

STATE BUDGET 2010–11 — COSTS AND ESTIMATES

Motion

MR B.S. WYATT (Victoria Park) [4.00 pm]: I move —

That the house demands that the Premier —

- (a) limit further increases in household fees and charges after the record increases contained in the 2009–10 budget;
- (b) ensure that the 2010–11 budget is an honest reflection of the state's finances; and
- (c) ensure that the forward estimates contain all of the projects announced by the Liberal–National government.

Today's motion continues a theme that the opposition has been pursuing for quite a period. What is unique about the new structure of the Liberal–National government is that the Premier is now also occupying the position of Treasurer. That in itself is not unique in WA; indeed, the former Liberal Premier Richard Court held both positions for eight years during the term of the Court government. To be unkind, some media speculation suggests the reason he held them both was to ensure that the member for Cottesloe did not have the Treasury portfolio. That is to be unkind, but I will not be unkind.

Dr G.G. Jacobs: Why did you say it then?

Mr B.S. WYATT: I have barely started and the Minister for Water is soaking. The media would be unkind to suggest that that was the reason former Premier Richard Court held both portfolios. However, I will not comment on media speculation to that effect. What is interesting and what I do know is that the Chamber of Commerce and Industry of Western Australia, the old employer of the Premier, has expressed its concern regarding the Premier holding the Treasury portfolio. I daresay that concern is twofold: first, the actual structure of government means that having the two central coordinating bodies in the one hand is never a good thing for a strong and accountable government and second, I dare say, the people at the Chamber of Commerce and Industry know the Premier. They know that he is at heart a big spending, high taxing Premier.

Mr M.J. Cowper: What do you think about Kevin Rudd's taxation regime?

Mr B.S. WYATT: We will get to Mr Rudd. I have three hours. I look forward to the member for Murray–Wellington's always sensible contributions in the chamber. The Chamber of Commerce and Industry knows the Premier and knows that the Premier will not be able to control himself on the expenditure side of the government ledger. That is why the Chamber of Commerce and Industry is interested in the current structure of government and the fact that the member for Cottesloe is both the Premier —

Mr C.J. Barnett: If they say nasty things, I will not do their budget breakfast for them!

Mr B.S. WYATT: I am going to their budget breakfast and I am looking forward to what the Premier has to say. He is spending on the one hand and having his alter ego telling him not to spend on the other. It will be an interesting Freudian experience for the Chamber of Commerce and Industry with the Premier trying to constrain himself and his automatic reflex action to spend as he goes. It will be very interesting and I am looking forward to the Chamber of Commerce and Industry breakfast. It will be a unique experience. I dare say it will be a little different from last year's breakfast. The personalities have merged into one, which in itself should be good for fewer ticket sales.

Mr C.J. Barnett: That is very cruel. Do you think the numbers will be down?

Mr B.S. WYATT: I dare say the former Treasurer was always going to provide a bit more entertainment than the Premier at the Chamber of Commerce and Industry breakfast.

Mr C.J. Barnett: Maybe they slashed the price.

Mr B.S. WYATT: That is why I got invited; I did not have to pay. They told me to take a ticket and bring 20 of my mates!

The point the opposition will be making this afternoon is the fact that the 2009–10 budget was rapidly discredited for what was not in it. As we have seen over the past almost 12 months, the 2009–10 budget is no longer, and was not from the moment it was tabled, a credible reflection of the state's finances. Following question time and the Premier's unique definition of blow-out, I look forward to seeing whether that definition applies to anything whatsoever over the next three years. The question is whether any of those figures will find themselves in the 2010–11 budget or the forward estimates. Ultimately, it means that fees and charges on ordinary Western Australians will continue to rise. That has been the overwhelming theme of the Barnett

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Liberal–National government. Western Australians, regardless of whether they live in regional Western Australia or metropolitan Western Australia, have seen dramatic increases in fees and charges to pay for the spending reflexes of the current Premier. What we have seen already this year, and what we debated during the third reading debate on the Revenue Laws Amendment Bill last night, is that the small business sector is now being looked to to pay for the Premier’s spending to plug those fiscal holes. That is being done through a package of tax rises on the business sector of just over \$511 million. That is the purpose of the opposition’s motion today, because when governments cannot control their spending and when governments are not constrained by their own revenue estimates, as the Premier and Treasurer already indicated during question time yesterday, Western Australians end up paying the price.

It is worth looking at how we got to this situation and a scenario in which projected surpluses have been rapidly wound back to the now recent estimate of a \$50 million surplus for the current financial year. It is in an environment in which the federal government has been very generous in plugging those financial holes that were created by the global financial crisis. When the member for Cottesloe became Premier in 2008, he inherited a very strong government balance sheet, with no net debt in the general government sector, a strong AAA credit rating and a strong and mature resources-based economy—it is still a strong and mature resources-based economy—that was then at historic highs. September 2008 was also the month in which the global financial crisis really crystallised. What we saw in the 12 months post September 2008 was the full force of the global financial crisis. However, it is important to note that during that time state revenue did not go backwards. The forecasts were for a decline, but state revenue did not go backwards. As I have said time and again in this place, and as I have said in many a media statement, when we focus on state governments, we focus on the importance of states maintaining a balanced budget; the reason being that Western Australia directly controls about 30 per cent of its own revenue base, and most state governments are in a similar position. State governments do not control their own revenue source, so they must control the one side of the ledger that they can, and that is expenditure. That has been the side that this government has failed miserably, with expenditure growing, month on month since September 2008, in excess of 13 per cent. State governments have a very limited capacity to stimulate their own economy, and they pale in comparison with the federal government with its much larger range of taxes to stimulate an economy. The benefits that the federal government receives are much more immediate and direct from a stimulated economy, and as the former Treasurer indicated in a number of media appearances: it has taken time for the economic growth of the state to flow through to increased revenue.

