

APPROPRIATION (CONSOLIDATED ACCOUNT) RECURRENT 2011–12 BILL 2011
APPROPRIATION (CONSOLIDATED ACCOUNT) CAPITAL 2011–12 BILL 2011

Second Reading — Cognate Debate

Resumed from an earlier stage of the sitting.

MR A.P. JACOB (Ocean Reef) [4.04 pm]: As I was saying before lunch, having seen all of our government's election commitments met in the electorate of Ocean Reef in the first two budgets, my anticipation for projects in my electorate in this budget was a little more subdued. However, I really must congratulate and thank the Treasurer for what I believe is a budget that has delivered the best yet for my community—not only the best from our government, but also the best yet from any government for more than a decade.

The government has been able to meet the needs of the community in Ocean Reef in a number of areas, including roads, health services and education. In particular, the freeway widening—an announcement we have waited years for—will bring home every northern suburbs resident who works south of Hepburn Avenue much more quickly in the evening. Putting a third lane between Hepburn Avenue and Hodges Drive will provide more family time for all of us after work, as opposed to just sitting and staring at the bumper of the car in front of us.

In transport, I will briefly register my thanks for the \$164 million that has been put forward for 45 railcars. I believe most of those railcars will go on the Joondalup line, which will cater for about an extra 8 500 patrons day in, day out. There is also \$40.1 million to buy an extra 78 buses.

In health services, another area I will briefly touch on, the Joondalup Health Campus redevelopment continues and is in full swing. I understand it is coming in under time and—who knows?—towards the end of the project may even come in on or under budget. At this rate it is travelling very well and there is another \$64 million for that project in this year's budget. The services that will be included in that facility continue to increase as it goes along. I, along with other northern suburbs members, was very proud to stand with the Premier and the Minister for Health in March this year at the opening of the brand-new emergency department and the new Wanneroo wing. It is unfortunately named, member for Wanneroo.

Mr P.T. Miles interjected.

Mr A.P. JACOB: I did try for an Ocean Reef wing, but perhaps that will occur in the future. I am hoping that the next wing could be the Ocean Reef wing, as that would include the intensive care unit where my wife works. That might be a more appropriate one; also, at four storeys high, it would probably have ocean views!

The Gngangara groundwater replenishment trial will also continue. There is \$6.8 million for that trial in this year's budget. It is a very important project, and not only for its drinking water potential. Members on both sides of the house raised this matter. Speaking as somebody who grew up in the rural wetlands of Wanneroo, I hope that this project will see the return and recovery of some of our beautiful lakes and wetlands from the significant stress that they have been under in recent years.

Mr J.E. McGrath: Bring back the frogs!

Mr A.P. JACOB: That is right, member, bring back the frogs.

We have also continued to see the pine plantation dwindle, which can only be good news for the Gngangara mound and for the wetlands in the northern suburbs. With the pine trees finally on the way out, the groundwater re-injection project there will be a fantastic project.

Mr J.E. McGrath interjected.

Mr A.P. JACOB: We did have a few good theme parks there. In the past we had Atlantis, Dizzy Lamb Park, and a lion park that has now become Benara Nurseries. I have deviated a little. I am sorry, member, I would love to go down those deviations, but I will continue. The castle at Dizzy Lamb Park is now used as a paintball facility.

I want to briefly touch on what the government is doing for seniors, as I have not heard a lot said about them today. It is quite significant to note that this government has made sure it is looking after those who have contributed to the community for years and who are now in their senior years of life. I am pleased for Seniors Card holders that the cost-of-living rebate will be increased from \$104.80 to \$150 for singles and from \$157 to \$225 for couples. I have already had some very happy people come through my office having heard that people over 60 years can now work up to 25 hours a week—up from 20 hours—and still be eligible for the Seniors Card. This will allow an extra 4 500 seniors to receive these benefits. Along with this support for families and seniors, there has also been an increase in the hardship utility grant.

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In closing, I want to quickly touch on what the Treasurer badged in this budget as the best of the conservative with compassion coupled with commonsense. The budget contains an extraordinary \$604 million for sustainable funding for contracts with the not-for-profit sector. It will assist those in our community who are doing it tough. The not-for-profit organisations are the best organisations to deliver assistance on the ground to those who need it. This is a much-needed partnership with them. I congratulate both the Premier and the Treasurer for taking this tack, which will see the government as a facilitator rather than a needless competitor to the rich vein of hardworking not-for-profit agencies throughout the state. This Liberal government evidently maintains a community focus. I am already aware of the benefits for the constituents of the electorate of Ocean Reef.

MR M.P. MURRAY (Collie–Preston) [4.09 pm]: Firstly, I must correct the record from yesterday when the Minister for Regional Development said that there was \$3 million-plus in the budget for Collie Senior High School. Before I correct that record, I will say why I want to do that. There is no money in the budget for direct expenditure, but there is \$3 million in the forward estimates. The Premier was reported in *Hansard* as saying —

I think members opposite know—they may not agree—that I have a view about forward estimates; namely that forward estimates are educated guesses about the future.

He went on to say —

They are forecasts; they are nothing more, nothing less. I again remind the house that the budget is for only one year.

That very clearly indicates that there is no money in the budget for Collie Senior High School, despite the ranting and raving of the Minister for Regional Development. Further, the Premier said —

I am saying that the forward estimates are what they are; namely, estimates and not allocations of taxpayer funds. The allocation of taxpayer funds is for the coming year.

I am sure that most people who are still in this place would have heard the derision and laughter from the minister yesterday when he said that I could not read the budget. I know who is lying in this place and who is cheating the system and fudging the figures—the Minister for Regional Development, Mr Grylls.

The minister has an unallocated amount of \$172 million. In any budget, that should be investigated. There should be an investigation into why it is unallocated and where it could be shifted to at any time. We do not want to get into a situation such as that experienced by governments in other jurisdictions that perhaps put money into a Swiss bank account because there were no checks and balances in place. Although a committee oversees this \$172 million, taxpayers want to know where it has gone. Why should the people of Western Australia be hit with higher charges for electricity, water services and licensing, while \$172 million in the budget is unallocated? It is nothing more than a slush fund. The minister should be taken to task next week during estimates hearings so that we find out where that money is and what it will be used for, because the budget indicates that it is for “future projects”.

In my electorate alone, there is a shortfall in funding for the Collie town centre upgrade. There is nothing for it in the budget. The whisper is that the minister will take that money from unallocated funds. Is it fair to other towns and shires if they do not know where Mr Grylls, in his wisdom, is going to throw money just to try to keep his head above water? I supported and voted for royalties for regions. I am concerned that it has now been bastardised. It is being used and abused. That is a shame. As usual, National Party members knock off early for drinks and do not finish the day in the chamber. It is a shame that they are not in the chamber. I am talking about the abuse of the system. The royalties for regions funding was always going to be over and above normal funding for health, education and roads. But money is now being moved to help fill the gaps in the budget. Money for dog fences in one area has been moved into royalties for regions to balance the budget. The fund is being ripped off and abused. Royalties for regions funding needs to be put under the microscope and scrutinised next week. I am sure that many country members on both sides of the house are starting to get a little nervous about where this is headed. Royalties for regions started as a very good project. People in country areas said, “Yes; that is what we want”, and they should be getting it. That money is being used to pork-barrel some areas that do not produce very much in the way of royalties, while other areas—I am talking about Collie and the South West—are not getting their share. Billions of dollars worth of mining exports go through the Bunbury port, yet all the funding is going north, to Merredin or to the Wheatbelt area. I can understand some of that funding going to those areas, but it should be allocated fairly.

The Minister for Transport has said that there is money in the budget for the Coalfields highway. There is money in the budget, but it is nowhere near the \$25 million that is needed. There is \$7 million in the budget and another \$10 million in the forward estimates. When the project started, it was worth \$25 million. I doubt whether it will see all that money. The Eelup Rotary in Bunbury was a \$30 million election promise; it is now down to

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\$14 million and there will be no flyover. This government is fudging; it is cheating the books. In time, electors will tell this government why they will vote the other way.

The Mayor of Bunbury, David Smith, and the president of the Shire of Collie have been highly critical of this budget, and rightly so. The South West is choking. The region has the second-biggest alumina refinery in the world at Worsley. At the moment, it has 2 000 construction workers, but the funds are not flowing back to the region. Royalties for regions money is not being put back into those areas. There are heaps of promises, but, in reality, nothing is being done.

