The minister knows my views on Western Power. Honestly, I think his views are about the same. New South Wales sold its third asset, and that asset is very similar to Horizon Power. It was 1.61 times the value of the regulated asset base, which means that the total value of Western Power would have been \$14 billion.

Mr W.J. Johnston: You would have seen that there is a lot of discussion at the moment on the east coast about future government involvement. At the moment, the federal government is putting money into Snowy 2.0, the Victorian government is talking about re-regulating, and privatisation is off the agenda in Queensland. The federal government is talking about paying for an interconnected system from South Australia to New South Wales. Even now the Grattan Institute says that the Victorian idea of selling everything does not work. What do you think is a model that will work?

Dr M.D. NAHAN: The new energy market on the eastern seaboard is a mess due to a number of factors. Firstly, it booted up the gas market.

Mr W.J. Johnston: Yes, but the underlying electricity market doesn't work either.

Dr M.D. NAHAN: Gas was the transitional fuel for electricity and it is not working because of price and availability. Secondly, we have the dual energy policy of the Large-scale Renewable Energy Target, which says to build this capacity. Then there is the idea that intermittent or coal-fired power stations cannot be invested in, so no-one has invested in baseload power. The replacement baseload power would have been gas, but it is too costly. Then there are the decisions by Victoria, Queensland and South Australia to push very rapidly down the path of renewables.

Mr W.J. Johnston: That's not quite what happened, but I understand what you're saying.

Dr M.D. NAHAN: South Australia is different.

Mr W.J. Johnston: What about a capacity market? There is a debate now about a capacity market on the east coast.

Dr M.D. NAHAN: Given the national energy market and given these uncertainties and these different policy structures, they would have to look at a capacity market on the eastern seaboard. I agree with that. The Grattan Institute said that the churn in the electricity market in Victoria is very high and has been high for a long time, and a very small proportion of the customers are in the churn, but it is a large percentage.

Mr W.J. Johnston: One-third of customers do not even look at their bills.

Dr M.D. NAHAN: Yes; it is wasteful. If customers do not churn, they get ripped off.

Mr W.J. Johnston: Yes; one-third of customers don't churn and they are the ones paying the highest and they are usually the lowest income earners.

Dr M.D. NAHAN: Yes. That, by the way, can be resolved through —

Mr W.J. Johnston: The CEO of AGL said that it should be resolved by the government providing a base product, like they do in Singapore.

Dr M.D. NAHAN: The government does not have to provide it.

Mr W.J. Johnston: That is what AGL says.

Dr M.D. NAHAN: Of course it would, because it is in the business of selling electricity and if it could get the government to designate a certain provider of electricity at a certain volume and price —

Mr W.J. Johnston: No; he is saying to get the government to do it.

Dr M.D. NAHAN: The member for Cannington will remember when we did the gas price review, we went to Queensland and asked the people there about their market. At that time, we looked at the NEM and the gas market over there and we said that it was better than ours. Does the member remember that?

Mr W.J. Johnston: Yes. It was an excellent inquiry.

Dr M.D. NAHAN: Now the situation is the opposite.

Mr W.J. Johnston: I don't think we said that it was better than ours; we said that it had provided a better outcome at that time, but they didn't have the gas reservation policy.

Dr M.D. NAHAN: They had an extensive gas pipeline, they had numerous markets and it looked better.

Mr W.J. Johnston: One of the things that has changed since we did that review is the number of points of entry for gas into our domestic system in WA. There are so many more gas facilities.

Dr M.D. NAHAN: Exactly, and there is some trading going on. That was a good study. I learnt a lot from it, even when we went on that junket to Texas!

Mr W.J. Johnston: It wasn't a junket; it was an important trip where we learnt many things.

Dr M.D. NAHAN: That was one of the most informative trips I have ever been on.

Mr J.E. McGrath: We stayed back and let you two go.

Dr M.D. NAHAN: Yes, that is right. But we learnt a lot.

Mr W.J. Johnston: It would have been better if the member for South Perth had been with us!

Dr M.D. NAHAN: We learnt a lot on that trip.

Mr W.R. Marmion: Where were you?

Dr M.D. NAHAN: Dallas.

Mr W.J. Johnston: It was Fort Worth, not Dallas.

Dr M.D. NAHAN: It was the first conference on deep gas.

Mr B.S. Wyatt: It was a trip that went down in infamy, with you two gallivanting around the world!

Dr M.D. NAHAN: We had to sit next to each other on the plane and the person in between us got a bloody nose.

The ACTING SPEAKER: Members, perhaps you would like to get a room! The Leader of the Opposition might want to get back to the motion.

Mr T.J. Healy: What happens in Dallas stays in Dallas!

Dr M.D. NAHAN: But this was in Los Angeles. He stayed in a hotel and I am glad I did not stay in that hotel.

To get back to the issue, we are in a relatively good position with energy for a variety of reasons, but the challenges going forward, particularly in the electricity industry, mean that it has to be done right. I am confident that the Minister for Energy understands all these things, but I am concerned at the extent to which the government is pulling cash out of these providers. They could do it perhaps, but I think the money would be best left in them so that they have lower cost structures and when there is competition, they can compete. That is my discussion on this issue.

MRS L.M. HARVEY (Scarborough — Deputy Leader of the Opposition) [4.47 pm]: I, too, rise to support this motion. We have talked a lot about the challenges that the government has in trying to achieve its \$5 billion worth of election commitments, while still managing to maintain government service delivery.

That brings me to a distraction. I have to confess to members that I am somewhat concerned that I have been diverted from this motion because I have just found out that DAL has been released. One would hope that the Department of Justice and the sex offender management squad are adequately resourced under this budget, because I understand that 47 conditions need to be managed for this individual to be out of prison and in the community. The Department of Justice has one fewer person to worry about inside, but a significant problem outside. There is no doubt that he will need to be GPS tracked and will need to report to the sex offender management squad. Local police will need to check on him during his period of curfew several times a night to make sure that he remains inside. Indeed, members of the community into which he has been released will no doubt be going to the sex offender portal that the previous government set up—hopefully, the funding for that portal will continue under this government—and putting in their address and driver's licence number to do a postcode search to find out whether that dangerous sex offender has been released into their neighbourhood. They can do that as a result of the Barnett government's initiatives. Hopefully, notwithstanding the debate we had in this chamber about how the world was going to end when we introduced that portal, all it has done is allow communities to remain informed about whether women and children are at risk because dangerous sex offenders have been released, and are being managed in the community by police and corrective services. It has been a very disappointing day. Question time was somewhat disappointing. The Attorney General literally admitted that he was 100 per cent wrong in saying that the former Attorney General had the ability to —

The ACTING SPEAKER (Ms J.M. Freeman): Deputy Leader of the Opposition, I note that the motion before the house is about the state budget. I bring you back to the motion that has been moved.

