

## ESTIMATES OF REVENUE AND EXPENDITURE

### *Consideration of Tabled Papers*

Resumed from 18 June on the following motion moved by Hon Kate Doust (Parliamentary Secretary) —

That pursuant to standing order 49(1)(c), the Legislative Council take note of tabled papers 3940A-H (budget papers 2008-09) laid upon the table of the house on 8 May 2008.

**HON KEN BASTON (Mining and Pastoral)** [10.08 am]: I take note of the estimates of revenue and expenditure—the budget statements for 2008-09. It was an interesting budget, and I was interested to hear the comments of two other members. One was from Hon Giz Watson, likening the budget to a Liberal budget. I thought at first that that was giving it huge praise, but as she continued it became obvious that she did not intend it as praise—she said that the budget had some flaws in it. Hon Paul Llewellyn referred to it as a “hoon budget”. I consider that there is a fair bit of difference between a good Liberal budget and a hoon budget. I will comment on the budget that has been the subject of those various labels. The budget provides for revenue of \$19.872 billion and expenditure of \$18.017 billion, resulting in a surplus of \$1.8 billion. The plan is for the operating revenue to increase by 5.5 per cent in 2008-09.

It is interesting to note that when the budget is released people turn to the *Budget Overview* to gain an idea of what expenditure has been allocated to their electorate. One of the first sections that people turn to is “The Budget at a Glance”, which is fair enough. This year they would soon have learnt that a massive \$26.1 million has been allocated to the capital works program. That amount includes an investment in a new stadium, which is fantastic for the people of Perth; a new entertainment complex, again, fantastic for the people of Perth; a new museum, which is fantastic and warranted because a lot of artefacts that are being stored need to go into new premises; and an iconic waterfront that will be the centre of Perth’s culture and lifestyle. The latter puts the icing on the cake, because people will ask what they will get out of that. The result will be an increase in state debt of \$11.4 billion over the next four years. We know where the income for that project will come from. The people in the regional areas feel somewhat aggrieved when they read the *Budget Overview* and realise where most of the funding will go. Hon Bruce Donaldson spoke about the social dividend. I was absolutely delighted that the day after the budget had been brought down I was able to relay to those in attendance at the Cue “parliament”, which I opened, what the government’s capital works program comprised. I thanked them, on behalf of the people of the city, for the marvellous facilities city people will have at the expense of regional Western Australia.

I will raise some issues that I feel strongly about. The first that comes to mind is the workload of and lack of resources for police in regional areas. I will take as an example the town of Broome in the Kimberley, with which I have become familiar. The town of Broome normally has a population of approximately 15 000 that swells to anywhere between 50 000 and 60 000 in the tourist season. Is the town allocated extra police in the tourist season? No, it is not. It gives those people who are prone to stealing and causing problems the opportunity to do so during that period. Did the town get extra police when a quick decision was made to allow only takeaway sales of beverages containing no more than 2.7 per cent alcohol in a place such as Fitzroy Crossing? No. As a consequence, people have left that town and gone to Derby and Broome. Was any consideration given to increasing police resources to deal with that problem? No, there was not. It is disturbing that in a town such as Broome there are only 44 police officers; that is, 17 more police than the number required to raid the *Sunday Times* building. I do not know how many people work in the *Sunday Times* building. One would think that our priorities are totally mixed up.

A rural stock squad once operated within Western Australia. According to an article in the 6 March edition of *Pastoral Lines*, a magazine published by the Pastoral Lands Board of Western Australia, on 1 June the stock squad was renamed the rural crime squad. It was not long after the magazine was published that the rural crime squad was done away with. No longer is there a specialist stock squad, simply because additional police would be required from that squad. I understand that only four police officers were employed in that squad. One would think that the expertise in that area should be retained. I have brought to the attention of the house some of the smaller issues facing my electorate.

Of course, there is some good news in the budget. The new Broome Police Station is currently being built. I have visited the site and I can say that it will be a magnificent structure when it is completed. It is well and truly overdue.

Another good news story is that a new prison will be built in Derby, and construction is just getting off the ground. A lot of projects in the 2008-09 budget were announced in the 2007-08 budget, and action on them is only just starting. In that respect this budget is very misleading. I will quote from a media statement later to demonstrate how people think about what the government will provide from the 2008-09 budget.