The desalination plant that was to be built east of Collie was to get \$15 million from the state and \$17 million from the federal government. This government has jeopardised the \$17 million from the federal government by not funding the first stage, which was an election promise. That money was in the budget of the previous Labor government. This government has taken away that money and now there is only \$4 million in royalties for regions funding for salt mitigation, which means river works and drainage. That has nothing to do with the desalination plant, which would have refreshed the water in Wellington Dam and made it into potable water that could be utilised. It certainly would have helped everyone involved in agriculture and industry in the region and it would have alleviated some of the problems with water shortages. At the moment, that dam is a waste. But if the government does not put in the money, it will not get the results.

My other major concern with this budget relates to the \$20 million election promise for the Greenbushes–Bunbury railway line. That \$20 million was taken out of the budget last year and reallocated to the Avon–Albany line. I could have lived with that if some money had been allocated to the highways around Donnybrook, Greenbushes and Bunbury. In the past three weeks, there have been three major crashes on one section of the road. One of the reporters in the area probably got the scoop of a lifetime with the photograph that appeared on the front page of the *Donnybrook–Bridgetown Mail*. Just as she took the photo of the car that was upside down, another car rolled over behind it. Three people were seriously injured in a fortnight. There are obviously problems with that road. That \$20 million was given to Hon Simon O’Brien for the rail system. There is not one cent for the road from Greenbushes to Bunbury. Yes, the government will say that money is in the forward estimates. Again, that is one of the biggest furrphies we have heard. It is just dishonest. It leads people to believe that there might be something there, but there is nothing there. The people of Donnybrook certainly will be very angry about the way they have been duped by this budget and by royalties for regions and other programs.

I now refer to the drought relief money in the agriculture budget. Funding in each section is down by \$1 million. Funding has been reduced just enough for people not to jump up and down too much. There is still \$12 million here and \$10 million there in the line item, but funding has been reduced by \$1 million here and there. This has been done over the whole budget. There is a creep in the budget to reduce its costs so the government can stay within what it believes are its financial parameters and margins. It is very disappointing that the Minister for Agriculture and Food is not in this place today, because I would love him to explain this; we can possibly get him do so next week. By just reducing funding on each end of the budget, and hoping people will not notice, it adds up to the region being short-changed. And we wonder why people say they are choking.

Going back to the unallocated \$172 million of funding, a large number of people are coming through my front door saying that they cannot pay their bills. I read in the newspaper about a seriously ill man in Dalyellup. He has not been given any assistance despite going to see two Liberal Party members in the South West. He was told to go away. That man is chronically ill, and he must sell his house because he cannot afford the bills creeping up—licensing, electricity, water—all those things that he is trying to afford on a pension that is minute, to say the least, for a homeowner who becomes seriously ill.

Not all of the allocated \$600 million funding to regions will come this year; it is spread over four years. Once the inevitable wage rise comes into effect, which will be by a reasonable amount, a lot of that money will be taken up. I do not say that people do not deserve those wage rises, but there will be no increase in services or upgrade of facilities. That concerns me immensely. I am glad the Premier is in this place to listen to this. The government cannot say, “Here is a block of money that is not in the system, it is in the forward estimates”, because that is not real; the Premier has said so himself.

Another area of concern is the regional development commissions that are under the control of the Minister for Regional Development. I saw members of the development commissions drifting through the doors of Parliament this week and spoke to a few of them; they were very tight-lipped. I am sure they are getting instructions for their future, which will be very little. More than that, I am concerned about the political games being played with the South West Development Commission. Collie is one of the larger areas in the South West. It currently has no representative on the South West Development Commission. All the representatives on the commission come from south of Bunbury, with a couple from Bunbury. Collie has been slated again by the Minister for Regional Development, and this was repeated by the Premier as one of the powerhouses and future

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super towns, but it has not one representative on the South West Development Commission. How will that town's message get through to the decision makers if there are no grassroots representatives on the commission who are on the ground and who understand what goes on in that community, and they are unable to pass that information on? I do not say that they will influence decisions, but they can at least put their cases forward so that decisions can be made with fairness. That is not happening. It will be a very sad day when all the regional development commissions are based in Perth with a skeleton crew in each regional town. When Labor gets back into power, and that will probably be at the next election the way things are going, I hope that we can reverse that drift and bring the regional development commissions back into country areas. That is something that the communities say that they need. There is no doubt that in every town, communities criticise the development commissions, but the communities understand that when those development commissions are taken away, they lose their voices and they will not have the pleasure, in some ways, of criticising people on those development commissions all the while recognising the job that they do.

It is a bit sad that slowly, but surely, those people who are supposed to be the white knights for the country areas are letting their regions down. We heard today over the din in this room that the Department of Agriculture and Food research centre, about which there has been some toing and froing on whether it will be based in South Perth or Murdoch, will be located in South Perth. What a free kick for the company involved in genetic modification, Monsanto. It will be able to move into new premises on the back of a government decision. It is part of InterGrain Pty Ltd, which is to be located in that building, as the Minister for Agriculture and Food said today. Monsanto has bought 19 per cent of InterGrain. Monsanto is the company that many people love to hate, that conducts research into GM and that many people do not like. The Premier has acknowledged that fact by saying that only GM cotton and canola will be allowed in WA. That was due to a backlash from the community. Surprisingly, a lot of that backlash was in his own electorate. Here we have a company that will do further research into GM crops in South Perth—I am not sure for what purpose. On the night that the legislation was agreed to the member for South Perth sat out and we had a Premier very worried about his numbers. The vote went to the wire. There were seven people opposite who did not want GM crops, and a few of them are smiling now. They did not quite have the fortitude, because of preselection problems, to come over to this side of the house. I think that it is a slight on the member for South Perth that he has a GM research office in his electorate. It is an issue that will play out politically.

Coinciding with the new research centre in South Perth, 150 agricultural jobs have been removed from country towns. In a country town, one job loss is more than enough to adversely affect it. Many of those towns are struggling. Take four or five people out of a research centre, or from on the ground, in country towns, and we will see their further demise under this government. In a country town only two families have to move for that town to lose a school or a teacher. Another thing that the National Party did not stand up for was the removal of the funding to years 11 and 12 from some of the country high schools. National Party members never said a word; they sat there like mice and let those country people down. That was something that could perhaps have been funded by the royalties for regions scheme. More young people are drifting away from the country because they cannot get an education. I know that because I left a country town that is now only a shell, because my mum and dad wanted us to have a reasonable education.

Another issue in Collie is Lake Kepwari and again, that promise came from the Minister for Regional Development. He said that it would be open last summer. December has come and gone, and here we are still no further forward; no further money has been directly allocated to that project. Yes, the minister told me that there was some money available through the South West Development Commission that is reflected in the budget, but there is nothing there and no urgency from the government. The town is trying to build a tourist industry and this lake would be one of the greatest things that could happen to it. It would mean that people would come and stay around the Wellington Dam over the Easter period. It was estimated that 3 000 people camped in the backwaters there to enjoy the forest and the river. It is a very similar situation from which Dwellingup developed as a tourist destination quite some years ago. This is a chance to bring people into the Collie region with further tourist attractions, and for the town to not simply have to rely on the coal industry, which is currently under extreme pressure for many reasons.

I go to the issue of super towns, about which the community was not consulted. Last Sunday I went to a local country football game and one thing young people spoke to me about was super towns. Country people do not want to live in a super town at this stage because they do not understand what a super town is. They have jobs at the moment; they do not want an influx of people competing for them. They do not want people crowding things up in the community. They love the country life. We must be careful with balance. I believe that we need much of the proposed infrastructure and related moneys that will come out of super towns. But the government must be careful about running in front of the people instead of standing behind them and walking with them, because it

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will trip and fall, and the people will stamp right over it. It will probably benefit me in many ways if the government does not listen to my advice.

[Member's time extended.]

Mr M.P. MURRAY: It is something that country people will put up with. Certainly one thing that I think is a positive, although I wonder how the boundaries were set, is the Country Age Pension Fuel Card; I think that is very special. The difference in fuel prices this week—I came down from Collie on Monday—was \$1.53 for diesel in the country and \$1.37 in the city. Even on that rate the fuel card does not last very long. They are the things the people do not grizzle about too much, because they enjoy their country settings.