Mrs L.M. HARVEY: Thank you for your guidance, Madam Acting Speaker. I will conclude my remarks on this matter momentarily. As I said, it was disappointing earlier to hear the Attorney General say that what he had been saying for the last four or so years about the former Attorney General—that the former Attorney General had the ability to appeal against the release of these offenders and should exercise that right to appeal—was 100 per cent wrong. He has not had the good grace to withdraw the accusations against Hon Michael Mischin, but that is his bed and he can lie in it.

When we look at the litany of broken promises discussed by the opposition since the launch of this budget, it is a very disappointing time for Western Australia. We could see it coming. It is not as if the government was not warned during the election campaign. Members opposite have been talking about the state of the finances for four years. Indeed, that conversation had started to resonate with the community. The community somehow did not pick up that the government had no plan to pay for its commitments. We warned people about this during the election campaign, and we were laughed at by members opposite. In the weeks before the 11 March election we warned that the Labor Party had no plan to pay for these commitments, and that it had a secret plan to increase fees, charges and taxes, and we were laughed at. We were told, "No, we won't do that; that's what Liberals do. That's what your government did."

Look where we are. There was a secret plan, which is now revealed—increases to electricity prices; broken promise number one. Increases to payroll tax; the big end of town can pay—broken promise number two. When the big end of town pays, the community pays with prices through the checkout and at the fuel pump, and with job losses, when companies try to make sure that they can still pay dividends to their shareholders. The government increases payroll tax to the big end of town and the community pays. Maybe some of those organisations, having to pay \$12 million to the government for payroll tax, will cut funding to community groups that they support in order to pay the tax that the government has put in place to pay for its unfunded election commitments. It had no plan to pay; it had a secret plan to increase fees, taxes and charges in order to pay for these.

Then there is the gold tax. When was it? I think it was in 2014 when the present Premier was on the steps of Parliament House, with daffodils, marigolds, yellow hats and all sorts of paraphernalia, saying "We don't support an increase to the gold royalty, no matter what." What have we got now, members? This is broken promise number three—a massive backflip. All those people in Kalgoorlie and other goldfields communities who rely on the gold industry will now feel the pain of the Metronet promises of this government that had no plan to pay for it. It had no plan to pay for its commitments, and that is why the taxes have been put in place. That is why the fees and charges are going up. That is why we have a litany of broken promises.

The government promised to pay debt down like a home loan—slowly, over time. This is broken promise number five. Net debt is increasing to \$43.5 billion, and we still have around \$3 billion of unfunded election commitments to layer onto that. This budget is based on massive redundancies in the public sector—broken promise number six. The government said it would create jobs, but we are now at minus 3 000 jobs in the public sector. That is not job creation in anyone's book. How is all of this going to be achieved without affecting services? Apparently, services

are going to remain intact in our schools, the police service and the health sector, with the loss of 3 000 jobs. It was interesting that when we said we wanted to execute 1 500 voluntary redundancies, the entire world was going to end. Schools were going to close; hospitals were going to shut down and patients were going to be left in corridors. The world was going to end. We do not seem to be hearing those protests from anyone but Toni Walkington at the moment. At least one of those unions is standing up for those 3 000 workers who will be made redundant.

There is nothing from the government about which programs will be axed. If 3 000 people in the public sector lose their jobs, they are all doing something. They are not sitting at their desks staring out the window playing on Facebook. They were performing jobs and functions in the public sector that will no longer be performed. The government has remained silent on which of those functions will be cut, and which programs will be cut. The programs will have to be wound back and finished with if 3 000 people are no longer there to deliver them. That is the reality. Achieving those redundancies is an ambitious task. It was not difficult for us to achieve redundancies when we were in government, because the economy was a little bit more buoyant, and there were positions for people to go to. But with green shoots emerging in the economy now, what does this government do? It taxes it, to absolutely cut that emerging business confidence off at the knees. There are dire times ahead, because we have a government that would say or do anything to get elected. In the early days of this government, it has decided to get the trash out early. It will bring in all the fees and charges and tax hikes in the beginning, so people will forget. We will make sure that they do not forget, because we warned the community that the now government had no plan to pay for its election commitments. We warned the community that the government was living in fantasyland if it thought it could achieve over \$5 billion worth of commitments without selling any assets or increasing fees, taxes and charges, without any privatisations, and without borrowing more money. It is just impossible. It is a fantasy, and now the community of Western Australia has to wear that fantasy that will result, in the out years, in \$43.5 billion worth of net debt.

As I said, it has been a disappointing day for Western Australia. The government was swept to power in a landslide victory because the punters out there believed what it said, and they thought it would be true to its word. They thought the government would look after householders and not increase fees and charges. They were not expecting to have those commitments broken so suddenly, and they certainly were not expecting to see a forlorn Premier declaring that he did not know how bad things were. Welcome to government—that is exactly what we were dealing with. All our spending was designed around trying to cope with the massive influx of people coming to this state as a result of the mining economy. We had 500 000 people move to this state over seven years. Their children needed schools, they needed access to hospitals, they needed economic infrastructure like the Gateway project and the Forrestfield–Airport Link, and like the other road and rail projects we put in place to provide for those people. We did not have the luxury of saying to those visitors who had come to Western Australia for work, “Sorry; you’ll have to wait five years before your child starts school because we’re not going to borrow money to build a school so that your kid can get an education.” We chose not to do that. While interest rates were low we chose to invest in the future of this state and provide for the additional people who came to live in this state. That is what we did.

We inherited a mess in regional Western Australia. There were hospitals in regional Western Australia that were not fit for patients. Every single one of those hospitals now has facilities to serve regional communities and tourists if they get into trouble—every single hospital. When we came to government we found massive underinvestment in our pole and wires network. We had to borrow \$8 billion to bring that poles and wires network up to a safety standard. Members will remember that pole-top fires were causing devastating out-of-control bushfires in our regional communities and destroying homes. We needed to act to improve the poles and wires network. Sometimes money needs to be borrowed to do that. If we look at why the debt is there, our debt was there to provide services to the community of Western Australia—the additional 500 000 people who chose to call WA home.

Our debt was also incurred helping to fund important infrastructure to diversify this economy. Members over there will all be lining up in a big conga line of white cars to go to the opening of the new Perth Stadium. They will be there. But they fought it tooth and nail every step of the way. They bagged that stadium project and the entire transport precinct we put in place. But I will tell members what that stadium is: that stadium is important tourism infrastructure for Western Australia.

Mr T.J. Healy: John Langoulant already chose the stadium, but the member for Cottesloe hates John Langoulant.

Mrs L.M. HARVEY: Hey, the member for Southern River will get a turn one day!