The first document that we saw from the government after it came into office was the *Government Mid-year Financial Projections Statement* in December 2008. I described it then as an economically lazy document. In light of the significant change in policy, in particular the royalties for regions policy, which is having a significant impact on the state’s finances, the government should have released a mini-budget at that time, or at least in December 2008—a document that clarified exactly the impact of the election of the new government on the state’s finances. Historically, because of the early election, it was necessary for such a document to be prepared. It was not prepared and we were left with a midyear review that simply had the former government’s commitments and tacked on the new government’s commitments, creating a document that did not outline with any great clarity the impact on the state’s finances, other than to show the impact of the global financial crisis and the extraordinary impact of the federal government’s increased spending in Western Australia. As the midyear review of 2008 highlighted, since the pre-election financial statements and the midyear review, the deterioration in the operating outlook of the state’s finances total \$5.2 billion. Between August and December, there was a \$5.2 billion deterioration over the forward estimates. Interestingly, only \$1.5 billion of that was as a result of weaker revenue. Even back then, the revenue base of the state was still expected to be holding up remarkably well in the face of what was then being considered the greatest economic crisis since the Great Depression. However, \$3.7 billion of that deterioration was a result of increased expenses, and that was due to the commitments made by the new Liberal–National government. The Council of Australian Governments met on 29 November 2009, and I presume it was Mr Barnett’s first COAG meeting as Premier.

Ms R. Saffioti interjected.

Mr B.S. WYATT: Second, perhaps! Either way, it was one of his early COAG meetings. The Premier visited the wise men in the east, and came back with an extra \$1.5 billion from his then friend, Prime Minister Kevin Rudd. That \$1.5 billion filled the revenue hole that had been created by the global financial crisis.

Mr M.P. Murray: I think he is dreaming about him at the moment!

Mr B.S. WYATT: I dare say the Premier is dreaming. Whether he is dreaming about the Prime Minister, I have significant doubts. Perhaps he is dreaming about the Northbridge Link not being a blow-out. When is a blow-out not a blow-out? When it is defined by the Premier! We will have that final cost, which will be the date on which we get on that train and travel through that tunnel.

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We had a situation of a \$5.2 billion deterioration due to the global financial crisis: \$1.5 billion because of revenue decline and \$3.7 billion due to increased spending. Kevin Rudd filled that hole. The federal government filled the revenue hole for the state government, as it did in Victoria, New South Wales and Queensland. That was the federal government's stimulus spending.

However, the 2008 midyear review also showed that spending was expected to trot along at 12 per cent, which was the expected expenditure growth for the 2008–09 financial year. Of course, the midyear review also assumed that the three per cent efficiency dividend would be delivered successfully and completely. We now know that is not the case and we were left with expenditure growth in excess of 13 per cent.

Mr C.J. Barnett: Who drafted the budget for 2008–09?

Mr B.S. WYATT: The Premier has just woken up to what I was speaking about three minutes ago when I made the argument that a new government should have delivered a mini-budget, because the midyear review was an economically lazy document. All the Premier did was tack onto the budget of the former government all his spending commitments. When he did that, he came up with spending for 2008–09 of 12 per cent. Despite that and despite getting rid of a lot of the former government's spending commitments, he still managed to get expenditure out to 13.1 per cent by the end of the year, largely because of the failure of the implementation of the three per cent efficiency dividend.

It is also worth historically looking at the position of state debt, which has been the subject of some debate in the chamber previously. When Geoff Gallop became Premier, the interest payment on the state's debt was approaching three per cent of the state revenue base. When the election was finally called in August 2008, that had fallen to 0.6 per cent. That has been the value of using surplus positions to retire debt and to spend on capital works.

The economic and fiscal outlook contained in the 2008–09 budget papers outlined that since 2003, by the application of those surpluses accordingly, the Labor governments had repaid debt or avoided debt to the value of \$3.9 billion, amounting to interest savings of \$250 million a year. That is a significant saving of money that the state can spend on the core delivery of services. That is why in the past 18 months I have spoken so strongly about state debt. It is very, very difficult for states to pay down debt without selling state assets. We know that the government, I am sure, is looking at some of the options that are before it, even though there is perhaps not that much to sell since members opposite were last in power.

I have made this point before: state debt is getting to a level in the total public sector net debt of just under \$20 billion. That means that every single Western Australian—man, woman and child—has a bill of \$6 000. That is an extraordinary level of debt never before seen in Western Australia.

This is where we were in September 2008. We had a very strong balance sheet, a very strong credit rating, no debt in the general government sector, and low debt in the total public sector built around a strong surplus delivered every year by the member for Belmont as Treasurer and now Leader of the Opposition. We now find ourselves with a government rapidly eating its surpluses across the forward estimates due to spending growth that has not yet dropped below 13 per cent on a monthly basis.

As I said, the defining story of the Barnett government to date has been its approach to filling those fiscal holes. We have seen fees and charges on Western Australians rise at an extraordinarily rapid rate. I know that every member in the chamber on both sides is getting complaint after complaint about the impact that increased bills, particularly for electricity, are having on ordinary Western Australians all over our state. Every state government has the right according to their election platform to spend money and to prioritise programs as they see fit—nobody disputes that. This government made the decision to withdraw the community service obligation payments out of the budget and into projects such as Oakajee. The Premier made that decision. He is entitled to make that decision. However, he needs to be honest about that decision. Nearly \$700 million of taxpayers' money is now being directed into Oakajee port—a port that had been agreed to be funded completely by the private sector. After having made that decision the impact was that the government was forced to remove community service obligation payments out of the forward estimates to pay for its spending in other areas. Members on this side know, despite the rhetoric of the present government and its desire to misrepresent the position, that the 2008–09 final budget of the former Labor government was crystal clear on how it budgeted that community service obligation payment. Page 291 of the budget states —

In response to the ERMR Draft Recommendations Paper, released on 4 April 2008, the Government announced a transition to cost reflective tariffs from 2009-10 —

The current financial year —

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for non-contestable customers, which includes households and small businesses. This involves a 10% increase in 2009-10, with further annual increases to be phased in over a six to eight-year period. Annual increases in these tariffs beyond 2009-10 are not expected to be less than 10%.