Another major issue I have concerns openness and honesty. It is interesting to read the Auditor General's report of May 2011. The Minister for Agriculture and Food has been taken to task for not giving the information that he has been asked for in this Parliament. He is renowned for that. It is something that he has been criticised for. Finally, the Auditor General has said the Minister for Agriculture and Food should release the names of the people who owe money to the government. And why not? Why should that be hidden? Has he got mates in that job? Has he concerns that those people will take off and leave the country? I am not sure, but if we are going to have an open and accountable process, hiding things away will not give people in the electorate confidence in the Parliament as a whole. This will backfire on the minister, who is under extreme pressure in that area because he is not listening.

Other documents that the minister would not release related to InterGrain and the buy-in by Monsanto. He was taken to task in this house on the issue. At first he said no, but after going to the Auditor General, he decided that he would table the figures. This is a minister who is under pressure and who is concerned about people examining his finances. The people who work for him are worried about their future. Forest products is another issue for which documents have not been released. The regional saleyard strategy is another, where documents have been given to several people but they have not been freely available for people who are making decisions. There is a huge problem with this minister.

Again, on the issue of GM contamination down at Kojonup, the minister gave the farmer a report, but it is not to be released to the general public. How are other farmers to know what the position is or how to go about it if the report is not allowed to be released? It is something that I think we have to look at. The forest plantation industry is another issue. If we do not know what is going on, we cannot criticise the minister. I think that is just criminal. I am glad to see the minister enter the chamber now, because he has been cheating the system, he has been bastardising the system and not being honest with the taxpayers and the people in his electorate. It is a shameful thing for any minister to try to hide behind papers and say they are not to be released to the general public. It is time the minister took stock of himself and became open and accountable to all people in WA, not just a few. The minister should listen to some of his advisers, who are telling me that his arrogance and his unwillingness to listen are causing problems within his own electorate.

I ask that the minister table these documents. These are reports that are paid for by the taxpayer; they are not paid out of the minister's pocket. I am asking the minister to put them on the table and to do his job. It is shameful that he does not do that.

Mr D.T. Redman interjected.

Mr M.P. MURRAY: I have not got time; I am sorry. I would like to quote an article from the *Avon Valley Advocate* that criticised royalties for regions. It is a newspaper in the heartland of the National Party. It is a lovely big newspaper. Mr Trenorden was taken to task by the chamber of commerce. It said the budget was rubbery. The article states that at the breakfast the next morning Mr Trenorden went a long way to allaying some fears. It reads —

However there are still many unanswered questions.

His assurances did not gel with some of the budget documents.

Again, they are rubbery figures. I will not read the whole article, because of the time.

One area for which I am very happy to see funding—I am not all critical—is in the health industry. The health industry, and especially mental health services, has needed that. I know that most people in this chamber have to deal with that issue on a very regular basis. People come through the office doors of members. They may have had a breakdown or they are under financial stress. Even last week a bloke came into my electorate office. We had to spray the room after he had left, it was that bad. He had been sleeping under a bridge for the last two weeks, not knowing where to go for help.

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The article in the *Avon Valley Advocate* of 25 May 2011 states —

No one would deny the program is a master-stroke for Mr Grylls.

It is talking about royalties for regions —

However we are entitled to ask whether the program is an as well as or an instead of.

That is what it says here, and that is what I am hearing on a regular basis. It also says —

It is becoming doubtful whether the program is an add-on.

The government is starting to fund mainstream issues out of royalties for regions. People are seeing through the glass shield, and the smoke and mirrors the government has used. Further, to finish it off, he article states —

While we may be luxuriating in Royalties for Regions funds, we could well be starting in normal government expenditure.

The writing is on the wall for the National Party. Probably a little smile is coming to the corner of the Premier's mouth. He is glad to see this happening, because for quite some time he has been held to ransom by royalties for regions. He is starting to see that drift of money, so he is just backing off. It is drifting across; it is starting to fund maintenance.

Mr D.T. Redman interjected.

Withdrawal of Remark

Mr M. McGOWAN: The Minister for Agriculture and Food used a term that is quite plainly unparliamentarily, I would ask him to stand and withdraw.

Mr D.T. REDMAN: On the point of order, Madam Acting Speaker, I was just making the point that there is a certain amount of hypocrisy in the points that the member is making. I did not think it was unparliamentary. I am happy to take the Acting Speaker's ruling.

The ACTING SPEAKER (Ms A.R. Mitchell): I think probably the way the minister described it then was much better than the way he described it before. Perhaps, minister, a quick apology would not go astray.

Mr D.T. REDMAN: I withdraw.

Debate Resumed

Mr M.P. MURRAY: I thank the minister for that. Certainly it is not going to faze me too much; a lot of other things have been said. I will read a few headlines from *Farm Weekly*: “Money wasting on planning ...” and “Funding allows Carnarvon's flood mitigation plans to start”—that is very interesting, given that money has been taken from other areas to be put into flood mitigation, including the delaying of the movement of the airport. The tourist industry needs that airport. It cannot be all in one. What I am saying is, although I am sure that the people up there are quite happy to have the flood mitigation work being done, it is a smoke and mirrors issue.

Mr D.T. Redman interjected.

Mr M.P. MURRAY: I certainly support the flood mitigation issues. Another article entitled “The future is still uncertain” states —

The South West Development Commission board will meet tomorrow to discuss regional priorities and introduce two new members ...

We have spoken about this and it is a concern of the people in the South West. Other headlines were “Infrastructure spend inflated ...”; “Port expansion delay possible”; “State dumps desalination”—that was from the shire president of Collie; “Lobby group seeks answers”—that is by Colin Bettles; and “‘Super town’ group another layer ...”. Another headline reads “Collie to be ‘key hospital’”. As I have said, I would be quite happy to see that—I have to put a bit of balance in there—but it remains to be seen; perhaps it is just another one of those in the forward estimates. Another headline reads “DAFWA move backflip”. The Department of Agriculture and Food's headquarters in Murdoch has been axed. That is another backflip. The \$15 million that was spent on planning —

Mr D.T. Redman interjected.

Mr M.P. MURRAY: I was not in that position then. But the \$15 million that was spent on planning is just absolutely appalling. To think that \$15 million over three years has been spent on planning just to get a decision about the department's location.

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While the minister has been flying around the world, taking every trip possible, the department has been making decisions in his absence that he has not had the fortitude to stand up to—to make the strong decisions.

Mr D.T. Redman interjected.

Mr M.P. MURRAY: I have two minutes left and will not respond to interjections.

One promise was to increase the district allowances for police. It has been increased in some areas, but certainly the south west missed out yet again. There has been no increase in the district allowances. I tell the Premier and his ministers that there is more to this state than iron ore. If we rely too much on iron ore, as we are now, we will fall over. There has to be only a hiccup in China and we are in trouble—big trouble! We must remember some of the well-established industries on the south coast, including sand mining, alumina, coal—which are looking to export; those sorts of industries need the same support as given to the north west. Premier, this budget is an unfair budget. It attacks families. It attacks the grassroots of our system. The battlers will hurt more. I see them coming through my door. We need a fair and equitable budget and to not be blackmailed in some areas; for example, royalties for regions. We need a fair spread for everyone and we need this government to take control now.

DR M.D. NAHAN (Riverton) [4.41 pm]: I wish to make some comments in support of the budget bills. When looking at a budget, the first questions must be: is it responsible and does it set up the government for the long term? This one does that. Throughout the four-year forecast, this budget will achieve a surplus. A lot can be made of that, but all that really signals is that the government can but does not need to borrow for recurrent purposes. Also, well within all ranges, it maintains the state's AAA rating determined by the independent rating agency, Standard and Poor's, and others.

The state's financial outlook does face some real threats; namely, that its share of GST—the state's single largest source of revenue—is, due to various factors, scheduled to decline sharply. This will threaten the future financial viability of the state if not addressed. Furthermore, as everybody in the housing market knows, the housing market is in a deep state of funk. Conveyancing fees, on an annual basis, are down about \$400 million.

The level of debt has been mentioned by members opposite. Let me put the record straight. The state did incur debt problems 20 years ago, and the government of the day was quite rightly criticised for that debt. However, 20 years ago the government was borrowing very heavily to fund recurrent purposes. In this case, in full, in total, all the borrowing—growing as it is—will be used for capital purposes. The government could have sat back, held off on the debt, held off on the borrowing and hoped that revenue would flow through. However, that would have undermined the state's future ability to grow. The state has huge potential. It needs not only private sector investment, but also supportive and additional government investment. And that is what this budget has provided—electricity, roads, housing and health; all absolutely necessary. The debt level has been criticised, but it is manageable, is well within AAA ratings and is money that will be well spent.