It has been brought to my attention that provision has not been made for a juvenile detention centre at the new Derby prison. The north does not have a juvenile detention centre. It means that when a juvenile is arrested in an area without a juvenile detention centre he can be held for only 72 hours in a lockup before having to be moved to a juvenile detention centre. That means that one police officer is allocated to accompany that juvenile to the nearest juvenile detention centre, a trip that takes a minimum of three days. That police resource is taken from the town. In the case of Broome, it could happen at the height of the tourist season. If two or three juveniles have to be escorted to the nearest juvenile detention centre, two or three officers are lost to the area. When planning a new prison in the north, surely a juvenile detention centre should be incorporated in it. Some police officers have said that even a juvenile detention centre at Port Hedland would help. There is not one such centre throughout the Pilbara.

I note that funds have been allocated in the budget for a second magistrate to be based in Kununurra from 1 July. That will be a huge help to the people in the Kimberley. However, no attention has been given to allocating additional resources to operate the courts. With only one magistrate, all the police officers know the magistrate's schedule and will arrange for the prisoners to be taken to the court. With two magistrates the workload on the same police officers will increase because two courts will be operating at the same time. In the middle is Halls Creek, and a determination will be made about which court that town will come under.

**Hon Kim Chance:** Would two courts be sitting at the same time?

**Hon KEN BASTON:** One court would be in Kununurra and one in Broome. It will put an additional workload on the existing police officers. Additional staff will be required.

My attention has been drawn to the police stations in my electorate. For example, the lockup at the Cue Police Station has been condemned. If the police arrest someone, he has to be handcuffed and left to sit on the floor among the staff desks. I understand that at the Mt Magnet Police Station a person can put his fist through the crack in the wall of the lockup. These issues are very important. The police station at Gascoyne Junction has been closed because it was considered wise to have one in Burringurrah, and that station is being built at a cost of, I think, \$5.5 million. It is interesting that there is a hotel in Gascoyne Junction, and the school has been reopened. I think Hon Norman Moore was the Minister for Education when the school was closed.

**Hon Norman Moore:** There were more teachers there than kids. I should have sent them to Scotch College, free of charge, and we would have saved money.

**Hon KEN BASTON:** The government has closed the police station but reopened the school. A pastoralist told me that he had been talking to some Indigenous people who said that they were moving to Gascoyne Junction from Burringurrah because of the new police station there. Houses are being constructed in Gascoyne Junction; therefore, the need for a police presence in the town is of paramount importance. I find it quite amazing that that police station has been closed.

LandCorp is one of my pet topics, and I have asked questions about it in the house. Land is of paramount importance to development and to providing the benefits of the resources boom in those areas. The benefit of developing the resources off the north coast can be measured in the number of permanent structures that are built in towns. I was in Exmouth recently and I stood on top of the lighthouse, which I imagine most members have done. Five oil rigs can be seen off the coast from the lighthouse. Through a pair of binoculars, I could see the ships being loaded, which is fantastic. There are now 14 flights a week into Exmouth. How many of the people who work on the oil rigs live in Exmouth? Approximately 45 people who work in the resource industry own houses in Exmouth. Someone took the initiative and approached Woodside and asked it to encourage more people to live in the town. Woodside said that 45 people are living there. The company said that it needed more land and that if it offered land to those 45 employees, it would have to offer it to more of its workforce. The pressure that would place on Exmouth would cause the land prices to go through the roof, which would probably cripple the town's tourism industry. Exmouth needs a planning structure so that 200 or 300 blocks can be opened up. It needs a planning structure to solve the water crisis, which I asked a question about in this house yesterday. Exmouth needs water so that it can develop. We could then take advantage of the resource boom to the north.

I asked a question in the house about LandCorp and was told that it released blocks in Carnarvon in 2005 and it still does not have titles to the land. LandCorp has paid stamp duty and chipped in to the government coffers; it has done the right thing. It was given an area of land in 2005 but has not received the title. I have been assured that in five weeks it will have the title. I look forward to that. I asked a question about that in the house a couple of weeks ago. I am assured that the title will be given within five weeks. I am very pleased about that and am looking forward to it, just as the people who bought the blocks are also looking forward to it. It is wrong to hold up that sort of thing when there is a housing crisis.

The town of Carnarvon will appreciate the \$1.3 million that has been allocated for the jetty. The jetty seems to be prone to vandalism. I do not know how much money has been spent on restoring it and keeping it safe, and I do not know what the answer is. The shire president told me the other day that if everyone who went on the train ride took some rocks with them and rolled them off the jetty, eventually an earth jetty would be created and it would not be a problem anymore because the jetty could no longer be burnt and there would be a magnificent platform. I am not sure whether that is the answer.