Then it sets out on another couple of pages the basis upon which the community service obligation payment would be made. I will quote from page 292 —

The CSO is the difference between glide path tariffs (in cents/kWh) and cost reflective tariffs (in cents/kWh), multiplied by the expected energy to be consumed by customers under the relevant tariff. The CSO is estimated at approximately \$273 million in 2009-10, \$291 million in 2010-11 and \$215 million in 2011-12. The cumulative value over the forward estimate period is around \$779 million.

The former Labor government made it crystal clear and allocated money in the budget to protect Western Australian households from rapid electricity rises. Nobody in the chamber argued against the notion that the glide path tariff needed to get to a cost-reflective tariff within a period of time; the dispute has been over how rapidly that was to happen. The former Labor government decided to allocate public moneys to protect Western Australian households.

Mr C.J. Barnett: It was to conceal your incompetency!

Mr B.S. WYATT: That was done so that households would not have to bear that burden over a very short period. The Barnett government has imposed that burden over a short period; it has made that decision to reprioritise that spending.

Mr C.J. Barnett: No; it was to be honest to the public.

Mr B.S. WYATT: It decided to put that money into a port that the private sector had already agreed to deliver. It took \$779 million out and redirected it into other areas.

What has the impact been on Western Australian households since the Barnett government was elected? Households are paying more than \$1 000 extra in fees and charges. An average household is more than \$1 100 worse off since the election of the Liberal–National government. An average household is considered to be two adults and two children, and it is assumed that that household has two cars instead of one, which was the assumption of the representative household of the former government, and it is assumed that that household has to pay five return adult Public Transport Authority fares. It is worth looking at what has happened since the Liberal–National government was elected.

Motor vehicle licence fees have increased by \$15.44, which is a nearly four per cent increase. The motor vehicle recording fee is up 7.5 per cent, and overall motor vehicle fees have increased by about 3.7 per cent. Western Australians have no choice about utility charges because they are core services needed by every Western Australian household. I know that, because of her former role, Madam Acting Speaker (Ms L.L. Baker) is very aware of the impact on households when utility services are not provided or households are in a position whereby they cannot pay for those services. Electricity has gone up from \$963.36 to \$1 276.70—a rise of over \$313, or 32.53 per cent. That is the real impact of the Barnett government’s decision to remove that community service obligation payment from the budget papers.

Water has gone up 10.01 per cent, sewerage is up 4.2 per cent, and drainage is up 6.66 per cent, making a total average rise in utility charges of 19.6 per cent. That is an extraordinary rise in 18 months for Western Australian households. It is important to know that that does not include what we know will come in the upcoming budget. Western Australian households have yet another hit coming to their household budgets before the Premier has finished plugging the fiscal hole created by his own financial mismanagement. All up, we have seen—this includes public transport fees, stamp duty and insurance, including third party insurance—various rises of 9.6 per cent over 18 months. That has resulted in the previous household charges of \$4 819.78 increasing to \$5 280.95—a total of just over \$460 on the average household.

We also need to look at where the government has removed the subsidies and supports that the previous government provided to Western Australians, such as the It Pays to Learn allowance, which is a loss of \$400 for a household with two children. The secondary school subsidy of \$200 has also gone, making a loss of \$600 in support from the state government to encourage people to stay at school longer. That is another \$600 hit to the average Western Australian household. The landfill levy is another \$24. God forbid if people want to go to Rottneest for the day; that is up by \$20. We are seeing a government that is absolutely addicted to these backdoor taxes as a way of buttressing its own revenue base. I look forward to seeing the 2010–11 budget and the increase in dividend revenue from state utilities, because I dare say that that will form a large part of the revenue source that will hopefully create, at the very least, a balanced budget for the government. That is the result of the government’s own decision. When a document such as the 2009–10 budget is handed down—a deceptive

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document that did not include the complete spending commitments of the government—and a government removes that \$779 million protection from Western Australian households, what we get is Western Australian households receiving a little thankyou card from the Premier every month when those bills roll into their letterboxes, which ensures that he can continue spending in the way he likes to spend as a Premier. That is why, I dare say, as Treasurer, he will not be able to bring to bear the control on his own automatic reflex that he so clearly needs.

Mr A.J. Simpson interjected.

Mr B.S. WYATT: Look who it is! I thought the member was going to become the Treasurer! I really did! I really thought he would get there! He was looking for a job! Being a local member was not enough; he needed another job! When the member speaks to journalists, he must ask whether he is on or off the record—that is my piece of advice to the member! “Are we on or off the record?” That is my only piece of advice, from my limited experience in this chamber, member! That is the one thing the member forgot! But, anyway, I am sure the member has learnt from that experience, and I am sure the previous Treasurer was delighted with the member’s support for him during some trying times!

Mr E.S. Ripper: It must have been an interesting discussion!

Mr B.S. WYATT: Very interesting! It is a shame the member for Geraldton is not in the chamber; I enjoy his quotes in the local rag as well, as outlined during question time!