Although not necessarily a problem in the electorate of Riverton, over the past three years, the Western Australia Council of Social Service assessed the cost-of-living increases. Its assessment indicated that those costs are rising very rapidly. The most significant cost-of-living increase, particularly for those in the lower income bracket, was in the area of housing—particularly in the lack of affordable rental properties and queues for Homeswest properties. Over three years in office, this government will build 3 500 social housing units. The previous government, during a comparable period, built only 600. Building social housing adds to debt, but it is valuable and needed.

A key issue this budget seeks to address is that of the state's share of commonwealth grants. Historically commonwealth governments have been reluctant to take the lead to altar the grants commission process and how the allocation of GST payments to each state. Because this is a major problem for the state of Western Australia, it is beholden on the government to shake the can to force leadership and therefore change. This budget starts that process.

I would like to raise a couple of issues that are particularly important in my electorate of Riverton; the first is that of seniors. Riverton, like most other areas, is home to a large and growing number of seniors. They have been asking to be compensated for the increases in the cost of living—not only in the area of housing but in other areas—by the government increasing the cost-of-living rebate. This budget provides for that. Importantly, many seniors who retired early and who wanted to return to work were stuck because there was a limit on the average number of hours they could work to access the cost-of-living rebate. This budget increases that from 20 to 25 hours and also allows it to be averaged over a year. This budget will also allow seniors on retirement visas to apply for the Seniors Card.

Riverton, like many other areas, has a large number of schools at which the kids cooked during the recent hot summer period. This budget, finally, overcomes the lines drawn on a map determining which schools could and

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could not have air conditioning. It allocates \$52 million to air-condition, in the first round, all the schools in the electorate of Riverton. This will mean that P&Cs do not have to fund air conditioning and can put their hard-earned money to other purposes. They are pleased.

However, the most important element in this budget is its commitment to the vulnerable and disadvantaged. We hear a lot about how people, particularly those on low or fixed incomes, are struggling. It is true. It is undeniable. But how do we address that? In some ways, by building public social housing. However, this budget allocates the single largest amount of money in this state's history to the vulnerable and disadvantaged. It does not give money to them, but to the non-profit sector; that is, it gives money to the vulnerable and disadvantaged by boosting the capacity of the not-for-profit sector to provide needed services. Most services provided to the vulnerable and disadvantaged are provided through the not-for-profit sector. This is a fundamental section of funding and fundamental reform, and one that I am very happy to stand by, both as a politician and as a member of the community.

I would also like to praise the government for something for which it has not received a lot of praise; namely, the \$20 million provided for the sports for all program. As we all know, one of the most important parts of the glue that holds our society together is, in fact, playing sports on the weekend. Although very vibrant in my electorate, in many other electorates, communities and families are struggling to get their kids to play sport. This budget allocates \$20 million to pay fees for kids to participate in sports. It is a significant and positive commitment.

I will end on the subject of Roe Highway stage 8. I hope this will not be the end of the debate because I am looking forward to the opposition raising an MPI on this. Roe 8 has been one of the most contentious pieces of capital works in this state's history. In the last election, we committed to spending \$20 million to start planning the process of building Roe 8. This budget commits the final tranche of expenditure for the \$20 million planning process. We have almost completed, or have completed, the assessment of community input in a fair and open manner. We have completed the environmental baseline studies. We have identified the preferred route. We have identified the concept and preferred design. Those are now going to the Environmental Protection Authority. The EPA will, in due course, make its assessment and we expect an answer from it some time between November this year and February next year—depending on the commonwealth—and then we will be in a position to commit to the necessary expenditure on Roe 8. I might add that Roe 8 is absolutely essential if we are to provide the essential contact, communication and transport facilities to the Murdoch precinct, where 20 000 to 25 000 people will work in 10 years.

If we do not build Roe Highway stage 8, how will the 85 000 emergency vehicle movements be accommodated at this brand-new hospital complex? Anyway, we are on plan, as committed, for Roe Highway stage 8. I commend the budget to the house.

MR J.M. FRANCIS (Jandakot) [4.49 pm]: Madam Acting Speaker, Premier and members, welcome to what will be known this week throughout the world as the thought bubble capital of the world—the Western Australian Parliament.

I have sat in the chamber and listened, pretty much in silence, whenever I could to most of the opposition members' speeches on the budget. However, I start by quickly correcting my friend who sits next to me, the member for Swan Hills. The Labor Party is not 150 years old. The Labor Party, the second greatest political party in this nation, from my recollection, had its first federal caucus meeting on 1 May 1901, about 110 years ago, in Melbourne. I reckon that if the people who were sitting in that meeting listened to what was said in the house this week, they would turn in their graves. I have gone through some of the comments, some of the thought bubbles, that members opposite have put out in the past three days and I will mention some of them.

I am not an economist or an accountant. I cannot add things up too well sometimes, but I can put estimates on some of the promises as I interpret them. If members stand in this place and criticise the government for not spending money on a particular project, for not providing a certain amount of capital expenditure in the budget or for not putting something on one side of the balance sheet, I take that as a commitment that if members were on this side of the house, they would have spent the money. It is not really fair—no right-minded person would think it was fair—for members to stand in this place and say, "You stuffed up the budget because you didn't put this money in it", if they are not prepared to do that themselves. Throughout my little contribution I am happy to take interjections if people want to question the amounts that I come up with. However, if members are not prepared to really put that expenditure in the budget, it is nothing but a waste of time for them to even comment on it. If members opposite are not prepared to do it themselves, they are, once again, a policy-free zone. Members opposite cannot have it both ways.

Mr M.P. Murray interjected.

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Mr J.M. FRANCIS: The member for Collie–Preston is at the bottom of my list. I might start with the member while he is sitting in this place. The member for Collie–Preston’s contribution to the budget was a —

Mr M.P. Murray: You said you would take interjections.

Mr J.M. FRANCIS: I will take them.

Mr M.P. Murray: How many years have you been in government?

Mr J.M. FRANCIS: Two and a half years.

Mr M.P. Murray: That’s right.

Mr J.M. FRANCIS: Right. The member for Collie–Preston’s criticism was that \$16 million is missing for an intersection in Bunbury, \$17 million—if I have it right—is missing for the Collie highway, \$15 million is missing for a desalination plant and \$20 million is missing for a road in Donnybrook.

I will return to the top of my list and to the member for Belmont, the Leader of the Opposition, who raised the question of the Ellenbrook railway line. For the sake of rounding up the numbers, I guess that would be about \$1 billion over four years. Therefore, I take it that if the Labor Party were in government, it would have included \$250 million in the budget for that project this year as part of its election commitment. That is the first \$250 million. The Leader of the Opposition also spoke about the electricity network, the needs of the Mid West, water security, the West Pilbara, and road and rail investment. He commented that there was not enough funding for that. I will not even put a number on this; I will leave this little addition as zero. I have no idea how much the Leader of the Opposition wanted to include in the budget but, fair enough, he made that point.

I give the member for Rockingham credit because he praised the federal government’s review of GST, which is basically a political strategy by the federal Labor government to buy time and deflect attention before the next election. However, at the moment we will just sit with the Ellenbrook railway line, which is \$250 million in the first year.

The member for Kwinana spoke about the Perth major sports stadium and the lack of \$1 billion over four years. That is another \$250 million. The member spoke about funding for the Western Australian Institute of Sport. I do not know how much he wanted, but I will say \$1 million. It could have been anything up to \$20 million. The member also said he believed that there should be government-funded dental health care in Western Australia. My figures say that there are about 2.3 million people in Western Australia, so if everyone spent about \$100 a year at the dentist, that would be about \$230 million each year.