I asked some questions in the estimates committee about the flood mitigation works in Carnarvon. The work being done on the road south of Carnarvon, which was being redone, was part of the flood mitigation works to stop the town from flooding. Levee banks have been built over a number of years. It was Wilson Tuckey's idea to build them when the town was flooded many years ago when he owned the Port Hotel. The levee banks have saved the town from further flooding. However, there is a plan for the levee to come off Brown Range across to the Gascoyne River and for there to be a levee north on the other side to stop the flooding of the area north of the north west highway T-junction and back to the town. However, when I asked whether there were any funds in the budget for the continuation of the flood mitigation works, although the management of that comes under Main Roads, I was told it was the responsibility of Water Corporation. Once again, government departments are not working closely together to achieve the desired outcome. If anything, the flood mitigation works from Brown Range to Gascoyne River should have been done first, followed by the work on the road to the south. The road to the south has been lifted and stoned, which has created a wall that will act like a dam. When the Gascoyne River floods, it flows out into the Nickol Bay flats behind Brown Range, which is a huge area. It then flows south to a bank of road and when the river drops, the water comes back in. The damage is caused when the water comes back in. The Minister for Agriculture and Food would be well and truly aware of that because he knows when the residents cry out for soil rehabilitation. It is important that the mitigation works be completed.

I am disappointed at where we are with Ord stage 2. There is some \$15 million for it in the budget. The government has put spin on the project. On 9 May 2008, a ministerial media statement by Hon Jon Ford said that \$15 million would be provided to expand the Ord River scheme over four years. The statement also said that the project would be implemented in stages and that the \$15 million would be used to provide road infrastructure. That is all that is in the media statement. The Ord River scheme is a visionary project that needs vision. The Treasurer said that the project would cost the government \$180 million and that the government does not invest in projects that do not provide a return to the government. We invest in plenty of projects that lose money, such as rail etc. I would have thought that the return from the Ord River scheme would provide an advantage and that we should look to invest in it during the current resource boom. Another industry could be built from the proceeds of the resource boom. We should have an export enhancement program. My vision is for Starlifters, or similar planes, to fly produce directly to countries such as Japan.

I am disappointed also in the answers given to questions I have asked about LandCorp and piping that has been laid to put water directly into people's gardens. I have been told that the scheme has been knocked back by the Department of Health. One would have thought that the two departments would have worked that out before the pipes were laid because now they are not being utilised.

Along the coast there is an opportunity to consider building safe boat harbours or wharf extensions for the oil and gas industry. Those types of projects can swallow up money. We have spoken about the Royal Flying Doctor Service of Australia. There has been an increase in the requirement for health services because of the development in the north. Headlines in the paper include "Pilbara health misses out on funding", and people have written letters to the paper. A headline on the front page of the *Pilbara News* reads "Health budget 'fails Pilbara'". There are a lot of issues regarding health.

I want to touch on a couple of other issues that are very dear to this whole area; namely, of course, the resource industry's oil and gas developments. We have five projects on the boil, which is probably the wrong term to use, that are worth some \$100 billion—namely, Pluto, Gorgon, Wheatstone, Browse and the Inpex project. I attended a briefing in Broome the other day on Woodside's Browse gas project. It was very clear to me that Woodside was considering five options for the gas. First, the Browse gas goes to the Kimberley, which is 250 kilometres of pipeline; second, onshore at the Kimberley—North Kimberley and South Kimberley—from the Dampier Peninsula and further south; third, from Browse to Burrup, which is a 1 000 kilometre pipeline that would need to follow the 200 metre depth contour; fourth, Browse to Darwin, which would need some 1 300 kilometres of pipeline in shallow water, and because of the water turbulence etc, rock would need to be placed on the length of the pipeline. I do not think I need to explain that the issue of obtaining that rock would be huge. The final option is an offshore processing plant. An offshore processing plant is a bit visionary and I know that Shell is considering such a plant. However, given the cost structure and the risks, as Woodside said, the risk of an offshore processing plant would be that if it went wrong, it would probably finish the company. That is the magnitude of it.