The stadium, Elizabeth Quay, the Northbridge precinct project and Yagan Square are tourism infrastructure. When we came to government there had not been a new hotel room built in Perth for 20 years. The inhibitor to tourism was that tourists could not find a bed to sleep in, so we put an incentives policy in place to provide accommodation and hotel rooms for tourists to come to this state. When they come to this state they want to visit sporting matches and concerts at a big new state-of-the-art stadium. We could not put a bid in for the World Cup because we did

not have the facility. We had difficulty attracting world-class rugby games because we did not have a facility big enough to make it viable. The large performers who want to perform to big crowds were avoiding Perth because we did not have a venue big enough to make it worthwhile to visit. That is what that stadium brings. Those facilities were required to help diversify the economy and create a new tourism product that is now called the City of Perth. That is how the debt was arrived at. People can complain about it as much as they like, but we provided for an additional 500 000 people who moved to this state. People move around this state and see the improvements in the hospitals, schools, roads and the overtaking lanes on our regional roads; we put all those things in place to provide for this state.

I look at the commitments of this government, and the undelivered commitments, and it is early days yet. It is six months in. I accept that. But six months in, where are we up to? Six months in we have the other house filibustering and trying to keep business going because there has been no legislation coming through from the government. Even the legislation that has now being declared urgent to be debated tomorrow that the Attorney General made a big song and dance about was on the notice paper last year. If the government wants to bring that forward as a priority when these issues of dangerous sex offenders being released are such a big priority for the Attorney General, why did he not bring that through? That was ready to go. We could have debated that three months ago and it could have been through. According to the Attorney General, if that had been debated three months ago, DAL would not have been released. But the Attorney General did not do that. He was on holiday for six weeks in the middle of the year, instead of working on important legislation that is required to fulfil the other election commitments.

Members, we will hold this government to account. I said earlier that we are a small but cohesive team, and we are an enthusiastic team. We watched in despair as this now government went out to the community again and again and again and promised to deliver election commitments in every single electorate with no plan to pay. We will make the community understand the mistake it made in believing what the Premier said when he won the election under false pretences on 11 March.

MR S.K. L'ESTRANGE (Churchlands) [5.06 pm]: It is not pleasant to have to debate this topic during private members' business today. Like all Western Australians out there in the community, my family and I are also very concerned. That is why it is a real shame that this motion reads —

That this house notes the government, in delivering its first budget since the election, has reneged on its promise to not increase taxes, to not introduce new taxes, to return the budget to surplus and to pay down debt like a mortgage, and in so doing is destroying jobs and undermining confidence in the economy.

The Premier had eight and a half years—most of that as Leader of the Opposition—to think about how he was going to stamp his authority on the position of Premier and how he was going to motivate and enthuse the people of Western Australia to get behind him with a plan that would take the people of Western Australia on a new journey. The people of Western Australia were with the Liberal–National government for eight and a half years. Through that period of time they were on a journey, and, admittedly, at the end of that journey they were not happy so they jumped off the bus and got onto the McGowan bus. But while they were on that —

Mr S.A. Millman interjected.

Mr S.K. L'ESTRANGE: Well, they are not going to be able to jump on the McGowan train to Ellenbrook because that is not in the budget.

So they have jumped on the McGowan bus. But I will tell members what: when they were with us for eight and a half years they were saying, “Okay, you took government”, and then the global financial crisis hit in 2008, okay? It required some real leadership. One of things back in 2008 that required real leadership was to actually get behind the industry and sector that mattered so significantly to the economy of Western Australia to ensure that it had government support. That industry was the mines and petroleum sector. We know—I have read it into this place—that in 2008 commentators made the point that there were over 13 000 mines approvals waiting and gathering dust on shelves and not being dealt with by the minister of the day. Over 13 000 approvals were just gathering dust. If we want to get the economy up and running, particularly in a resource-rich state like Western Australia, we should not sit on our hands with the mines and petroleum sector. We should do everything we can, with the proper due diligence of government, to ensure that sector is supported and that the approvals processes are done properly but in a timely fashion—not ignored.

In 2008, when the Labor Party under Premier Carpenter decided to throw a snap election, the election campaign lasted for only four weeks, from memory. The first two weeks of that four-week campaign was taken up by the Olympics, so it was effectively a two-week campaign. I have no doubt that the state director of the Labor Party at the time, the now member for Cannington, would have been quite concerned about the direction, the tactics and the strategy that the leadership of the Labor Party was taking to run a snap election campaign in effectively two weeks. That was always going to be incredibly dangerous, and it was—it saw off the Carpenter Labor government.

I have no doubt that was painful for the members opposite who are now in government. I think they are still carrying the scars of the decision in 2008 to hold a snap election and not give people time to get their messages into the community and do their doorknocking. One of the tenets of war is surprise. That is supposed to be applied to the enemy. The Labor Party applied that tenet of surprise to itself.

In 2008, the state director of the Liberal Party ran an advertisement on television that showed a black screen, with some white writing on it, from memory, that said, “List three things the Labor government has done during the mining boom for you.” People would watch that ad and say, “Nothing.” That is exactly the point.

Dr A.D. Buti: The Mandurah rail line is nothing, is it?

Mr S.K. L'ESTRANGE: The Mandurah rail line was a long time before 2008, member.

Dr A.D. Buti: So you are going to build a rail line in one year?

Mr S.K. L'ESTRANGE: The people of this state at the time punished the Labor Party for that. Members opposite can debate today whether the Mandurah rail line was the number one saving grace for the Labor Party as much as they like, but history tells us that the people of Western Australia at the time wanted more and expected more. History tells us that the people working fly in, fly out at the mines were getting big salaries.

Dr A.D. Buti: You may be right. There is no doubt that was a very effective ad. You may remember that at that election, the Labor Party won the majority of seats, but not the majority to win government.

Mr S.K. L'ESTRANGE: Not the majority of seats—the largest number of seats.

Dr A.D. Buti: Sorry, the largest number of seats, but not enough to govern. If you compare that with the 2017 election, what do you think it says about your time in government?

Mr S.K. L'ESTRANGE: Member for Armadale, I did say that in the 2017 election, the people of WA got off the Liberal–National bus and got on the Labor bus. I am bringing the member on a journey through history, because I am getting back to this motion and building a case about what the people of Western Australia are concerned about. In 2008, not only did the Labor government do nothing, apart from finishing part of the Mandurah railway line, because from memory we had to put in the stations afterwards —

Dr M.D. Nahan: The parking.

Mr S.K. L'ESTRANGE: Yes. We had to put in the parking. They forgot about the parking. People could catch the train, but they could not park their car before they caught the train. That is not important. It is a minor detail—big hand, small match, a minor detail; do not worry about that!

I now get back to the motion. I know that the member for Cannington disagrees with me, but the people of Western Australia made this judgement. We can argue the semantics of what I am about to say about the loss of the Inpex Browse project to Darwin. The people of Western Australia made the determination that the Labor government lost the Inpex project. Members opposite can argue for as long as they like about whether I am wrong or right or about the semantics of the dates and timings of the decision. The fact is the people of Western Australia saw that incredible project, worth \$20 billion or \$30 billion, go to Darwin.

Dr M.D. Nahan: No—\$40 billion or \$50 billion.