I have outlined the extraordinary increase in charges imposed on Western Australian households by Premier Barnett. One of the most significant dividends delivered by the former government to Western Australians during strong economic times—during an eight-year period when surpluses were delivered each and every year—was that the former government kept household fees and charges on the representative household below the reference rate of inflation. That was, and remains, a huge benefit for every household, which could go about budgeting accordingly, knowing that they were not going to be hit with unsustainable rises in their own bills and knowing that the government was not going to look to the wallets of Western Australians to fill those fiscal holes, which is what this government has done. Western Australians and the small business sector are filling those fiscal holes. We know that the Premier’s former friend Kevin Rudd filled a massive hole. However, it is now left to Western Australians —

Mr C.J. Barnett: You created a massive hole and walked away from it.

Mr B.S. WYATT: A massive hole! Year after year of surplus positions! Look at where we are now. We have a concocted projected surplus of \$51 million before we have even seen the impact of an extra couple of hundred million dollars that will go to the health sector. That is what we have seen from this government. When it handed down its first budget in 2009–10, every journalist and every Western Australian wanted to know where the funding was for the state’s most important project—Oakajee. Where was it? It was not there at all. It was not to be seen. Oakajee was not in the government’s first budget. That is just one of many items that were not in it.

Mr C.J. Barnett: It should not have been.

Mr B.S. WYATT: The Premier says that it should not have been. He rapidly shoved it into the out years in the midyear review only a few short months later. It was interesting to go through the first Barnett budget because it rapidly became one of the more amusing budgets produced by Treasury in a significant time. The opposition took it upon itself to prepare its own financial projections review for 2009–10 to try to show Western Australian households and the business sector the real impact of the government’s commitments and spending and of the inappropriate exchange rates the government had factored into its budget. We did that to ensure that the member for Wanneroo could tell his constituents how much the future rises in fees and charges were likely to be and how much more debt each and every Western Australian would incur, courtesy of the Premier.

Mr P.T. Miles interjected.

Mr B.S. WYATT: I look forward to the member for Wanneroo getting to his feet and explaining what the resource super profits tax is—the dimwit; I dare say that he cannot. What did the financial projections review find out?

Mr P.T. Miles interjected.

Mr B.S. WYATT: Can the member tell me whether the government made a submission to the Henry review expressing its concerns about a possible resource tax? It had only been flagged in the public arena for three or four months. I guess he cannot. It was only yesterday when the Premier came into the chamber with his alternative approach that we finally got some sensible participation from the Western Australian government. We did not see from the Western Australian government a sensible proposition on the goods and services tax health debate. Victoria released its alternative modelling. That is the sign of an active Treasury and an active

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Premier. Over here we got nothing except dimwits on the back bench. They are all jostling among themselves over who will be the next Treasurer. I dare say that it will not be the members for Southern River, Wanneroo or Morley. The member for Wanneroo is an accidental member of Parliament if ever I have seen one. I only have an hour in which to talk so I cannot spend too much time jousting with the intellectual giants on the back bench.

I will add the amounts ministers have committed to in media releases with the various thought bubbles of the Premier over the time when we released our financial projections update. I believe that our figures will be pretty close to the truth, even without access to Treasury modelling. Our cut-off date was 5 August 2009. Across the four-year forward estimates period, we estimated that the cumulative operating balance should be revised down by \$2.6 billion. We now know that the midyear review, which was released just a couple of months later, revised the revenue upwards by \$2.4 billion. The state's economy had not been hit quite so hard by the global financial crisis and so the revenue base of the state was looking pretty good. However, for the 2009–10 financial year, the projected operating surplus of \$409 million in the budget—the government was dreaming—should have been revised down to a deficit of \$308 million. If the annual report for this year is to be an honest account, the opposition will not be too far from the truth. The government revised the surplus from \$409 million to \$51 million and then refused to bring in the then director general of health's note that the government needed another \$250 million, identifying it only as a risk. The asset investments that did not appear in the budget papers formed significant parts of the brochures such as that which the Minister for Regional Development was waving around in Parliament yesterday. Esperance port was not in the budget. We thought that we would be generous and allocated \$50 million in 2010–11 for that project. We thought that we would allocate \$100 million of the state government's contribution of \$339 million to the Oakajee port in 2010–11. Northbridge Link —

Mr C.J. Barnett: Perth City Link.

Mr B.S. WYATT: Let us call it the new name—Perth City Link. I guess that it is not a blow-out because the name was changed; it is a different project. We thought that \$70 million for 2010–11 was appropriate. Other allocations include \$40 million for Midland health; \$2 million for the western suburbs police complex. I am looking forward to the Premier honouring his commitment to quit if we do not see the Perth waterfront project up and running —

Mr P. Papalia interjected.

Mr B.S. WYATT: That is when it starts. The other allocations we budgeted for include \$40 million for the new rectangular stadium and \$125 million for the Mid West powerline. What we saw in August 2009 was nothing but the deception of this government regarding the real commitments of the Liberal–National government. As a result, the Labor opposition released its own update. When the budget is brought down shortly and the annual report for the current financial year comes down in September, we will see that we have pretty much got it right. The Premier wanders around the state making commitments, but he is very clever and does not put too much in writing. We have to hunt the transcripts of the ABC news or search *The West Australian* to find out what he said. It is very difficult, but we can find those commitments. The people in the communities through which the Premier has wandered believe that the projects will happen but the problem is that they do not appear in the budget. The government can say that it will do something but if it does not find the money to do it, it is not committed to doing it. Despite the fact that the cut-off date for the Perth City Link may or may not have occurred—we are not really sure—we know that the blow-out for the Perth City Link project will not be in the budget. We will not see the extra cost that the state will have to bear. The former friendship that the Premier had with the Prime Minister will not see the Prime Minister save the Premier by sending another cheque his way.