The member for Forrestfield had a humdinger. He was one of many members who said that they wanted a freeze on electricity prices. He implied that there is a need to increase the net feed-in tariff on solar cells. I have no idea how much that would be worth. He wanted more bus services for Forrestfield and High Wycombe. Given that it is about \$470 000 for a bus, there is about \$1.5 million. He also wanted a state contribution to gateway projects. I have not costed that so I will not include it in the column. In one of his absolute thought bubbles—I would be delighted to know whether the opposition agreed with this—he wanted a cabinet position created with a minister responsible for information and communications technology, basically creating a whole new department. I do not know what the establishment of a whole new department costs, but I will say that it would cost about \$10 million to do a job that everyone else in government is already doing anyway. So let us give him \$10 million for a brand-new department and a new minister. The member also wanted funding for new software for the Department of Health. That is difficult to cost and we have to ask whether that is something that the Office of Shared Services could have done with the money the previous government gave to it. However, let us say \$20 million. I am happy for anyone to say that I am wrong; if members want to give me a different figure, they should go for it. The member wanted funding for teacher training to support gifted students. Let us say that is \$1 million, although I have no idea how much it would cost. I have no idea to what level he would want that training delivered, so it could be \$10 million or it could be \$1 million. Once again, many members have made criticisms by thought bubble without having a single bit of decency to put a cost on these commitments themselves. Some members did cost the commitments, to their credit, and I will mention them when I come to them.

The member for Cannington wanted the greyhound track relocated to the Cannington showgrounds. Does anyone have any idea how much it would cost to relocate all the buildings and the track for the Cannington dogs? Does anyone think \$25 million would be sufficient to move all those buildings and associated infrastructure? Does anybody want to give me a price on that? The member wanted upgrades to the train stations at Queens Park and Beckenham. That is probably about \$5 million a station, so \$10 million. In one of the greatest thought bubbles I have ever heard in this place, he criticised the government for basing its forward estimates on the exchange rate. I do not know how the member for Cannington would do that. All I can do is

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assume that the member wants the government to intervene in fixing the price of the Australian dollar, because if he does not want the government —

Mr W.J. Johnston: Member, if you're not bright enough to know what I said, don't raise a criticism. That is not what I said.

Mr J.M. FRANCIS: If the member does not want the government to use the exchange rate to calculate the forward estimates —

Mr W.J. Johnston: No, that's not what I said, member. If you don't understand the argument, don't put it. What I said was that nobody should hold the government to account for the level of the dollar. What you should hold the government to account for is how practical and truthful it's being in its budget papers. You cannot have US97.5c as your estimate when you know that that's wrong. Everybody in the chamber knows that estimate is wrong.

Mr J.M. FRANCIS: The good news for the member for Cannington is that it is not something that I put a cost on. However, while the member is in the chamber, how much does the member think that it would cost to move the greyhounds?

Mr W.J. Johnston: It's a \$30 million project.

Mr J.M. FRANCIS: I said \$25 million—I am off by \$5 million. Let us add an extra \$5 million to the final figure. I am moving on —

Mr W.J. Johnston: Sorry, member, do you want to know where the money should be allocated from or not? Do you want to know that or not?

Mr J.M. FRANCIS: Thank you, member for Cannington.

Mr W.J. Johnston: You asked me the question.

Mr J.M. FRANCIS: And the member gave me the answer—\$30 million.

I have no idea about the northern reinforcement powerline in the Mid West. The member also wanted to reinstate the previous Labor government's allocation to roads. We increased that allocation by 50 per cent, so I do not really want to go back to what the previous government had allocated for roads. He also mentioned a gas pipeline for Albany. The member would prefer that the Premier pay more than \$2 million a year of taxpayers' money that is non-tax deductible in rent for office space.

Mr W.J. Johnston interjected.

Mr J.M. FRANCIS: Do not criticise the alternative.

The member also wanted public housing for 20 000 people right now. At 2.5 people per house, that would be roughly 7 000 houses. For really, really cheap accommodation in Western Australia, let us be ultraconservative and say \$300 000 a house —

Mr M. McGowan: No, \$200 000.

Mr J.M. FRANCIS: They will need a three-bedroom house. This is not for singles; I am working on 2.5 people per house. Therefore, we are talking about \$2.1 billion. That is a good policy. Well done, I hope members opposite can fund it.

The member for Mandurah gave a very decent and very honest speech. He spoke about a very tragic event that happened in his electorate, so I do not really want to mention the member for Mandurah. However, he made one comment about funding: that the people in the Pilbara got about \$35 million more from royalties for regions than did the people in Peel. Therefore, he wants an extra \$35 million spent in the Peel region.

The member for Gosnells gave figures for some of his wish list. He wanted an extensive redevelopment program for Thornlie Senior High School of about \$1 million. He wants to introduce a container deposit scheme. South Australia obviously is the champion state in this area. It would be mostly industry funded, but would require an initial contribution from government of maybe \$1 million. Let us go with that \$1 million figure. He said that of the \$4 million we are giving to the Kimberley science and conservation strategy, \$1 million is for the marine sanctuary, and the other \$3 million, to be used for exploration and research, was misappropriated.

The member for Gosnells wanted another \$3 million to be spent on protecting the marine sanctuary in the Kimberley region. He wanted to build a train station at Nicholson Road—there have been a few requests for train stations!—that would cost about \$50 million. He wanted an expansion of the Thornlie spur line, which would cost about \$50 million; and an expansion of the Waterwise school program, which is about \$2 million.

Mr P. Abetz: The Thornlie line can go through to Mandurah for about \$230 million.

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Mr J.M. FRANCIS: So I am being ultraconservative here and I will be a few hundred million dollars under in my total! The member wanted to introduce a rebate for the conversion of residential lawns into native plant gardens to save water. Perth has 1.5 million people, about three people per household, and roughly 500 000 houses in the metropolitan area, so if we gave every single person a \$100 rebate to convert their garden into a native garden it would cost about \$5 million. The member for Maylands wanted navigation aids on the Swan River. That is a good cause; I am not knocking the member for Maylands, and that could be something worth considering, but that would cost about \$1 million. She wanted funds for the aquatic youth study for Swan River, which I will give about \$1 million. The member for Maylands gave us the figure of \$1.6 million for maintenance at seven government schools. She referred to funding for a trail bike strategy and implementation program.

Ms L.L. Baker: Self-funding in 10 years.

Mr J.M. FRANCIS: If there is no government contribution I will take that off the total. I will take that off the \$200 million that I am short.

Ms L.L. Baker interjected.

Mr J.M. FRANCIS: The trail bike riders would have to pay for it, so the member would want to tax them to pay for their own program. That is fine, as long as we have that on the record I will take that \$1 million off. The member for Maylands wants more money for the community sector because the current increase was not nearly enough to pay the staff. Does the member want to give me a figure?

Ms L.L. Baker: Yes, 18.7 per cent, which is \$900 million over four years.

Mr J.M. FRANCIS: How much additional funds would the member have put in this year's state budget to pay for that?

Ms L.L. Baker: It would have to be \$900 million if you were going to do it over the forward estimates.

Mr J.M. FRANCIS: Is that \$900 million a year?

Ms L.L. Baker: No, that is over four years.

Mr J.M. FRANCIS: That is about \$300 million a year. I put it down as \$100 million. I am going to be ultra-nice to the member for Maylands; I will put one-third of that on the list, \$100 million. The member wants 500 new parking bays at the train station. An average parking bay costs about \$2 000 and if it is a multilevel car park, it will cost about \$8 000 a bay, so I will go for the cheaper option for the member at \$2 000 a bay. The member wanted 500 bays, so there is \$1 million.

The member wanted more train carriages. I do not know how many more train carriages members opposite want, and I do not know who they are buying them off, but they are paying a lot of money for them—I know that! Let us give them an extra \$1 million for train carriages. Will that be enough for members opposite? They can give me a figure! How much more money do members opposite want to spend on train carriages? If members opposite want to criticise us for not spending enough, how much do they want to spend? I will give them \$100 million. I am going to be super nice! I am going to be ultraconservative and give them \$100 million. Here is a big item! Members opposite want to freeze electricity and gas prices and water rates. We know that if we froze electricity prices alone, it would save the taxpayers \$1.9 billion over four years. That is \$500 million a year, plus gas, plus water. It would probably cost \$750 million a year to implement the member's commitment to freeze those prices.

The member for Kimberley wants funding for the Kimberley, starting with a new police station at Fitzroy Crossing. My new Cockburn police station will cost \$17 million, so I will say that it will cost a bit more in Fitzroy Crossing; it will cost \$20 million. The member wants funding for archiving the history of the Kimberley and Derby, which would cost \$1 million. A cyclone shelter at Bidyadanga for 600 people would cost \$5 million; a new cultural centre would cost \$5 million; the Kununurra slipway and boat launching facility, \$5 million; and a new road to Willie Creek and Crab Creek, \$30 million. The member for Kimberley says that the upgrade to the Cape Leveque road would cost \$40 million; and the upgrading of 80 kilometres of road in Bidyadanga would cost \$12 million.