Mr S.K. L'ESTRANGE: Inpex proposed to build a 900-kilometre gas pipeline from the gas fields just off the north west coast of Western Australia, around the Kimberley, to Darwin. It would be massively difficult for a foreign nation that was embarking on this big investment project to come up with this invention of building a pipeline around the Kimberley to bring the gas to Darwin.

I have given members two examples. The first is the advertisement put out by the state director of the Liberal Party. The second is the Inpex debacle. Those examples show that the people of Western Australia knew there was a boom in this state. They knew they were the owners of the minerals. They knew that people working FIFO were getting big salaries and their lifestyles were starting to improve. However, the people in Western Australia who were not involved directly in the mining sector knew they were not benefiting from the boom. Fast forward: Labor lost the election, the Barnett Liberal–National government came into office, and the global financial crisis hit—bang. That was, without doubt, the biggest financial shock to the western world since the Great Depression. Western Australia had a resources boom that cushioned this state through the GST, because iron ore prices were very high at that time. However, this state also had an influx of people from around Australia off the back of the fact that our economy was doing very well. We had a dual economy in Australia at the time, with Western Australia riding what we called the China boom, with the huge investment in mine site construction, and we also had higher iron ore prices. Those incomes were injected into the Western Australian economy. People saw a great future for themselves and their kids in Western Australia and enjoyed a relatively good lifestyle compared with their lifestyle under the previous government, because the benefits were starting to flow. However, it put the Barnett government under enormous pressure. Half a million people migrated to this state over that 10-year period. That put enormous pressure on schools, hospitals, roads and power, and that infrastructure had to be built.

At the handover of government in 2008 from Labor to Liberal–National one issue was that there were not enough teachers to put in front of classrooms. The reality of the time is that the government had to pay teachers more, because otherwise they would have taken up jobs at the mines. The government fixed that issue. I accept the premise that the wage and salary increases that we gave in our first term in government were too high. However, it would have been a cost to the people of Western Australia not to ensure that we had enough teachers in front of classrooms. It would have been a cost to the people of Western Australia not to ensure that we had adequate water and power supplies, and adequate road systems and networks to provide for that increased population.

These were difficult times in which to manage a budget. They were made even more difficult in that era by what is called vertical fiscal imbalance. As we know, because this state was earning a lot of revenue from royalties, our GST take dropped significantly. That did not take into account the fact that this government had to spend a lot of money on infrastructure that was linked to resource projects. That cost a lot of money. However, that was not factored into the Commonwealth Grants Commission's processes in assessing how to redistribute income back to the people of Western Australia. In simple terms, vertical fiscal imbalance means that the raising of revenue through income tax, company tax et cetera is done predominantly by the commonwealth, but service delivery is the responsibility of the states. This state therefore required top-up grant payments to enable it to provide those essential services to the people of Western Australia because we did not have the capacity to raise that revenue ourselves. When the Grants Commission and the mechanics of the GST formula are not in our favour, we cannot stop putting teachers in front of classrooms, and we cannot stop providing essential services to the people of Western Australia. We need to keep going. That is why debt started to increase.

The people of Western Australia agreed with the Labor Party when it said during the election campaign that our government had allowed debt to get too high. They agreed with the Labor Party that the debt that was predicted in the *Pre-election Financial Projections Statement*, which had debt at 30 June at \$33.2 billion, was too high and said, "That is too much; enough is enough." They agreed with the Labor Party that by 2020, debt of \$41.1 billion was too high. I am pretty confident that the people of Western Australia will say that the Liberal–National government spent too much on its projects. Earlier today, the member for Warnbro said in an interjection on the Deputy Leader of the Opposition that Elizabeth Quay, Perth Stadium and the undergrounding of the Northbridge rail —

Mr W.R. Marmion interjected.

Mr S.K. L'ESTRANGE: I am just dealing with those at the moment, member for Nedlands. He disagrees that they were important projects. I will tell members what: the Minister for Tourism has just put into his budget a significant amount tagged to what is called "destination tourism". How do we create a destination out of Perth without big ticket items like Elizabeth Quay, Perth Stadium and the revitalisation of the city itself? How do we sell the City of Perth to foreign tourists without that investment? It is no wonder the former Premier tagged him "junior minister", because the former Premier knows quite well. He has seen many ministers come and go over his years of service in the Parliament of Western Australia, and he can get their measure pretty quickly. I think he has got the measure of the Minister for Tourism as being a lightweight. I think that basically the former Premier is saying, "Mate, you're not up to it." The Minister for Tourism thinks he can interject on the Deputy Leader of the Opposition and ask, "What did you do Elizabeth Quay for? What did you do the Perth Stadium for?" and he is the Minister for Tourism. I mean, come on! It really does not take a rocket scientist to work out that destination marketing requires a destination. It is not hard. There are members opposite, particularly backbenchers like the member for Morley, who are showing a bit of ambition, as I mentioned in a former speech. What did we nickname her? She is the Cersei Lannister of the game of thrones opposite, sizing up her chess piece moves to take the leadership down the track from the current Premier. We know what she is like; she is all about ambition and no substance. She manoeuvred her way from the upper house to get into this house as quickly as possible into what she considered to be a safe seat so that she could start her run.

Several members interjected.

Mr S.K. L'ESTRANGE: She is probably trying to get the member's numbers right now so that she can start her run on the top job.

Mr P. Papalia: When is John having his barbecue?

Mr S.K. L'ESTRANGE: I do not know. Ask him.

Mr P. Papalia: Flash up the six burner this Sunday?

Mr S.K. L'ESTRANGE: I do not know; ask him. You find out!

Mr P. Papalia: If you haven't been invited, maybe Dean has the numbers.

Mr S.K. L'ESTRANGE: I would not know, because what I focus on, member for Warnbro, is the people of Churchlands. I am not particularly interested in the electorate of South Perth. As much as it is important to the member for South Perth, it is certainly not my focus. My focus is on the people of Churchlands

Mr P. Papalia: We know what happens at John's barbecues, mate, and it's got nothing to do with South Perth.

Mr S.K. L'ESTRANGE: I can tell the member for Warnbro that the people of Churchlands are a bit upset with his government right now, because it has started to strip out the student-centred funding to the Churchlands Senior High School community to the tune of over \$1 million.

Mr T.J. Healy: Churchlands Senior High School, \$34 million in this budget.

Mr S.K. L'ESTRANGE: Correct.

Mr T.J. Healy: Isn't that a good thing?

Mr S.K. L'ESTRANGE: Yes. We put it in last year, mate.

Mr T.J. Healy: Are you saying that we have taken it out? These things remain.

Mr S.K. L'ESTRANGE: The member for Southern River needs to catch up, because that is a capital spend. We are talking about the per student, per head funding model that funds how they receive their education. We are not talking about buildings. I suggest to the member for Southern River that maybe he should read *The West Australian*, because a good article in it today explains that schools with over 1 200 kids, I think, are having \$1 000 per student stripped out for those numbers that go above 1 200, or figures to that effect. It is going to cost the school in my electorate, the Western Australian state government high school of Churchlands, which is a fine institution. It is a great school. The current governor of Western Australia went to that school.