Mr C.J. Barnett: The friendship is in ruins.

Mr B.S. WYATT: If the Premier attacks the federal government over its resource super profits tax, he must have a consistent position on royalties. The Premier's problem is that there has been no consistency whatsoever.

Mr M. McGowan: He said they are getting away with murder.

Mr B.S. WYATT: That is right. That is a good quote. The member for Rockingham asked the Premier a very good question and the Premier replied —

The mining companies are aware of it, and some of them have expressed their views. I have to say that a few people who work around the mining industry came up to me over summer and said, “By the way, Colin, the mining companies are getting away with murder; they're not paying enough.” A number of people working in the mining industry have said that.

Mr M. McGowan: Kevin read the *Hansard*.

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Mr B.S. WYATT: The policy wonk for the Rudd government is sitting right there! He gives Kevin Rudd ideas! On the one hand, he loves it but then we cannot rebate the royalties against it. I do not know what the Premier was thinking but we know that he was looking very hard at the royalty rates of Western Australia.

In *The West Australian* on 12 February, quite some time ago, a resources rent tax was well and truly in the public domain. Yet, from what I can gather, the WA government did not make any particular submissions to the federal government warning it of a potential impact that a resources rent tax may have on the mining sector in Western Australia. An article in *The West Australian* reads —

Mr Buswell said he agreed with Federal Treasury secretary Ken Henry, who said recently Australia's royalties regime was too low.

“We have a finite resource, we have an enormous demand to provide social and economic infrastructure to support those industries and I think Ken Henry's view that overall royalty incomes are too low is an accurate view,” Mr Buswell said.

...“but I think the mining sector and commentators and observers on the mining sector would understand that there is now a broadly held view within government, both State and Federal, —

I dare say there is a bit of cooperation going on here —

that historic royalty collections in Australian State jurisdictions have been too low.

...

“Queensland last year reviewed some of its royalty regimes,” he said.

“I think it's incumbent on all states to review their royalty regimes. You're talking about companies that are using a finite resource that belongs to every Australian.”

I think I saw that quote in the Prime Minister's media release. Mr Buswell was right, apparently; he agreed with Ken Henry. On the one hand, not that long ago, the Premier was arguing that in the gold sector in particular, but also generally royalties—not just exempting BHP Billiton and Rio Tinto from their concessional rate to their full rate—were too low and needed to increase. Hon Norman Moore put paid to that. I dare say there was an interesting conversation in the cabinet room between the Premier and Hon Norman Moore about gold. We know that Hon Norman Moore has a long and proud history in the gold region of Western Australia. In the end, it appears that Hon Norman Moore has won that argument. As the Premier said, in this budget there will not be any royalty increases. But if the Prime Minister has his way and there is a super profits tax, it will rapidly decrease the ability of the government to then increase royalties beyond existing scheduled increases.

As we have seen throughout the press—the member for Rockingham has had interesting discussions with the gold sector—the goldfields royalty response group was very keen, very determined and very annoyed that the Premier and the then Treasurer, Mr Buswell, were raising all these ideas and possibilities of general royalty increases without any consultation whatsoever with the mining sector. The Premier made the point: “I'm not going to consult the mining sector; that is a decision of cabinet.” He cannot now come in here and attack Mr Rudd, his friend—former friend or very close friend, I believe.

Mr P. Papalia: Good friend.

Mr B.S. WYATT: That is the term I am looking for.

Mr C.J. Barnett: Not any more.

Ms R. Saffioti: No more dinners at Balthazar.

Mr B.S. WYATT: No; no more dinners at Balthazar. That is over. It is my prediction that Mr Rudd will not be dining with Mr Barnett in the future. There will be no more jovial meals between those two. Mr Rudd has come over here and gotten the idea off the Premier and thought, “He's right; our royalty rates are too low. We need to build all this social and economic infrastructure; maybe we need, as the Premier says, to get more out of the mining sector.” When the Prime Minister does that, the Premier finds himself in a position of perhaps making a few good political points and immediately reverses his position —

Mr P. Papalia: He's been gazumped.

Mr B.S. WYATT: Yes; he has been gazumped. If the Premier wants to come in here and make the sort of chest-beating comments he has been making, he needs to be consistent with his previous approach to the mining sector in Western Australia. He did not consult them at all. He floated through the media ideas of general royalty rates that simply did not proceed, thankfully, due to the good work of Hon Norman Moore in protecting the mining sector from a high-taxing government.

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The 2010–11 budget must be an honest reflection of the finances. The 2009–10 budget was nothing but a deception; it did not contain commitments and projects to the value of billions of dollars. The Premier cannot credibly stand as Premier and now as Treasurer before the people of Western Australia and say that this is the budget for the state when he knows full well it is not. We know that because in both years the previous Treasurer had to come into this place and seek under the Treasurer's advance authorisation process record amounts—\$1.2 billion and \$1.1 billion in consecutive years. We know that the budget is not an accurate and honest reflection of the state's finances when the need to seek authority to spend outside the budget process reaches such extraordinary heights. I dare say again that if this budget does not contain the commitments the Premier and his ministers have said they will honour, we will see another Treasurer's Advance Authorisation Bill in excess of \$1 billion. I did not think it was possible for that to happen two years in a row. However, it was. Who knows whether it will be the case three years in a row and the Premier will have to deal with that, although, hopefully, by then we will have a new Treasurer trying desperately to constrain the spending impulse of the Premier. If the member for Vasse could not do it, I dare say not too many other people on the government benches can exercise that sort of influence over the government.