What has become clear with the Apache Energy disaster on Varanus Island is the importance of not having gas from Browse come straight into the Burrup Peninsula; that is, putting all our eggs in one basket. I think it is important that we get the best possible advantage for Western Australia out of that development. Development of the Browse Basin gas field will happen; it is a huge field. It represents something like nearly 20 per cent of Australia's gas reserves, and companies such as Inpex will develop it. Of course, many articles have been written about the gas plant explosion and we do not know the full cause of the explosion. I have visited Varanus Island on two occasions and I have looked at its infrastructure. I might add that it is a magnificent little island. If one worked there, I imagine it would be the perfect place for retirement. It is absolutely idyllic. However, we must ensure that we have an energy contingency plan. I visited the power plant at Kalgoorlie last year. It is a magnificent power plant that uses Boeing 747 jet engines, and the plant runs on gas brought in by the Dampier pipeline. The power plant is designed to supply power to the south west if the region's other power sources break down, not thinking that there may be a breakdown in the gas supply. Therefore, it is very important that we look at other sources and the placement of our gas hubs. Of course, the Kimberley presently relies on the small liquefied natural gas plant built between Karratha and Port Hedland. That plant has a road train that takes LNG to Broome every 18 hours, so the process of turning it back into gas to use on the turbines is already in place. I think we probably need a process that allows for that to happen as a backup for Perth; in other words, we should have an LNG tanker to bring the gas directly to Perth. If disaster struck the Dampier to Bunbury gas pipeline, a pipeline that, of course, has some age on it, we should probably already be planning to either build a second pipeline or put in place contingency plans.

I mentioned the importance of bringing Browse gas maybe on to the Dampier Peninsula or further south, but it disturbed me to learn only last night that there has been a proposal to put the entire Kimberley on the National Heritage List. That proposal was produced by the heritage division in Canberra on 6 May 2008. I believe it is open for submissions until 7 August 2008. We are talking about a huge area—17 million hectares. The proposed National Heritage area is from Roebuck Bay in the west to Hann River in the east, but it excludes Drysdale River National Park, which may go under another Indigenous conservation title. It will also cover the area from Fitzroy River in the south up to and including Bonaparte and Buccaneer Archipelagos. To put that size into context, I believe that is equal to 75 per cent of Victoria's total land mass, and it is two and a half times the size of Tasmania. Heritage listing that area will add another layer of bureaucracy. The LNG hub was supposed to be announced in May by the task force, but I believe it will now be announced in October. The urgency for that, of course, is that we could lose companies such as Woodside and Inpex. Woodside has already written contracts to 2015. Therefore, Woodside needs to get on and build this badly needed infrastructure. Inpex may go to Darwin, so not only will we lose a few helicopters flying in and out, but also the advantages we could gain for that regional area in northern Western Australia. I think it is paramount that we watch this type of issue. This area may not be placed on the National Heritage List, but obviously federal Minister Garrett thought that taking a pencil and drawing a whopping great line around that area on a map was a good idea. The map, of course, is huge and a big area was circled.

**Hon Vincent Catania:** Are you saying that people in Exmouth don't want this to happen?

**Hon KEN BASTON:** I am not talking about Exmouth; I am talking about the Kimberley.

**Hon Vincent Catania:** The Kimberley, sorry.

**Hon KEN BASTON:** Am I saying they do not want it to happen? A lot of people certainly do not want it to happen; they want development. I think that this proposed National Heritage area is enormous. I do not know whether the member has seen it but it is an enormous area to simply draw a line around.

Of course, the member is aware and has raised another very good point about the World Heritage listing of Exmouth. Hon Vince Catania raised that point because he and I both know that the shire was quite happy to sign off on an area, but it has now been proposed to change that area. I do not think anyone would wish to have the Ningaloo Reef and the marine parks not listed on the World Heritage List. Although, if members look at the United Nations Educational, Scientific and Cultural Organization website, it states the advantages of a World Heritage listing include bringing more people to the area. There will be some tourism—a spin-off. Nevertheless, one would have thought the point of the World Heritage List was to protect the area, not to bring in a heap more people. I know I had this conversation with the now Senator Rachel Siewert before she was a senator, because she was all for it. I do not see the advantages of doing this; I believe the state should control the land and the state should make those reserves and care for and manage them. What does it say about our management when we flick these areas over to either the commonwealth or UNESCO World Heritage? To me, World Heritage areas are put up in lights to encourage tourists from overseas to visit, so that we can take what is in their pockets. Of course, that puts huge pressure on those areas. We need only look at the World Heritage area of Shark Bay. The town has progressed very slowly over a number of years, but there is a lot of pressure on it.