Dr A.D. Buti: So did Mike Fitzpatrick, the Carlton footballer.

Mr S.K. L'ESTRANGE: Very good.

[Member's time extended.]

Mr S.K. L'ESTRANGE: In fact, here is a little anecdote of history for the member for Armadale, because I know he is a history buff. My father was the inaugural sports master of Churchlands Senior High School. He coached the footy, the swimming and the running. He loved his sport. When he decided he was not fit enough and he could not keep up with the kids, he went back to college and did fine arts and then became the art teacher at Churchlands Senior High School.

Mr B.S. Wyatt: Did he leave school to become a teacher?

Mr S.K. L'ESTRANGE: Yes, he did. He taught at Harvey Brunswick, out of teachers' college, and then Churchlands Senior High School.

Dr A.D. Buti: What about the swimming school?

Mr S.K. L'ESTRANGE: That was later. An anecdote of history again is that when the Thornlie pool complex was set up, the developers of that complex were looking for a professional swim coach and advertised for one. He got that job. He taught the Deputy Leader of the Opposition

Mrs L.M. Harvey: Our family helped pay your school fees.

Mr S.K. L'ESTRANGE: There you go! The Deputy Leader of the Opposition took lessons from that business during the 1970s. Mum and dad's swimming business on Albany Highway was well known by the people down that way for a good 20 or 30 years.

Dr A.D. Buti: I used to go past it every day on the way to uni.

Mr S.K. L'ESTRANGE: We digress. The people of Churchlands were most concerned when they read that article in today's paper. The principal is most concerned; he has indicated to me that he is unhappy. I said, "Get me the data, get me the figures, and let me sit down and look at it with you."

Mr P.A. Katsambanis interjected.

Mr S.K. L'ESTRANGE: That is right—millions. That is a real issue. It is not just for Churchlands Senior High School in my electorate; it is also a concern for many other schools in other electorates, such as Rossmoyne Senior High School in the Leader of the Opposition's electorate. There are probably other schools out there that are impacted. Getting back to this broken promises piece, when people start seeing cuts to student-centred funding models, we have to remember that the Labor Party in opposition ran a very strong, compelling, argumentative case out in the community that schools were going to be worse off under the per capita student funding model. It ran it really hard. We found that once it was up and running, there was not a lot of push back. People actually saw that it was redirecting funds properly to where those funds should go per student, based on need. It was a very wise decision of the Minister for Education, the Premier and the cabinet of the day to do that. We now see a stripping of that program. We are seeing money being taken out of the per-head population model and being redirected. A cynic would say that it is being redirected into marginal Labor-held seats, to where its voters are. A cynic might

Extract from Hansard

[ASSEMBLY — Wednesday, 13 September 2017]

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Dr Mike Nahan; Mrs Liza Harvey; Mr Sean L'Estrange; Mr Dean Nalder; Mr Ben Wyatt

be right. When the member for Southern River was interjecting earlier, I thought, “Let’s look at his Facebook site.” So I did. I got his Facebook site up in front of me, scrolled down through it and there I saw a \$40 000 cheque to one of his local primary schools—it might have been Huntingdale Primary School. Then I could not zoom in on the photo on my iPhone—I did it just a little while ago—but I noticed that his name was on the cheque. I thought, “My goodness, \$40 000 from the member for Southern River. It’s very generous to give a cheque of \$40 000 to one local primary school.”

Mr P.A. Katsambanis: It’s more than just a fridge!

Mr S.K. L’ESTRANGE: I know; it is more than a fridge. It is 40 grand! I think the electorate allowance is \$75 000 or thereabouts, which is for all our marketing, promotions and everything, but he gave a cheque for \$40 000, and there it is. His name is on the cheque. Members should look on their iPhones now.

Mr B.S. Wyatt: Who is this, sorry?

Mr S.K. L’ESTRANGE: This is the member for Southern River. He has a cheque. Look at him on Facebook. He is giving a cheque for \$40 000 to one of the schools. It has his name on the cheque.

Mr B.S. Wyatt: I am doing that to make sure they all bounce.

Mrs R.M.J. Clarke: It would be in the local jobs and local projects grants.

Mr S.K. L’ESTRANGE: So it is not from him. Why is his name on the cheque?

Mr B.S. Wyatt: I assume it is a big gimmick cheque, isn’t it?

Mr S.K. L’ESTRANGE: It looks like a big gimmick cheque to me, yes, but it is still a cheque with his name on it.

Mrs R.M.J. Clarke interjected.

Mr S.K. L’ESTRANGE: So it is not his money?

Several members interjected.

Mr S.K. L’ESTRANGE: I am just trying to work it out! I think we are getting somewhere here. I think we have uncovered something, members. I will take the interjections. Can the member for Southern River clarify for us that the \$40 000 cheque which he gave to Huntingdale Primary School and which I saw on his Facebook site —

Mr T.J. Healy: Yes. Thank you. Again, I am very complimented.

Mr S.K. L’ESTRANGE: Fair enough. I noticed that it has the member’s name on the cheque.

Mr T.J. Healy: For local projects, local jobs.

Mr S.K. L’ESTRANGE: But the member’s name is on the cheque, though.

Mr T.J. Healy: Yes, it is. I signed it.

Mr S.K. L’ESTRANGE: Did the member sign it?

Mr T.J. Healy: Yes.

Mr S.K. L’ESTRANGE: So, it is the member’s money?

Mr T.J. Healy: No.

Mr S.K. L’ESTRANGE: Whose money is it?

Mrs R.M.J. Clarke: It is promotional —

Mr S.K. L’ESTRANGE: I would like to hear from the member for Southern River.

Mr T.J. Healy: I am happy to take it. It is my endorsement. It is the school where my daughter will go to. I am very happy to say that I promised it.

Mr S.K. L’ESTRANGE: Let me get this right —

Mr T.J. Healy: Promised and delivered.

Mr S.K. L’ESTRANGE: The member has just said on *Hansard* that it is a school his daughter goes to —

Mr T.J. Healy: Will go to—she is only one year old.

Mr S.K. L’ESTRANGE: The member committed \$40 000 to the school his daughter goes to —

Mr B. Urban: Will go to.

Mr T.J. Healy: She is only one.

Mr S.K. L’ESTRANGE: The member submitted a cheque that he signed for \$40 000, with his name on it —

Mr T.J. Healy: As promised—delivered.

Mr S.K. L'ESTRANGE: As promised—and that money came out of the member's electorate allowance?

Mr T.J. Healy: No.

Mr S.K. L'ESTRANGE: Where did it come from?

Mr T.J. Healy: Local Projects, Local Jobs—it is in the budget.

Mr S.K. L'ESTRANGE: All right; I am confused.

Mr P.A. Katsambanis: Taxpayers' money.

Mr S.K. L'ESTRANGE: It is taxpayers' money.

Mr T.J. Healy: Yes, it is public money.