I have already made the point publicly: Subiaco Oval, the Perth waterfront development, the rectangular stadium, the Midland health campus and the Northbridge Link need to appear in the budget and the forward estimates. What also needs to appear in the out years is the impact on the state's finances of Royal Perth Hospital. As the Premier said, there are many icebergs out there for state governments traversing the tough economic waters of a global financial crisis and a commodity-based economy, as is Western Australia. Unfortunately, the biggest iceberg is sitting opposite—the member for Cottesloe who is the Premier and the Treasurer. He is the biggest iceberg the government faces. On the one hand he is the Premier driving the ship and on the other hand he is an iceberg getting in the way of his financial sustainability. As I asked at the beginning of my comments, who pays for all the spending in the end; who is paying the 13 per cent month after month? The people of Western Australia pay for it—the families in my electorate, the families in the member for Nollamara's electorate and the families in the member for Mindarie's electorate. Western Australians are paying for unsustainable spending. That is why electricity prices have increased an extra 35 per cent, with more increases to come. That is why the small business sector has been hit already with a tax increase of \$511 million. That is why we are seeing the rapid unwinding of election commitments made by the Premier in the forward estimates—\$250 million in the government's first term and now \$127 million, which has already gone as part of the midyear review, together with a tax hit on the small business sector. That is \$127 million that has been unwound. What I hope this budget will show also, as the previous Treasurer said it would, are the line items that identify the savings made as a result of the recommendations of the Economic Audit Committee report, the grand report the previous Treasurer commissioned, which has been produced. Western Australians have been left salivating at the thought of what may appear in the budget as a result of that report.

One little line in the Liberal Party election document that I have referred to a number of times states —

All savings identified by the Economic Audit will be quarantined for return to the Western Australian taxpayer through the Tax Reform and Reduction Strategy.

I do not know what the tax reform and reduction strategy is because the government has not released a tax reform and reduction strategy. I hope there is one coming. It has only been 18 months! The government has been otherwise occupied on a number of levels, but hopefully there will be a tax reform and reduction strategy coming soon. All those hundreds of millions and billions of dollars that the former Treasurer said are savings from the Economic Audit Committee will be returned to Western Australians by way of tax cuts. That is something the opposition looks forward to seeing. I dare say those tax cuts will not be seen. We will not see any of the anti-tax slug legislation that the former Treasurer said he would like to bring to this chamber. I hope the Premier does bring an anti-tax slug bill in this term of government. I have a sneaking suspicion we will not see that.

Expense growth has been at 13 per cent over the past 18 months. Average growth under the former Labor government was 7.5 per cent. If we apply that to the first 18 months of this government, and all other things being equal in the current forward estimates, as updated in the midyear review, if this government could have matched the average spending of the former Labor government, it would have been \$6.8 billion better off. That is, it would have been \$6.8 billion better off if it could have matched the former Labor government's spending profile. Victoria has done it. Its budget identified, over forward estimates, \$4.5 billion in surpluses. If this government can match the former Labor government, it will have an operating balance much healthier than what was predicted in the midyear review.

Household fees and charges form the basis of what the opposition is talking about this afternoon. Household fees and charges have been ratcheting up and will continue to ratchet up under the Barnett Liberal–National government, regardless of where people live. This is something that the Minister for Regional Development has not yet admitted to. He may have a lot of money and he may have more money than any of the other

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conservative ministers would ever dream of having to spend in their portfolio areas, but people in regional WA are paying these increases in fees and charges. There is more to come.

The business sector is realising that it has been conned. It has been hit another \$511 million by the Premier. This is a result of sloppy financial management. The government has not been honest in its budget for the current financial year. There is a lot of work to do by the Premier and Treasurer to ensure that the upcoming budget, to be handed down on 20 May, is an honest reflection of the state's finances. If it does not do that, Western Australians will not have a clear understanding of the impact that thought bubble financial management is having on the state's finances, on state debt and on fees and charges. Western Australians want to know whether their debt liability will be more than \$6 000 for every Western Australian. Are we going to see other fees and charges—the backdoor taxes referred to by the former Treasurer? Will Western Australians see taxes increased further to pay for those bills? The Premier's old friends at the Chamber of Commerce and Industry of Western Australia will be very interested to see whether the small business sector will be looked at again to fill those fiscal holes in 2010–11 and over the forward estimates. I dare say they will be. The three-year deferral of the member for Belmont's tax cut may well become a four, five or six-year deferral; deferred to the never-never, leaving Western Australian business less competitive vis-a-vis other states in how they conduct their business. That is what the government has given us after 18 months—high taxes, big spending and unsustainable governance at a time when the global financial crisis placed enormous pressure on all governments to deliver, at the very worst, a balanced budget. To do that, the Premier has not reined in his own spending. He has not made those hard decisions. He has made the easy decision to increase taxes and to defer tax cuts already in the budget. That is why the opposition has moved this motion in the lead-up to the state budget and the budget estimates period. We will take a very close look at what that means to every single Western Australian household in the upcoming financial year.

MR E.S. RIPPER (Belmont — Leader of the Opposition) [4.54 pm]: I support the motion before the house. Financial management reveals the real character of a government. That is when a government has to make choices. That is when a government has to decide which of the various priorities it has outlined in the community it is actually going to budget for. Budget time is a reality check for a government, or it should be a reality check if the budget is an honest reflection of the state's finances. Financial management is not just an esoteric issue for commentators. It is a real issue for the people of Western Australia. It is about the sustainability of services. It is about whether the people of Western Australia will get the future infrastructure they need. It is about the family bills that the government will force them to pay.

The Premier has made a number of mistakes in financial management. One of them was to describe the previous Treasurer as the world's greatest Treasurer. I have been surprised by the debate that has occurred over the past 10 days or so. I have been surprised about a strand of analysis to the effect that somehow or other the former Treasurer was a flawed genius. It has been argued by some that somehow or other the former Treasurer was a good Treasurer but just subject to personal ill-discipline. That analysis cannot be right. Look at the record. On what measure was the former Treasurer the world's greatest Treasurer? Let us look at the question of family bills. In just over a year the government attacked family living standards by \$1 000 a year.