I could raise many issues in this area. As Hon Vince Catania said, they are very much federal issues. Of course, the government could probably solve those issues very quickly. The budget is lacking because it does not cover the matters I have raised. I sincerely hope that I have brought those issues to the attention of the house. Some are very solvable. With others, we need to be aware of what we are going to do about them in the future.

**HON NIGEL HALLETT (South West)** [10.40 am]: We have heard a lot of good overviews of the budget. An extremely good overview has just been given by Hon Ken Baston about what is happening in his part of the world. Deputy President Hon George Cash was one of the early speakers on the budget and he summed it up very well when he said that he had seen many budgets in this Parliament and must describe this document as one of spin and lost opportunity. Many political commentators over the past three or four weeks have also labelled this budget as one of spin.

I will comment today on rural and regional areas of this state. Both areas contribute a huge amount to this state and its economy, yet they have once again been snubbed. The people from these areas do not complain, but they acknowledge that it is not surprising that they have once again been snubbed because their vote does not make up a very big percentage of the Labor government's support base. This budget is one of spin from one end of the document to the other. Headings such as "Building WA", "Prosperity" and so on are thrown out to impress. It is all about double-page features and spending, but there is no indication of what part that spending actually covers. The budget has been described as a giant advertising brochure, containing glossy snapshots and key headings. However, it is not full of substance. The more one reads it, the more one finds it difficult to reconcile it with other parts of the budget overview. Information in the budget is contradicted by information on the government's own website. When one thinks about it, the only question to ask is: can we trust this budget? It is contradictory. Why does it contain so much spin?

People in regional Western Australia have had enough of hospital waiting lists. They have had enough of deteriorating services. They have had enough of violent crime, which is skyrocketing. They have had enough of the downturn in the school system and the lack of teachers. There has been a lack of investment in our essential services. The government's overall lack of attention is a disgrace. Western Australia has never been so well off financially as it is now, yet when we cast our eyes across all sectors of the economy, with whatever area one looks at, be it sport or anything else, the state is struggling to say, "Gee, we're doing well", except when it comes to raising tax. Given my shadow portfolio area of regional development, I go out and listen to regional Western Australians. They are concerned.

This budget is inflationary. The building and construction sector is overheating. Interest rates have risen steadily over the past few months, although they have temporarily slowed. The government is continuing to build and will build into the future. The state government has said that a massive \$26.1 billion will be invested over the next four years, with much of that in the construction industry. This will inevitably lead to an overall increase in building costs and wages, which will once again fuel the inflationary spiral. Hon Ken Baston touched on the fact that the government has announced funding of \$1 billion for a sports stadium, half a billion dollars for the Museum and \$300 million towards the redevelopment of the Perth foreshore. They are all very good projects, but less than \$500 million has been allocated to these projects over the next four years. That means that most of the costs will be funded in the future, when surpluses are expected to be dramatically smaller.

The provision of infrastructure by the government should be acknowledged. It is a key function of government. However, it is essential to note that a very large percentage of this investment in infrastructure will be concentrated once again in the metropolitan area. Why? It is because that is where Labor votes are concentrated. It is a huge investment in the metropolitan area, which once again ignores the needs of rural and regional Western Australia. Of the 22 major infrastructure projects, 18 are for Perth and the narrow coastal strip, while four are to the north of Perth. When these projects are finished, who will staff them? The government has predicted an increase in unemployment from 2010 onwards, with very little increase in revenue. This could be its answer. However, we will still need to run these new facilities. If income falls, who will make up the deficit?

Paragraph two of the introduction to the *2008-09 budget overview* proudly hails budget 2008-09 as the eighth consecutive balanced budget. It is likely that the government's policies will cause this situation to change in future years. It says one thing and does another. The estimates of goods and services tax receipts by the state government and the federal government differ significantly. Estimates differ by up to \$1 billion. When the state government says that it will continue to run surpluses, it does so knowing that it has under-budgeted for the GST. This can only be described as dishonest.

The true nature of this government and the way in which it thinks is printed clearly for all to see on page 7 of the *2008-09 budget overview*. This section is titled "How the Budget Surplus is Building WA". A table sets out clearly in layman's terms how the government manages its budget by contrasting it with household budgets. The table describes the difference between revenue and day-to-day expenses as savings. Interestingly, tax is a day-to-day expense that is conspicuous in its absence from the table. The part I found quite amusing is the section on

investment. The household column gives an example of extensions or renovations as being an investment. Yes, people can invest in and improve their homes or can buy a rental property, but what will that lead to? More land tax for the government. Land tax has risen by \$33 million. Motor vehicle tax is up \$34 million. Conveyance duty, mainly on one-off residential transfers, is up \$216 million. Payroll tax is up \$248 million. The government said that it would reduce taxation, but revenue from the first nine months of this budget will be equal to that received for the whole of the previous year.