Mr S.K. L'ESTRANGE: The member's name; the member's signature. Is the member for Southern River the only one who does this thing with cheques?

Mr T.J. Healy: I am not sure. Have you?

Mr S.K. L'ESTRANGE: No, I have not. Sorry, but I have not done that.

Mr B. Urban: Really?

Mr S.K. L'ESTRANGE: Yes, really.

Mr B. Urban interjected.

Mr S.K. L'ESTRANGE: Really, I have not. The only cheques I have ever seen in my electorate, that I have been able to hand out, have not had my name on them. The Lotteries Commission will give grants to things like men's sheds or for local community gardens and things like that. It will often ring up local members and say, "We'd like you to come along." I go along with the representative from Lotterywest and stand next to them and give a nice speech, but it is not my cheque; it belongs to the government.

Mr P.A. Katsambanis: And you don't sign it!

Mr S.K. L'ESTRANGE: And I do not sign it or put my name on it and say, "Hey, let's just tell everybody in Churchlands"—wink, wink, nudge, nudge—"that this is my cheque." We do not do that. Is the member telling me that is what you guys do?

Mr T.J. Healy: I hate to break it to you—it is not actually a real cheque! It cannot actually be banked. I hate to break that to you.

Ms L. O'Malley interjected.

Mr S.K. L'ESTRANGE: The member for Bicton is interjecting. Does she do it as well?

Ms L. O'Malley interjected.

Mr S.K. L'ESTRANGE: How many of you are doing this? It is unbelievable.

Several members interjected.

Mr S.K. L'ESTRANGE: To be brutally honest, I am flabbergasted. This has derailed my Churchillian speech, members! I was on a roll, and now I have found out that members opposite are writing cheques and handing out money that is not theirs.

Mr P.A. Katsambanis: Bouncing cheques.

Mr S.K. L'ESTRANGE: Bouncing cheques.

Anyway, let us get back to the motion. I thank the member for Southern River for clarifying, and also the members for Bicton and Murray–Wellington, that they all hand out these cheques. I appreciate knowing that. It is an interesting concept that they are all aspirational backbenchers of a government that is all about being frugal with the people of Western Australia and all about trying to rein in spending because of a debt problem, but at the same time it is quite happy to roll out all these cheques left, right and centre all over the place. In the old speak, it is called pork-barrelling.

Mrs L.M. Harvey: Indeed.

Mr S.K. L'ESTRANGE: Indeed; it is called pork-barrelling. It is when one basically commits to a whole pile of promises. The member for Southern River said that he promised before the election that the school his daughter will go to will get a \$40 000 cheque. He gets elected, and lo and behold a \$40 000 cheque with his name on it rolls

up! That is absolute pork-barrelling. There is no other word for it. There is no way of covering it up. Frankly, I think it is improper.

Mrs R.M.J. Clarke: You go back to those community groups and tell them it is improper and that they are not getting funding.

Mr S.K. L'ESTRANGE: I am not saying that, member.

Several members interjected.

Mr S.K. L'ESTRANGE: I will tell the house what I think is improper. If this is what I have just uncovered here today, I think it is improper for members to put their names on cheques. If it is not their money, the government agency where the money is coming from should be the name on the cheque. By all means, the local member can say, "Hey, the government of Western Australia"—not a Labor or local member-branded cheque—"is going to donate or invest in this commitment to the community of the electorate." I do not have a problem with that at all, so long as it is a fair and needed thing for the community. That is fine so long as it is not overt pork-barrelling. If something absolutely needs repair in a community, like there is in my community, it is fine. For example, Wembley Downs Primary School is a very old, run-down school building. Its admin is in a corner classroom area. The staffroom is an old classroom that they kind of tried to convert. If parents want to go to the admin office, they have to go through a gate that is 200 metres away, walk through basketball courts, up along a verandah and past all the kids in class. It is in drastic need of an upgraded administration and student centre building.

Mrs R.M.J. Clarke interjected.

Mr S.K. L'ESTRANGE: Does the member live out that way?

Mrs R.M.J. Clarke: No, I do not. My children went to a school in that region.

Mr S.K. L'ESTRANGE: The member would have had to drive a long way from Murray-Wellington.

Mrs R.M.J. Clarke: I have adult children now, member.

Mrs L.M. Harvey: She has one at Newman.

Mrs R.M.J. Clarke: I still have one at Newman, yes.

Mr S.K. L'ESTRANGE: Very good. It is a long way from Murray-Wellington, though. The member must struggle, given that Newman does not have a boarding school.

Mrs R.M.J. Clarke: She does not live with me, member.

Mr S.K. L'ESTRANGE: Very good. So you correspond —

Mrs R.M.J. Clarke: There are two parents to a child!

Mr S.K. L'ESTRANGE: Got it. No doubt the two of you correspond and take care—excellent. It is good to know she goes to a great school in my electorate. Newman is a wonderful school.

Mrs R.M.J. Clarke: She loves it. I have had children at that school for 22 years.

Mr S.K. L'ESTRANGE: Getting back to the \$40 000 cheque, the previous government committed to improve that administration building. It was not an election commitment; it was written in by the Department of Education to upgrade Wembley Downs Primary School's administration and student centre area. Hopefully, that will continue. I am still looking for it in the budget. I am a bit concerned that it might have dropped off somewhere to help fund these \$40 000 cheques for the member for Southern River out at Huntingdale Primary School! I will be looking closely to see where that is at. I hope very much that these broken promises do not become a pattern for this particular government of the day.

MR D.C. NALDER (Bateman) [5.36 pm]: I also stand on this motion —

Mrs L.M. Harvey: I think the member for Churchlands did a great job with that speech!

Mr D.C. NALDER: The member for Churchlands did a great job.

This motion is about broken promises in the budget. Its impact will flow through to the economy. I want to particularly focus on the goldmining royalty. I have given my budget-in-reply speech, but it was remiss of me to leave a little bit out. The government's announcement was an absolute broken promise to the community of Western Australia. I do not think there could have been a more categorical statement from a leader, as we saw from the current Premier during the election campaign, about there not being any tax increase or new taxes full stop. I think I heard the term "full stop" twice. Royalties will increase 50 per cent, to 3.75 per cent. What is really worrying—and started to become apparent over the last couple of days—is: I question the degree of thinking, the degree of analysis and the degree of consultation that has occurred with industry in the process of implementing this hike in gold royalties. One thing I have come to understand is that it might sound like it is an additional \$20

an ounce, but I am hearing that it will take, on average, between 10 and 15 per cent of a company's free cash flow. That ranges across different companies in the goldmining sector between seven per cent and 50 per cent of their free cash flow.