Mr C.J. Barnett: Are you jealous that no-one called you the world's greatest Treasurer?

Mr E.S. RIPPER: What is important is what is delivered to the people of Western Australia. What is ridiculous, when we look at the state of the budget, is to have called the former Treasurer the world's greatest Treasurer. By what measure was he the world's greatest Treasurer? Was he the world's greatest Treasurer on family bills? What is great about attacking the living standards of a typical Western Australian family to the tune of \$1 000 a year? How is that great compared with Labor's record? We kept the basket of household fees and charges well below the reference rate of inflation. We delivered, in real terms, reductions in the basket of household fees and charges—not just in one year, but over seven and a half years. We made a real contribution to family living standards through the way we handled utility and other state charges. It is the same basket as the member for Wanneroo will find in the back of budget paper No 3 as produced by this government. It is directly comparable. He should look at budget paper No 3. I doubt that he has ever seen it.

Was the former Treasurer the world's greatest Treasurer on the basis of services? Despite record growth in expenses, we saw 13 per cent cuts in mental health. Despite a lot of rhetoric on mental health by the government when in opposition, we saw leaked document after leaked document talking about cuts in mental health. In the police service we saw the withdrawal of mobile phones, the withdrawal of cars and the withdrawal of motorcycles. We saw all those things. He was not the world's greatest Treasurer when it came to a strong focus on front-line core services. What about expense growth? The shadow Treasurer, the member for Victoria Park, has already talked about that. Despite all the protestation about expense growth during the period of the previous Labor government, expense growth during that period never reached the figures that have prevailed throughout

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the life of this government. Throughout the life of this government we have seen expense growth at around 13 per cent or worse. The government has a real conundrum. There is record expense growth but core front-line services are being deprived of resources. What sort of genius produces that result whereby there is record spending growth but cuts to front-line services? Was he the world's greatest Treasurer when it came to debt?

Mr B.S. Wyatt: He has got lots of debt.

Mr E.S. RIPPER: He has lots of debt; so if the measure is how much debt, then maybe he was a world-class performer. I suppose that is a bit unkind given what Greek politicians have done! The incoming government inherited the lowest level of net state debt since the figures started to be collected. The incoming government inherited a general government sector with no net debt. The general government sector had positive financial assets. The only debt was in the commercial operations of government.

Mr C.J. Barnett: There was a bit hidden away in electricity—about \$700 million!

Mr E.S. RIPPER: The electricity arrangement was perfectly transparent. What government has done that? The arrangement was there for all to see, including a transfer of an explicit subsidy to protect the living standards of Western Australian families. This government took that subsidy from Western Australian families and spent it on other things. This government did not pass that subsidy on to Western Australian families and nothing that the Premier says will change that situation. This government decided to charge that.

I have been diverted, Mr Deputy Speaker, from the question of \$20 billion worth of debt. This state is heading in that direction. Debt under the Labor government as at 30 June 2008 was under \$4 billion. I think it might have been about \$3.6 billion or \$3.7 billion, but it was under \$4 billion. Now it is going to be \$20 billion and there is no sign that the government has any means of controlling that growth. Where is it going in the next set of forward estimates? There is no sign that the government has any plan to pay back the debt. There is no sign that the government is even thinking about paying back the debt. Therefore, in the midyear review the debt-to-revenue ratio was peaking at 64 per cent.

When we were in government we were strongly advised, professionally, by the Department of Treasury and Finance to limit the debt to a maximum of 47 per cent of the revenue. That was not a figure that Labor developed as a result of the study of various socialist texts. Labor took that figure as a result of professional advice from the Department of Treasury and Finance. We were very determined to maintain the state's AAA credit rating. The advice that was given to us was to keep the debt below 47 per cent of the revenue. This government is taking this state's debt figure to 64 per cent of the revenue. It has abandoned the debt to revenue cap as a way of keeping the AAA credit rating, because it is performing so badly on that measure, and it has gone to a new measure, which it says is the modern measure, of net financial liabilities to revenue. That figure is projected to peak at 86 per cent, and even the government admits that should it get to 90 per cent, the state's AAA credit rating will be at risk.

Having taken over when this state was in the strongest financial position that it has ever been in, this government is now taking this state to \$20 billion worth of debt, 64 per cent net-debt-to-revenue ratio, 86 per cent net-financial-liabilities-to-revenue ratio and the loss of the AAA credit rating. That is where this government is taking this state on financial management.

I refer to the previous Treasurer—the world's greatest Treasurer—and the view he took when it came to taxes. The previous Treasurer went on and on in opposition about the level of taxation. He spoke about taxation and debt. The previous Liberal opposition campaigned week after week on taxes and debt. Who would have thought that on coming to office it would cancel the tax cuts that Labor had put into the financial plan? We had funded in the forward estimates—legislated—for two tax cuts to small and medium business, which together amounted to about \$500 million over four years. What did the previous Treasurer do, the man described as the world's greatest Treasurer by the Premier? He deferred each of those tax cuts for three years. Members do not have to be excessively cynical to reach the conclusion that we will never see those tax cuts again. They have been deferred for three years and they will never reappear. Small and medium business would have got out of Labor the ending of non-real property as part of the base for stamp duty for business conveyances. Small and medium business would have got out of Labor an end to aggressive grouping of independently operated but commonly owned businesses for payroll tax purposes, if Labor's financial plan had been persisted with. They will not get it now. It has been deferred for three years. I do not think that we will ever see it again.