We could look at items such as topping up superannuation projects for protection during old age down the track. Most sensible people would put it higher on the list, but the government's advice seems to be that people can earn it and the government will spend it. It is not surprising that this government has always had a policy that says, "We tax you and we spend it." The government's tax and spend mentality clearly shines through when somewhat dubious options are presented to householders on what to do with their surpluses. These figures do not seem to make much sense. The net debt to revenue ratio at the end of 2011-12 is predicted to be 43.9 per cent. The net debt is stated as \$11 443 million. A calculation shows that the revenue must be \$26 066 million, since 43.9 per cent of the \$26 066 million is \$11 433 million, but the revenue for that year, as published, is predicted to be \$20 694 million. This is another example of irreconcilable figures. Perhaps government could look at people who have to run household budgets, because they have to make them work.

The government has stated that it is wedded to maintaining its AAA credit rating, although its predictions show it is close to the ceiling ratio of 47 per cent, and this ratio is set to reach 43 per cent in 2011-12 as the net debt climbs. I think we have seen now that at that stage the net debt will be \$11.4 billion. When we consider the state's earnings, over the past four years in particular, it is a pretty shameful track record. The government must work hard to maintain its AAA credit rating. It will be interesting to see whether it can. Time will tell. That leads on to the control of government spending. One piece of expenditure that certainly stands out is the expenditure on the Office of Shared Services. This has been a case of gross mismanagement. No-one has been called to account. It is close to a \$500 million blow-out on costs. We are told that it could take another \$200 million to correct it, and there is no guarantee that the office will run smoothly. No-one has lost his job. No-one has been called to account. I suggest that the Under Treasurer should resign if he is not able to rectify this situation quickly. He stated recently that he would step aside from his position if he was not able to achieve this.

The original budget for consolidated accounts expenditure in 2007-08 was \$15 952 million. The current estimated actual for the same year is \$16 387 million, which is a difference of \$435 million or 2.7 per cent. Should this overspending be repeated at similar rates over the next four years, the AAA rating will be at risk or will go. Why should deliberately concealing an under-budget estimate occur on the revenue side? The budget overview maintains meaningless figures. Page 16 refers to a reference rate of inflation of 3.4 per cent. What is the actual reference rate of inflation? I could not find any definition of it, and it appears to me quite meaningless when page 22 shows a whole host of key economic forecasts on wages and consumer price index increases but nothing on reference rates. This is once again where spin and reality diverge. The budget estimate of CPI growth for 2007-08 is stated to be 3.25 per cent. Anyone who is running a business or household in Western Australia today would not believe these figures. I was recently in Broome where a few people were saying that they believed the rise in costs over the past 12 months was in the region of between 20 and 40 per cent. I do not think the Treasurer really believes the figure. His website shows that Western Australia's annual inflation rate for the 12 months to 31 March 2008 was 4.3 per cent, which is 0.1 per cent above the national average. Inflation is on the increase in the short term, and many factors are contributing to it. One of the interesting factors that have come through is world food shortages. They are having a huge effect on inflation. I will get to those in a minute. The prediction of CPI at 3.25 per cent for 2007-08 is just not accurate. The Treasurer, or at least his website, knows that. The latest information I could obtain from the Australian Bureau of Statistics shows that the annualised rate for the wage price index at 31 December 2007 is running at 5.9 per cent. This too is increasing, so where does the reference rate of 3.25 per cent for overall inflation come from? Employment costs are another major item of expenditure for the state. Once again, the quarterly financial returns show that expenses to 31 March were \$921 million higher than for the same period in 2006-07. That was made up mainly of a higher salary component of \$416 million, which is quite remarkable.

We must factor another important issue into the rising cost equation, and that is migration. The latest figures I have seen show that at 31 December 2007 the net increase in migration into Western Australia was 7.23 per cent and rising. We know how buoyant the resources sector is in Western Australia. The economic conditions in New South Wales and Victoria are much worse than those in Western Australia. I think they will continue to suffer. Last night I was in a plane returning from Broome with a group of resource sector workers. Two of them came from the United Kingdom, flying in and out on a four-week roster; one came from New Zealand; one came from the eastern states; one was from Manjimup; one was from Northam; and one was from Brisbane. The variance in where these people come from is amazing. They are commuting from all over the world.