It worries me that the government has taken a very simplistic view of the goldmining sector. It has taken a view that gold prices have gone up and that the average cost of extracting gold is X; therefore, now the gold price is higher, they are all making lots of money. I am hopeful that the government was astute enough, when assessing this program, to look at the audited financial accounts of all the goldmining producers in Western Australia to understand how profitable these companies are and whether this type of impost will send any broke. The impost was a shock given the promises made during the election campaign six months ago. I hope this impost will not mean goldmining companies that were looking to start up can no longer start up, and that it will therefore have a detrimental impact on jobs. I hope that the Treasurer will be able to stand and confirm to the house that this level of analysis has been undertaken and that the government has understood the audited financial accounts of all the goldmining companies in Western Australia so it understands precisely at an individual level which ones are impacted by this type of impost. These companies were basically given an indication by the Premier two years ago that under no circumstances would he ever introduce this type of impost. Does the government think that this will not negatively impact on jobs and that it will not negatively assess companies that have been going through the exploration process from being able to get their mine up and running? Not every goldmine has the same type of ore body. Increases in price ensure that mines that were previously not profitable can become profitable such that mining ventures can be established. A lot of companies will lock in forward rates then seek capital. Their cost per ounce will be a lot higher to deliver because the quality of the ore body will not be to the same standard as other mining companies. These mining companies have a variable rate of cost of production.

Dr M.D. Nahan: Almost always in gold.

Mr D.C. NALDER: Yes. I reckon almost always in gold. I think that is a fair assessment.

It worries me that this was a thought bubble in Treasury—an opportunity—and that it looked at the financials and said that the government should do this. I worry that there has not been proper analysis within the gold sector, that a lot of marginal mines could be seriously adversely impacted and that it could impede further growth in this sector. The opposition has to be responsible; it is incumbent on us to ensure that we question the government in these areas. If the government has not done this level of analysis, we will seek it. We will seek an understanding and bring it back to this place. We implore the government to share the level and degree of analysis that was undertaken with this house so we can understand that this increase will not adversely impact on jobs and that gold mining companies can continue to operate profitably in Western Australia.

MR B.S. WYATT (Victoria Park — Treasurer) [5.42 pm]: I rise to make some comments about this motion. I am sorry, member for Hillarys. Some specific questions were put to me so I had to get up and deal with them. If the opposition had not asked specific questions, I would have let the member for Hillarys speak.

A few issues have been raised tonight. Admittedly, the conversation has been fairly broad, I think most people would agree. The Leader of the Opposition spent much of his time reflecting on the former government's record, mainly in education and health; so be it. I can understand why he would do that. He also made a number of points about revenue writedowns. One point is that we should not have been surprised about the revenue writedowns. We can probably have that discussion time and again, but at the very least I would expect the Leader of the Opposition—or any member who follows the finances of the state—to have been completely surprised by the census data. The census data came out of left field with the single biggest shift in WA's population since records were taken; that is a surprise.

Mr A. Krsticevic interjected.

Mr B.S. WYATT: No. It was. Since records were taken, it was the single biggest shift. Our population declined compared with what it was expected to be as recently as March this year—we are all experts in hindsight, as the member for Carine clearly is—and the national population had increased. From memory, that decreased WA's population from 10.87 per cent to 10.57 per cent. That does not sound like a lot but —

Dr M.D. Nahan: About 60 000, right?

Mr B.S. WYATT: Yes, Australia's population has gone up by about 80 000, I think.

It does not sound like a lot but GST numbers are highly sensitive to quite dramatic population movements. Believe it or not, a move from 10.87 per cent to 10.57 per cent was a dramatic move, which had a \$2 billion impact. That is what it is. It is in the finances for all to see.

I would not mind a further conversation with the Leader of the Opposition about energy. Ultimately, the issues have not changed just because the government has. Clearly, we have differences of opinion about the ownership structure of Western Power. I think that was adjudicated on quite recently at the election so we do not intend to change our position or election commitment on that. The Deputy Leader of the Opposition's contribution was

a general disgruntlement about her record not being appreciated. The member for Churchlands made an interesting reflection upon journeys of government. I daresay that the journey of this government will be dominated by the fiscal issues it faces. That is not enormously exciting for people; I understand that but that is unfortunately the lot that I and this government have been given. We do not get the advantage of the former Labor government, which had a huge increase in stamp duty, or the former Liberal government, which had a huge increase in royalties and payroll. Unfortunately, we do not have that. At this stage we certainly do not anticipate those sorts of significant increases in revenue sources. The shadow Treasurer made some points about gold. I assure him that a lot of work went into gold because as someone from the goldfields, I was keen to ensure that we got this right. Initially, I went through the former government's Mineral Royalty Rate Analysis. I want to quote from an email, Mr Acting Speaker. I know that there is general disgruntlement from the Chairs about that but it is nothing more than an email. I want to quote three paragraphs from the Mineral Royalty Rate Analysis. To be fair, it took the member for Nedlands years to do that. It took three years for the former government to do the Mineral Royalty Rate Analysis. A lot of time and work went into it and I was surprised by how long it went. I think that was part of the problem. To a great length, it was done under the government of the shadow Treasurer. What did it find? It states —

The gold industry has consistently provided a return to the community that is materially less than the benchmark and the return provided by other major commodities. ... In 2013, gold's royalty return as a percentage of the mine-head value was around half that provided by the iron ore industry.

That is why gold, even with the increase to 3.75 per cent that we are proposing, is significantly lower than iron ore. The comparison is always made that gold is not iron ore, which is true; it is not. That is why the royalty rate is significantly lower. The mineral royalty rate review is a large document. It also stated —

The gold industry argued that its mining costs were a higher proportion of its total costs than other commodities. The Review found that mining costs in the gold industry vary from project to project but that on average gold industry mining costs are no higher than other commodities.

Dr M.D. Nahan: When was the study actually done?

Mr B.S. WYATT: It was the former government's study.

Dr M.D. Nahan: It was actually commissioned by Christian Porter.

Mr B.S. WYATT: It was under the former government—the mineral royalty rate review.

Dr M.D. Nahan: Back then, the mark-up for iron ore was much higher than it is now.

Mr B.S. WYATT: Sorry. Say that again—the mark-up for iron ore?

Dr M.D. Nahan: Let us say the average price of iron ore today is \$80.

Mr B.S. WYATT: Is the Leader of the Opposition talking about iron ore now?

Dr M.D. Nahan: Iron ore. The cost of production all up is less than \$20. Gold is nowhere near that margin.

Mr B.S. WYATT: I get that. I agree with the point made by the shadow Treasurer. I said in question time this week, and this was basically the point of a large part of the conversation that I had with representatives from the gold industry in Kalgoorlie on Monday, that there is a larger diversity of mines than in the iron ore sector. I think that is what the Leader of the Opposition is saying and he is quite correct.

I asked and, as the shadow Treasurer suggested, it was not just a thought bubble of Treasury; it was something that we quizzed Treasury about. Treasury has gone through an analysis of 34 of WA's gold mines, which collectively account for around 95 per cent of total production. That showed an average margin, based on the current gold price now of just under \$1 700 an ounce, of around \$440 an ounce. I accept that there will be differences. Ultimately, when we do these things—whether it is with land tax or gold tax or iron ore royalties—we operate on averages. Treasury has made the point that there is variability. The \$440 captures average margins from as low as \$200 to \$800, so there will be significant variability. However, the point is that at the current price of gold and the fact that it is expected to stay at \$1 400 an ounce—I think it is expected to decline across the forward estimates; I will need to have a look at that.