The member for Perth wants the extra \$500 million from the previous Labor government restored for museum planning, and a new primary school at East Perth. Aubin Grove Primary School in my electorate cost \$14 million, so I will say it will also cost \$14 million for East Perth. The member wants a new high school. Atwell College cost \$32 million, so I will say \$32 million to build the one in his electorate. He wants a new heritage tin roof for Highgate Primary School, and a new tennis museum! I mean, really! I am sorry, but a tennis museum! That would cost \$5 million. We need a new tennis museum! The member for West Swan wanted an upgrade of Malaga Drive and Reid Highway. Traffic lights cost between \$1.5 million and \$2.5 million a set, so let me say that would cost \$2 million. She wants an upgrade of the Gnangara–Beechboro Road intersection,

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\$2 million; an upgrade of Lord Street, \$5 million; and the construction of a road at Henley Brook and the dual carriageway of the Reid Highway, \$30 million. The member for Joondalup wants widening of the Mitchell Freeway southbound between Hepburn Avenue and Hodges Drive. I know that it cost about \$30 million for the northbound section, so I will say it costs about the same to do it southbound, so that is \$30 million. The member wants construction of the Ocean Reef marina. The Rockingham marina will cost about \$50 million privately funded. I would be fascinated to find out whether Labor members want this marine privately or publicly funded, but I will assume with their mad crazy, no-privatisation stand that they would have the government fund it, so they would want \$50 million for the Ocean Reef marina. They also want an upgrade of West Perth Football Club clubrooms at \$6 million. The member for Girrawheen wants a school bus for Warwick Senior High School, so I will give her \$450 000.

Does anyone have any idea what would happen to the state budget if these thought bubbles were in government! Can anyone guess?

Ms M.M. Quirk: A miserable bus!

Mr J.M. FRANCIS: I gave the member for Girrawheen \$450 000 for her bus! Does anyone want to have a guess what that adds up to? I know that I am about \$200 million short. I will tell members by how much these thought bubbles would have blown the state budget. It is \$5 120.6 million, which is over \$5 billion in thought bubbles. That is what members opposite would have done to the state budget, and they have the audacity to come in here and talk to us about state debt. Members opposite have the audacity to come in here and say that the government is not spending enough money on projects in everybody's electorate. What a load of tripe! Members opposite would have blown the budget by \$5 billion. If members opposite seriously stand by every single thing they have said this week, that is what would have happened to the budget. I will ask members opposite what they would cut from the budget to make up that \$5 billion? What do members think they would do to the state's AAA credit rating?

Several members interjected.

Mr J.M. FRANCIS: I have not even started on the cost of banning uranium mining in Western Australia. If members opposite want to talk about uranium mining and what they would do to the mining industry if they ever got on this side of the house, it would be the biggest battle in political history in this place, and it is going to happen on this side of house. What about not going ahead with Oakajee? What about the \$50 million that members opposite want brought forward to refurbish Royal Perth Hospital? I have not included any of that stuff. Members opposite would have blown the budget by \$5 billion. They are all a disgrace. They are all a joke, and it is no wonder that people in Western Australia do not take them seriously.

MR C.C. PORTER (Bateman — Treasurer) [5.05 pm] — in reply: The Leader of the House has me under strict time restrictions, but I want to place a number of matters on record, having listened dutifully to each and every one of the budget responses whilst in the chamber and outside it. A lot is said about a budget in the second reading debate. Having looked over *Hansard* for the past several years, it is always the case that every year, every budget delivered is described by the opposition as the worst budget in history, and every year it seems to get worse and worse. Of course, this year was no different. Nevertheless, this was, apparently, the worst budget in history, and a budget about which I, as Treasurer, was asked one question in question time during the week following the budget. That is indicative of the truth of the situation, which is that this is a very solid budget that delivers some very good expenditure measures for the state of Western Australia. I want to concentrate on a few major matters, but in brief detail because of the time available: first, the royalties and the fines issue that has been dealt with in this budget; second, expenses growth; third, the Australian dollar; and, fourth, the budget's summary of the risks and benefits in the out years.

With respect to the royalty issue, the description of the removal of the final stage of the concessional royalty rates for fines was described by more than one member opposite as a distraction. That is quite incorrect. There were some distractions during the second reading stage of the debate. I will not nominate what they were, but there were some matters completely irrelevant to the important matters that we are dealing with. The matter of the royalties and the fines is not a distraction. I might just explain something which some members of the house, I appreciate, understand, but which many do not. I did not fully understand this until I took on the office of Treasurer. With respect to this royalty issue, in 2010 there was a last-minute change to the Commonwealth Grants Commission assessment of mining royalties. The assessment postulated that iron ore, both lump and potentially fines, would be categorised in the same category as fuel minerals. If a state's minerals are in the lower category of consideration by the Commonwealth Grants Commission, a state that generates royalty income will lose between 60 and 65 per cent of the income generated through the GST system. As I think the Leader of the Opposition simply put it, the more a state earns in royalties, the less it gets back in GST. The system is highly punitive and unfair. Even when minerals such as iron ore are considered in the lower category, the state of

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Western Australia loses between 60 and 65 per cent. When a mineral moves into that higher category, which is the fuel minerals group, a state stands to lose in excess of what it gains in royalties. If a state gains \$100 in royalties, it could lose up to three times that amount. That is a perverse, ridiculous and inefficient system.

A debate has raged in Canberra during the course of this week on who knew what when and whether assurances were given that the fines iron ore, on which we are now planning to remove the final concessional rate, would be considered in that lower range or in the higher range, the less or the more punitive range. When this state, through the excellent negotiation of the Premier, moved fines from 3.75 per cent as a royalty to 5.625 per cent as a royalty, the federal Treasurer directed the Commonwealth Grants Commission to, notwithstanding that removal of the concession, treat fines in the lower category rate. Of the approximately \$300 million a year of revenue that is brought in, we as a state stand to lose only 60 to 62 per cent of it and not 180 to 300 per cent of it. The federal Treasurer gave that direction not only because he was prompted to do so by very serious and earnest lobbying on the part of this state, but also, in my estimation, because he knew that it was the right thing to do. The federal Treasurer knew it would be the wrong thing to do to allow Western Australia to increase its royalties through the removal of a concession, thereby bringing more revenue into the state, and then penalise the state more than the revenue it earned. That rationale and argument still remains for the final removal of the concessional rate from 5.625 to 7.5 per cent.

I put it simply this way: there is a less punitive scenario in which we earn \$100 million worth of royalty revenue and 60 to 65 per cent of it gets distributed to the other states. That needs to be fixed through the GST system, but at the moment that is the better scenario. The worse scenario is one in which we raise \$100 million worth of royalty revenue and \$300 million gets taken off us in our GST grant. That is a ridiculous situation. That creates a perverse disincentive for any state to earn more mining royalty revenue. The federal Treasurer knew that 60 to 65 per cent of the previous royalty revenue that was raised through the removal of concessions got distributed to the other states—Victoria, South Australia and Tasmania. Had the federal Treasurer not given that direction and there was a disincentive for Western Australia to bother to do this, 65 per cent of \$300 million would not have been given over to the other states. That is why he gave the direction, and he will give the direction again. I put it as simply as this: the rationale for a second direction is that, without a direction from the federal Treasurer, more than the anticipated royalty revenue gained would be taken away from WA in the form of a lower GST grant. This is a clearly perverse result and would withdraw the incentive for WA to generate more revenue from iron ore, noting that when WA generates more revenue from iron ore and it is treated in a lower royalty rate group, the extra revenue is effectively redistributed to the extent of 60 to 65 per cent to the other states and territories.

To demonstrate how rotten and broken the present system is, there is capacity for any state that generates mining iron ore revenue, particularly Western Australia, to manipulate the system. If Western Australia were to reduce the lump ore royalty rate from 7.5 per cent to 4.9 per cent, we would be a net beneficiary of that move. We would earn more in GST than the clawback being taken at the moment. However, if we move down from 7.5 to 4.9 per cent, that is a colossal amount of royalty revenue and 60 per cent of it would not be redistributed to the other states. We could drop a royalty rate, earn less in total and distribute less to the other states, and still have a net benefit to the state through the system.