If the correct government service costs rise by not only inflation but also population growth, just to provide the same quality of service, and if inflation in 2008-09 rises by 5.25 per cent and the population increases by 2.5 per cent, costs will rise by some 7.75 per cent. Any spending across essential services of less than 7.75 per cent will reduce services to that area. The headlined increases of 5.8 per cent in health and 3.9 per cent in education will result in reduced services. The position of health services is made worse by the federal government's recent announcement of major changes to the Medicare levy. If I were the state minister, I would have been pretty cheesed off. It will add considerably to the public hospital load. I would have suggested that the federal Labor minister would have warned her state counterpart, but, as it is not budgeted for, I doubt that she did. On the face of it, health services will once again deteriorate further next year.

The budget overview proudly states that electricity costs in Western Australia are the cheapest in the country, yet the Premier is admitting that after the next election, they will have to rise significantly, probably making ours the most expensive region in Australia. What is the current financial position of Verve Energy? We all know that it is a disgrace.

The budget is riddled with inconsistencies, errors and untruths. This government has failed to deliver real benefits to the people of the state at a time of unique prosperity. This era will not last forever. I am concerned about what will happen if this government is still in power when the financial situation changes. We are talking about an \$11 billion budget in 2010-11. Will we see a re-run of the Carmen Lawrence days when the state fell into disarray? The people of rural and regional Western Australia have seen these ups and downs before. The budget has delivered virtually nothing to them. The government is doing a disservice to regional Western Australia by neglecting the provision of key infrastructure. It has missed another opportunity to use the \$2.1 billion budget surplus to help rebuild regional Western Australia to create substantial communities. I acknowledge that Hon Ken Baston spoke about land shortages in key major areas. I was heartened to notice that Rio Tinto is now commencing a fly in, fly out service from Carnarvon. If we are talking about decentralisation, we have to put infrastructure and essential services back into these areas. Rio Tinto is talking about flying 30 people out of Carnarvon by the end of next month and 130 people by the end of the following year. Rio Tinto has provided a service out of Busselton. If anyone has been to Busselton airport lately, they would have seen the security that the local shire has provided. Approximately 80 to 100 cars are parked at the airport all the time. These are good initiatives that the mining companies are implementing, but the state government is not following their lead. If we want to get people back into the regions, we have to do something. Regional Western Australia is a great place to live. I note that the regional development commissions received very little support in this budget. In fact, there have been decreases. They benefit only in election years. It is a great opportunity for the government to get out and pork-barrel at every opportunity. As the election draws closer, it will be interesting to see what emerges over the next few months.

I am concerned about the future of many rural communities, not only those suffering from the effects of the drought and climate change, but also those that are not prospering. We do not appear capable of supporting or we do not want to support these communities. Several initiatives can be implemented. We can bring forward forward estimates. The recent comments by the Minister for Health about the Royal Flying Doctor Service were well documented. The minister has no knowledge of the importance of this service. Without the people who carry out the local fundraising and without the financial support that is offered by companies to this essential service, this minister would let it go.

Health and education in regional areas barely raised a mention in the budget. I have mentioned the agricultural schools at Harvey and Narrogin many times. Once again, they received nothing in the forward estimates. We have a world food shortage looming. I thought that would have been one of the first things we should look at. Where will we be in 10 years? Where will our next crop of talented young farmers come from? Nothing will happen under this government. The health needs of Bunbury have been ignored once again. Only \$1.2 million of the \$7.6 million south west budget allocation has been set aside for Bunbury's ailing health requirements. Bunbury is the major health precinct for the rapidly growing south west region. This region produces 14 per cent of the state's gross domestic product and it gets a very minimal return. If the water and power projects that are designed for the state's use were removed from the budget allocation, the actual return for the south west would be 0.6 per cent of GDP.

Hon Brian Ellis spoke about the treatment of a bashing victim in Geraldton. What attention has been paid to the medical facilities to correct this in the future? Key projects such as the promised cancer treatment centre and the intensive care unit have not been delivered. In May 2008 figures showed that 3 078 people were on waiting lists for operations in country hospitals, the highest level in 18 months. There are very few specialist services in regional Western Australia. Ministers are saying that they are delivering this, this and this, and services are available to people in rural Western Australia. They might be available once every six or eight weeks. They just need to ensure nothing goes wrong in between. People living in Perth would be horrified at the thought of travelling hundreds or even thousands of kilometres to see a specialist. That is an everyday occurrence for people

who live in the regions. Significant incentives are needed to attract key professionals to and keep them in these regions, whether they be from the areas of health and education or other areas.