Dr M.D. Nahan: They are not published.

Mr B.S. WYATT: That is right. For the benefit of everyone here, I may not be right about what we are expecting. We are expecting gold to stay at record levels across the forward estimates. That is why there is a \$1 200 transition figure—to protect against the downside. I have had a long conversation with the gold miners about that. I have quoted the Argonaut "Equity Research" paper a couple of times now, even though it is a long document. No doubt all of us are on the email lists of analysts, from banks to stockbrokers et cetera across the country. I refer to this paper because it focuses on the gold sector immediately prior to Diggers and Dealers. Historically, Diggers and Dealers has been a supportive and positive conference around gold. That is what it is all about.

Mr W.J. Johnston: Last year it was black; this year it is up.

Mr B.S. WYATT: Yes, this year it is up.

I refer to the Argonaut “Equity Research” paper again. It states that in the June quarter of this year the weighted average, all-in sustaining cost of gold was \$1 077 an ounce. This private sector analysis, unsurprisingly, is less conservative than Treasury’s analysis. Treasury is assuming that the margins are smaller; the private sector is saying that the margins are much larger than Treasury assumes in its decisions around gold royalties. I want to emphasise this, because it was not as though Treasury picked it off the shelf because it was such a great idea. Treasury has a few of those, as the Leader of the Opposition would know. A lot of rigor went into this. Treasury considered the analysis of 95 per cent of gold production in Western Australia.

Dr M.D. Nahan: The trouble with gold is the cost curve is significantly different. It has different gradients, particularly when you take into account the pit size, so the cost curve goes up. Whereas in iron ore and other ones it is basically a uniform grade and averages are relevant. In this industry, it is the margins. You are always going to get distortions at the margin even if the mine itself is very profitable marginally. At the margin it would destroy gold and employment—a lot going into the ground.

Mr B.S. WYATT: That could be said about anything a state government does. We could say that about decisions about land tax and stamp duty. We could say that exact same thing about any state revenue source. That is why, Leader of the Opposition, the iron ore royalty rate is basically double that of gold, because we understand that and historically it has been that way. In fact, at the moment, the iron ore royalty rate is three times that of gold, and it has been that way since gold first had a royalty applied to it. That is not unusual and we understand that, but we also understand that at the moment gold has a capacity to absorb an extra \$20 an ounce without it having a dramatic impact on either jobs or investment.

Dr M.D. Nahan: Why did the Premier say the opposite when opposition leader?

Mr B.S. WYATT: The Leader of the Opposition would have to ask him that in question time tomorrow.

Where was I? I was talking about gold. I am making the point that it is unlikely to have the sort of dramatic impacts we worry about. As I said, the royalty rate is not a tax. Whatever it is, this is Western Australians seeking a fair return on an asset they own. I asked the gold sector, “Would there be a price at which Western Australians can ask for a larger return? What if overnight something happens internationally—gold is a safe haven—and the gold price goes to \$2 500?” I guarantee that exactly the same argument that was put to me on Monday in Kalgoorlie would be put to me again if that happened overnight. I am not being facetious and I am not trying to discredit the gold sector, but that is always the argument.

The gold sector is doing very well at the moment. That is the analysis of Treasury and private sector equity researchers. Macquarie has also made the point that it is expecting negligible impact on earnings. It is not only the Treasury and me saying that; for those who do not trust government and its organisations, private sector researchers in this space are also saying that. I emphasise that point because it is not dramatic. I asked the gold sector to come back to me with what would be an acceptable transition price if \$1 200 were unacceptable. Hopefully, in due course the CME will come back to me on that. I am not stubborn; I am happy to look at these things, but I certainly do not accept the argument that \$20 out of the current iron price is going to have a distortionary impact on the operation of gold in Western Australia—absolutely not—bearing in mind that WA still has one of the lowest royalty rates for gold in the country, even with the increase.

They are the other points I wanted to mention. As I said, I am trying to address the concerns the shadow Treasurer has. If he wants to get in front of Treasury to interrogate those figures, I am perfectly relaxed about that.

Mr W.J. Johnston: Estimates.

Mr B.S. WYATT: He can do that either in the estimates or outside. Either way, I am happy to help with that because I am keen for the Liberal Party to support the revenue measures in this budget. I understand, they ain’t going to like it, and those subject to it certainly do not like—I am well aware of that—but I have tried to be as upfront, succinct and open about both payroll tax and gold tax as I possibly could be.

More broadly, I want to make comments on the motion. We have to react. Page 71 of budget paper No 3 contains the story of what the government has had to confront and to deal with: a \$5 billion revenue writedown in the space of five months. It was going to be more than that, but a late rally in the cut-off date in iron ore took us back to \$5 billion. We had to react. I understand the view of the opposition. Believe me, I have made the case on that side of the chamber. I understand the annoyance and frustration when a government makes a decision that is not based on what it said prior to the election. My time in government is not going to be based on how I handle the political embarrassment of large operating surpluses. That is not going to be my lot in life. My lot is going to be how to manage this fiscal issue we are facing—and I am trying to be as non-inflammatory as I possibly can—a consequence of a spend and, as I have said, of an incredible GST system that has exacerbated the drop in the iron ore price. When such a large percentage of our revenue base is dependent upon that volatility, we have to work

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our way through that. The next three to five years in particular is the key, as the Leader of the Opposition knows. That is why I was very determined to ensure that the increases to payroll tax expire. Members will see this when the legislation is introduced. It will not require legislation to pull it out. I would not do that because what would happen is we would never see it gone. It will simply expire. I did not want a future government, regardless of its political colour, to rely upon that extra revenue. I am pleased, as I have said today, with the comments of Richard Goyder—a very well-respected businessman in Western Australia and probably the largest employer in Western Australia by sheer numbers. He has made a point about the tax; I share his views on the tax. No-one likes state taxes. But the point I was making with some disgruntlement today to the Leader of the National Party is that the same argument can be made about every single state tax, whether they have a negative impact on jobs, whether they push up prices or something or other, whether they impose an unfair burden on business. Whatever it may be, it is the lot we face—I think the member for Churchlands might have said this—with the vertical fiscal imbalance. We have a limited revenue supply for any big spend in government. That is what I have tried to deal with in both these revenue measures.

Finally, both the Leader of the Opposition and the shadow Treasurer highlighted a risk to the budget in the spend across the forward estimates. It is very tight. It is a risk to the budget and a risk to the government in ensuring that we deliver on that. But the reality is that there will be a significant less spend across the forward estimates and a range of areas than there has been over the last years.

Debate adjourned, pursuant to standing orders.

Sitting suspended from 6.00 to 7.00 pm