Dr M.D. Nahan: Tasmania has been doing that for years.

Mr C.C. PORTER: Indeed; that is the point. States can benefit by doing less and having a less productive economic system. That is a commonwealth grants system that is broken. When I hear quite odd, I thought, threats that a similar direction to the first direction that was given to the Commonwealth Grants Commission would not be given, my instinctive reaction is to think that that will not eventuate, because failing to give that direction simply highlights the failing of the system and withdraws the incentive for Western Australia to earn more money, which we distribute to the tune of 60 per cent to the other states. That will not happen and no-one really believes that that will happen. I think it illustrates that this is not a distraction; this is the main game. If we do not get some of that royalty revenue returned to us in proper and fair amount through the GST system, the state's future is in jeopardy. I have listened to members opposite and heard this described as a distraction simply because it attracted the attention of the local media. I thoroughly reject that concept. It is precisely what the national media should be focusing on. That does not mean it was a distraction. It is certainly the main game.

Mr B.J. Grylls: It is welcome that the national media is now focusing attention on this issue.

Mr C.C. PORTER: Indeed. That is perhaps one of the happy by-products of the otherwise proper decision that we took to remove a final concession on the price that the people of Western Australia get for a mineral that is constitutionally and ethically owned by them.

The second point I want to make briefly relates to expenses growth. Having listened to several years now of budget responses, I think that the member for Balcatta quite often presents the most intelligent contribution of

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the opposition. The member for Balcatta highlighted one of the areas for improvement on the part of this government, and I aim to endeavour to improve this area. It is also one of the areas of failure of the previous government—that is, reining in recurrent expenditure growth. We predict 7.9 per cent growth next year. Many members opposite made the point that if we add up the years 2008–09, 2009–10 and 2010–11, we get something like 35 per cent expenditure growth over those three years. It is a very difficult to work out who on either side of the house is responsible for what happened in 2008–09. It was an unusual year by any standard. There was 13.5 per cent recurrent expenditure growth and that is unacceptable. I do not think that either side of this place thinks that is proper or sustainable or wise. Obviously, there was an election and we inherited a budget devised by the opposition and we had the better part of the budget year to deliver on that budget. I think that there is shared responsibility for that year of excessive recurrent expenditure growth. I think the member for Balcatta made a similar point in his speech. If we assume shared responsibility for that unacceptable year of recurrent expenditure growth and we look at the three years prior to that—that is, 2006–07, 2007–08 and 2008–09—the average recurrent expenditure growth under members opposite was 10.76. When we look at the three years after 2008–09—that is, 2008–09, 2009–10 and 2010–11—the average recurrent expenditure growth was 10.93, which is very, very similar. The benefit of this government is that recurrent expenditure growth is tracking downward in a healthy way. We predict 7.9 per cent next year. Serious criticism was levelled against me for describing in my second reading speech that the 7.9 per cent figure represented financial discipline. To bring the expenditure growth down from 13.7 per cent displays financial discipline. I was referring there in large part to the fact that this government has found real savings measures in the budget. I found the three per cent efficiency dividend to be painful. When departments are requested to give an efficiency dividend and push comes to shove, they have a tendency to come back with things that I suspect at times they think are so unpalatable that we will simply give up. But there is negotiation, bargaining and interaction between minister and department, which is a great way for ministers to get to learn about and know their departments. That three per cent efficiency dividend is on track to save \$1.46 billion. We targeted \$1.6 billion. We had some failures in education, and they are matters that we will now be turning our attention to. The fact remains that this government found \$1.46 billion of waste in the budget and we cut it out. We did so under serious opposition from a serious opposition, which through the estimates process opposed, to my recollection, every single efficiency measure. In addition to that \$1.46 billion, we have found procurement-of-vehicle savings, which take our total amount of savings identified in the budget up to about \$1.7 billion. Let me say that that was a very difficult process. The reason why members opposite do not know how difficult a process that was is that not one single member opposite has ever been a minister and gone through an efficiency process.

Several members interjected.

Mr C.C. PORTER: Members opposite promised one, but they were not elected to fulfil it, and they responded to every single efficiency measure in this budget.

I therefore ask this: is there room for significant improvement in reining in recurrent expenditure? Yes, there certainly is. A great deal was done in the health portfolio under the two previous Treasurers. More will need to be done in the education portfolio. More will need to be done across portfolios, but there is room to move that figure downwards, and that is something on which we will have to focus our attention. Nevertheless, serious efforts have been made by this government to the tune of \$1.7 billion to find waste in recurrent expenditure in budgets, and that money is freed up for other expenses.

In pointing out in my second reading speech the somewhat extraordinary factors that feed into recurrent expenditure, I had no intention of being disingenuous, but the fact is that we are predicting recurrent expenditure at 7.9 per cent next year. I would like it lower than that figure and with time I believe that we can get it to be lower than that figure. The point should be made that if any government determines that it is wise or proper or appropriate or politically the right thing to do to subsidise electricity utilities in circumstances in which prices are artificially low, that money has to feed into recurrent expenditure. It is simply a matter of actuarial accounting. That is a fact. Therefore, if we have \$1.1 billion worth of subsidies to electricity utilities—as we have committed to, and it will be at least that amount—it feeds into recurrent expenditure. If we add to that another \$1.9 billion worth of subsidies—as the member for Jandakot pointed out—that also feeds into recurrent expenditure, and we would have some real problems on our hands in reining in expenditure growth. Nevertheless, the member for Balcatta makes a good point that that is an area in which this government can improve. But it is also an area in which the previous government failed.

In the final four years of the Labor government the average recurrent expenditure growth was 8.75 per cent. That is excluding 2008–09. So, letting the Labor government off in 2008–09, it was still 8.75 per cent. That is a figure that is too high. The figures we have delivered are too high, in my view, but they are tracking downwards. They represent a significant improvement in budgetary savings. I believe we have that situation under control but it can be improved on further.

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There was much talk during the course of the second reading debate about the Australian dollar. Again, I think it is worthwhile for every member of this place to understand what happens. Members will see from the budget papers that on the economic assumptions, the assumed exchange rate with the US dollar for next year is 97.5c; the year following, 90.6c; the year following, 83.7c; and the year following, the final year, 76.9c. I explained that the first figure of 97.5c is based on the average of six weeks before the cut-off date for the budget, which was around April 2011. I am sorry if this presented some confusion for any member, but that is not to say that 97.5c was the average of the six weeks before the cut-off date. It is the first year's tapering down from the average. The average in the first six weeks before the cut-off date for the budget was around \$US1.02. Therefore \$US1.02 was the average exchange rate in the six weeks before the cut-off date in April this year. Then we measure \$US1.02 down in a progressional linear fashion in even decreases to the long-run average on the last day of the final out year. Therefore those figures—97.5c, 90.6c, 83.7c and 76.9c—represent about the midyear of each of the budget years, dropping down from the \$US1.02 mark that we calculate now. That is how it works.

It has been suggested that that is an inaccurate way. The point made by the member for Cannington was that he demands honesty. He does not blame governments that do not get the predictions right, but he wants an honest way of going about it. The member for Victoria Park said that the Treasury discussion paper, which presented that as the best method of calculating the dollar, was a good paper. I agree with him. The fact is that all governments have difficulties in predicting four years out what the Australian dollar is going to be. The reason why this system was suggested by Treasury in 2009 is that there had been some fairly conspicuous failures under the period of the last government using what was then Treasury's best model. That model was to take the average of the six weeks before the cut-off date and fix it for four years. Exchange rates are fascinating. In the 2002–03 budget, the fixed rate of exchange that was used was US53.5c. Therefore, in that budget the exchange rate was fixed for four out years at US53.5c. It ended up going up to US60c, US76c, US78c and to US79c. Members will see that all systems of calculation provide real degrees of variance. We have been informed by Treasury that this is a far superior system given the volatility in the exchange rate. Individuals will accept or reject that. The idea that this is an imperfect system is correct. The idea that in four years the Australian dollar may not be exactly where we say it will be is correct. But the idea that the previous government—or, indeed, the federal government, which maintains different systems—had any more or less success is quite wrong.