One of the most important factors affecting the regions is the provision of a decent, affordable level of housing. What has happened to the rural housing plan? It has been in decay over recent years. What happened to the old Government Employees' Housing Authority? It has gone. We have seen the government dismantle the incentives for using local builders. If we want to get regional communities going, they have to have facilities. They need recreational facilities, libraries, police services, health services and roads. I acknowledge that Port Hedland is finally getting a new hospital, but it took a lot of community pressure to get it. I also note that Broome is getting a new hospital but there will be no increase in beds. It is the same with the Fiona Stanley Hospital. When it is built, it will not double the number of beds in Perth; it will provide the same number of beds, yet our population has doubled in recent times. The long delay in the government's recognition that this facility is vital is a prime example of how it has absolutely no understanding of the importance of high-quality health services to meet the needs of industry and the local population in regional Western Australia. When this government was elected nearly eight years ago, it said that it would fix the health system. The current health system does not even come close to being fixed. Once again, this government and the same minister appointed Australia's highest paid bureaucrat to fix the problem. He failed. He has resigned.

Many regional towns need adequate medical services. They cannot access the new regional hospitals. I challenge the government to start putting doctors' practices into country hospitals. The facilities are there. This would relieve the expense incurred by local ratepayers who provide medical facilities in their towns. The hospitals in some towns are larger than are needed today. The infrastructure is there. The hospitals could be converted into state-of-the-art facilities in a relatively cost-effective manner.

Agriculture is a major part of this state's economy, but this budget has delivered substantial cuts for this area. Out of a \$2 billion surplus, only \$158 million has been allocated to the agriculture and food area. More than \$40 million will be spent on biosecurity programs and \$45 million on natural resource management. As I mentioned earlier, the world food shortage is having a severe effect on prices, and this budget has failed to focus on and take into account the current and future food supplies needed to feed a growing population. Australia, particularly Western Australia, has a moral responsibility to play a major role in providing food for this hungry world.

I will touch briefly on Deutsche Bank, which has established a global equity agribusiness fund to offer investors the opportunity to participate in the business of feeding the world. The bank states that there are some 80 million new mouths to feed every year. Demand for agricultural products will be 60 per cent higher by 2030. The price of rice has increased by some 300 per cent in the past three months, and a 59 per cent increase in the price of wheat is predicted.

Every five weeks the land available for agriculture that is being lost in China alone is equivalent to an area the size of Brisbane. It is a massive amount of land. There is growth in Europe and a loss of land in the United States. I believe that regional Western Australia in particular has a great opportunity to take the initiative to feed the world. I know that our Minister for Agriculture and Food is very aware of that opportunity and is working towards it. We cannot lose this opportunity. I believe the Ord, Gascoyne and south west regions could become major players in feeding the hungry world. Adequate funding must be allocated to allow Western Australia's agricultural producers to be leaders in supplying food to the world. They can take up this challenge, but they need substantial investment in food research and development to facilitate the provision of immediate and long-term food supplies. That leads me to the testing of genetically modified organisms. This government will not allow the testing of GMOs. Given the quality and commitment of our producers, we have the ability to be at the forefront of technology in the provision of food supplies. Why has the government not invested in our agricultural schools?

It is disappointing that only \$15 million has been allocated to the Ord River project. As Hon Ken Baston has said, that amount has been allocated over the next 10 years. This project could be up and running in two or three years. The amount of money that has been allocated is completely inadequate for a project that has the potential and ability to be a whole new food-producing area in the state. If the government can spare from its huge surpluses money for the Office of Shared Services, why is a project such as this being held back? We must question the government's commitment to facing reality. There will be a world food shortage. If the government were serious about it, it would address it. It is amazing that Ord stage 2 is being neglected or is getting only token acknowledgement. No allocation has been made to the Carnarvon and Gascoyne regions.

The opportunity for this government to deliver better services, outcomes and infrastructure to the people of rural and regional Western Australia exists; it has existed for many years. However, once again the government has failed to capitalise on it. This budget lacks initiative for the growth and sustainability of communities in rural and



regional Western Australia. I cannot support this budget. I see it as a budget of lost opportunities. The budget is nothing more than deceitful. It is metro-centric, it is based on incorrect assumptions and it is inflationary.

Debate adjourned, on motion by **Hon Bruce Donaldson**.