With respect now to the risks and benefits section of the budget papers, the member for Victoria Park also made, I thought, fair points about recurrent expenditure. He then made some very uncharitable and unfair points, in my view, that somehow we were running dual books in this budget because we had the temerity to suggest that one of the essential risk factors that we are facing is the goods and services tax, and that in four years the circumstances may be quite different from what we would otherwise expect; that is, a 33 per cent return. The financial projections and fiscal strategy part of the budget at page 32 clearly outlines unequivocally that, without any kind of change to the GST system, we will be looking at an estimated \$22.4 billion worth of debt. That is an estimate, not a target. We will be working very hard, by lobbying through the GST system and a range of other measures, to ensure that it does not get that high; but that is an estimate, not a target.

We then stated quite clearly, at page 64 of budget paper No.3, in the statement of risks, that the one single thing that could change the balance sheet dramatically is if, as we expect, the GST system is reformed and something like a 75 per cent share is allocated to Western Australia of GST grants. That would reduce debt in that scenario down to \$17.9 billion-odd.

Mr E.S. Ripper: Do you reckon you could get Tony Abbott across the line for that?

Mr C.C. PORTER: The opposition's policy is a 90 per cent cap-and-ceiling system. Does the Leader of the Opposition think he would be able to get him across the line for that?

Mr E.S. Ripper: If you answer my question, I'll answer yours.

Mr C.C. PORTER: I will, Leader of the Opposition, and yes, I do believe that is the case, for two reasons. One is because the system of horizontal fiscal equalisation has served Australia very well for a very long time, and that is a system that Western Australia benefited from for some time. One might argue that some of our ability now to springboard into resources growth was not merely because of visionary policies from both sides of politics many, many years ago, but also because we were given a helping hand through the HFE system. The system is a sound one. However, any redistribution system that allows a redistribution to the tune of 30 per cent back to the state and 70 per cent away is one that is disreputable. Indeed, the federal Treasurer says that it is a system that will "fracture". I happen to agree with him. The reason that the review was called and the reason that the federal Treasurer gave a direction to the Commonwealth Grants Commission is that I believe he and the Prime Minister know that if it reaches that level of inequity, things will change, and must change, and the system

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will fracture and become disreputable. What happens is that the swings and roundabouts have become so wild that whoever is in government will have to fix them.

With respect to Mr Abbott, the Leader of the Opposition raises a good point. I think that the other stratagem that this place and, indeed, the Liberal Party must take is to lobby very heavily the federal Liberal opposition to adopt that as policy. The Leader of the Opposition might note that the Western Australian Liberal Party has more representatives in federal Parliament in the House of Representatives and the Senate than the Victorian Liberal Party has. Members might think that that gives us a very powerful and important voting block in terms of influencing federal party policy. I can assure members that Mr Abbott is getting that picture delivered to him.

Mr E.S. Ripper: Would it be good if you had Mr Crook with you as well?

Mr C.C. PORTER: The Leader of the Opposition can work in his party and we will work in ours. I am sure that between the two of us, we will get there.

Mr E.S. Ripper: I am just worried that your 75 per cent floor might be seen as an ambit claim and be adjusted downward accordingly.

Mr C.C. PORTER: It is not an ambit claim. We do not have an ambit claim. I think 90 per cent is an ambit claim. In the view of this government, anything under 75 per cent represents a level of inequity that brings the system into disrepute. It is simply not sustainable. One of the things that the Canadian provinces do in this regard is that, instead of a floor and ceiling system, a percentage of royalty revenues raised by each province is quarantined, and it cannot be considered for the purpose of horizontal fiscal equalisation. Alberta, for instance, will find that 50 per cent of its royalties are simply quarantined, and it gets to eat that half of what it kills. That builds the incentives into the system. That system provides a floor of something like 75 per cent. There are different ways of doing it.

Mr E.S. Ripper: I recommend that you look at the report of Vince FitzGerald and Ross Garnaut.

Mr C.C. PORTER: I know exactly the report that the Leader of the Opposition is talking of.

I think there is much to learn from the Canadian provinces. The point is that looking at the risks and benefits was quite the appropriate thing to do in this budget. This is the biggest issue on the horizon for this state without comparison. Briefly on that issue, one of the criticisms about debt was made by the member for Victoria Park when he said that there is too much debt in the general government sector. There is now greater debt in the general government sector than there has been previously. That is because much of the infrastructure spend is for social infrastructure, particularly in health. Schools, hospitals and that type of social infrastructure is a particular focus of this government.

While the Leader of the Opposition is in the chamber, I will touch briefly on some of the points he made. I am interested in, and look forward to having, the debate with him about electricity prices and about his contention that somehow the government is profiting from electricity utilities. I do not know whether he actually believes that or whether it is a political line that he is running, but in my humble view it is just not true. Conceptually, money goes out to electricity utilities and money comes back into government. It seems to me that the Leader of the Opposition is being a little cheeky with what he considers to be outgoings and incomings.

Mr E.S. Ripper: How outrageous for an opposition leader!

Mr C.C. PORTER: Indeed! For the purpose of further debate, is the Leader of the Opposition counting tax equivalent dividends and local government equivalent rates payments to government as incomings rather than merely the dividends?

Mr E.S. Ripper: Yes. I am not counting the CSOs for pensioners.

Mr C.C. PORTER: It seems to me a little unfair that, given that money comes in and money goes out, he would be selective in what he considers comes in and goes out.

Mr E.S. Ripper: I have a good case, and I will argue it.

Mr C.C. PORTER: In these circumstances, there are two ways of looking at that issue—that is, to be selective or not. If we look at everything that goes out and everything that comes in, we lose money; and, if we compare apples with apples, we lose money. But we will have this debate, Leader of the Opposition.

Mr R.F. Johnson: Perhaps with a beer when we rise tonight!

Mr C.C. PORTER: I will finish, Leader of the House. But I want to say one thing about the not-for-profit sector funding.

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Mr E.S. Ripper: If you sit down, I'll buy you that beer!

Mr C.C. PORTER: But the Leader of the Opposition did not say when!

I want to make only one comment about the not-for-profit sector funding. I think that was a very important step forward for service delivery in this state. I watched the debate unfold and I thought that the response from the union movement was —

Mr J.M. Francis: Disgraceful!

Mr C.C. PORTER: I do not use language quite as freely as the member does, but the response was, at best, bizarre and completely mean-spirited, and it missed the point. One of the things that I noted in all of that was a statement made by Simone McGurk in a radio interview. It was getting a little conspiratorial. She said, "Do you know why the government is giving money to this sector? It's because they are paid less." I could hear the bells ringing. Of course that is why we are giving money to this sector!

Ms J.M. Freeman: Why don't you tie it to wages, then?

Mr C.C. PORTER: Why do we not tie it to wages? I will explain why we will not tie it to wages. We trust that this sector is administratively lean. The fact is that if any government could make its own departments look as administratively lean as Rocky Bay or Activ Foundation, I would be saying hallelujah. It would be a happy, happy day.

Several members interjected.

Mr C.C. PORTER: I thought members would like that.

These are very administratively lean organisations. They are very wage heavy because employment is essentially what they do. We do not need to overburden them with instructions, because these organisations are more efficient than any public or private sector organisation. They have literally worked on the smell of an oily rag. When that is done, administration is always squeezed out. They are desperate for more better qualified and more longevous staff. The money will go to wages without us directing that it go to wages. I think that response from the unions is not about an earnest belief that these organisations will spend money on Land Rovers; it is a recognition that this policy will grow the part of the service delivery economy that is not unionised.

Ms J.M. Freeman: It is unionised.

Mr C.C. PORTER: But not by the unions that have complained.

Ms J.M. Freeman: I used to represent people at Activ. It is unionised.

Mr C.C. PORTER: But not by the unions that have complained, and not by McGurk's union or the Community and Public Sector Union.

Mr E.S. Ripper: United Voice covers Activ.

Ms J.M. Freeman: And it is in negotiations with Rocky Bay at the moment. It is unionised.

The SPEAKER: Member for Nollamara!

Mr C.C. PORTER: That is what makes that response even more bizarre.

Ms J.M. Freeman: We are saying thank you for the money, but give it to the workers.

Mr C.C. PORTER: The Leader of the Opposition raises a good point about United Voice. It does represent some of these members; he is quite right. It complained against a wage rise for its own members that it did not even have to argue for!

I thank members opposite for their contributions.

Questions put and passed.

Bills read a second time.

Pursuant to standing order 222, bills and estimates referred to Estimates Committees A and B.