The world's greatest Treasurer—according to the Premier—did not perform well on family bills, services, expense growth, debt, net debt-to-revenue ratio, the protection of the AAA credit rating or taxes. On top of that performance the Premier is now seeking to make his own revenue raid on the mining industry. It is really quite interesting to hear the Premier's rhetoric on the federal government's taxation proposals when we know what his agenda has been. The Premier has a crumbling state budget and he will try to get \$500 million a year in additional royalties out of the mining industry to prop up his government's budget. It might not be all in one

grab, but that is what the Premier wants to do. He wants to take another \$500 million a year out of the mining industry. I bet he did not tell that to the mining industry when the Liberal Party was campaigning for election in 2008.

I have one issue that I should mention. Approximately 100 000 people work in the public sector. They deserve a fair wages policy. How has the world's greatest Treasurer performed on wages policy? Education assistants, cleaners and gardeners, some of the lowest paid people in the system, have been asked to accept a 2.5 per cent a year wage increase—44c an hour—when the inflation rate for Perth is 3.4 per cent. These low-paid people are being asked to go backwards. They are being asked by the government to take a cut in their living standards by accepting only a 2.5 per cent increase in wages while general prices go up 3.4 per cent and state government prices go up by much more than the general inflation rate. The Premier was not right in describing the previous Treasurer as the world's greatest Treasurer.

I want to look now at other issues. The shadow Treasurer raised the question of the honesty and credibility of the budget. There is no doubt that the previous budget was a crock. The previous budget was not a credible, honest account of the state's finances. Why do I say that? It is because there have been too many government announcements from which too many major projects were left out. It appeared to me that the budget and the Premier were in two parallel universes. The Premier's agenda was not reflected in the budget. The budget's universe was not the Premier's universe. Other fudges can be found in the budget. The budget included devices to raise additional money, hypothecated for particular purposes such as the increase in the Perth parking levy, followed up by bureaucratic instructions to the departments concerned not to spend the money. Legally the money can be spent for only one purpose, but the officials were told not to spend the money. It is an artificial way of boosting the budget surplus.

Another issue I draw to the attention of members is the savings measures which were put in, but which were simply not achieved. The classic case is education. It certainly did not achieve the efficiency dividend that had been requested of it. It was not the first time that education, under the stewardship in one way or another of the Premier, has failed to achieve that. The Court government went to the 1996 election with a productivity dividend measure to fund its election promises. When the Premier was the Minister for Education, he just ignored the then Treasurer Richard Court's productivity dividend, and education gave nothing to meet the then Treasurer's efficiency dividend. Not that I suggest it is a good thing to impose cuts on education, but education did not meet the targets set in the budget.

Mr C.J. Barnett: Do you know why?

Mr E.S. RIPPER: It will be interesting, when the Premier gets up, to have him explain why he could not do it.

The government has had a number of alibis. Its first alibi was the global financial crisis. However, it is worthwhile noting, as the shadow Treasury has noted, that revenue has risen. The government would like to pretend that revenue has actually fallen. Revenue is below forecast but it has not fallen; revenue has actually increased. The second alibi that the government has had is the evil commonwealth, which is ripping off Western Australia. I am inclined to agree with that, but I would point out that it has been ever thus. The effect of the Commonwealth Grants Commission on the goods and services tax share is well and truly known and has been known for a long time. It was something that I, in the previous government, spent a lot of time talking to the people of Western Australia about, so it is not a new development and it is not an excuse for the sudden deterioration of the budget. The other point to make about the effect of the commonwealth is that there has been unprecedented support from the commonwealth government for state government budgets. There has been much better support for state government budgets, including the budget of the Western Australia government, than was ever offered by the Howard government.

Let me now just conclude with the second big mistake that the Premier has made. That big mistake is to choose the member for Cottesloe to be the Treasurer. It is a bad choice for the Premier to also be Treasurer. It is a conflation of different roles. Every other state has realised that and every other state has a separate Treasurer. Every other state does not have the one person doing the two jobs of Premier and Treasurer. The Premier is responsible for big policy decisions, if he can be, and for the overall political direction of the government. The Treasurer has to be constraining. Those debates should be in the open inside a government. They should not be conducted within the head of one person. It is poor administration and it compromises the likely financial outcome for the state.

I have to say that this Premier as Treasurer has a particularly bad record. The last time we were looking at forecast deficits was when the Premier was on the budget committee of the previous Court Liberal government when the government delivered five budget deficits in eight budgets. The Premier's performance in that particular government was highlighted by the then Under Treasurer in a memo, which I would like to quote over

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and over again, but I am sure the Premier knows it off by heart. We have a Premier who does not appear to believe in the forward estimates. We have a Premier who in an election campaign rushed into a massive canal project without proper thought on costings. We have a Premier who in that election campaign made a basic mistake when it came to costings. The portents are not good for this Premier being the Treasurer. The portents certainly are not good for any Premier also being the Treasurer.

DR M.D. NAHAN (Riverton) [5.13 pm]: One would usually think that the second budget for a government would be an easier one than the previous one. We have gone through a global financial crisis; the economy is in recovery, particularly in Western Australia; and business confidence is up. However, when we look around, we can see that the threats are there worse than ever before. What are the reasons? Look back a few months. What are the biggest threats? They all come from Canberra. We had almost lost 30 per cent of the goods and services tax. Why did we not lose it? The Premier was the only leader of the states and territories who said no.

Mr E.S. Ripper: I understand the Premier's argument that the GST should be a tied grant rather than withheld by the commonwealth. I can see that argument but I wonder what is the gain in autonomy for Western Australia.

Dr M.D. NAHAN: No; what it basically said is that there was an agreement on the GST, and that it would be earmarked in full to the states and distributed through the Commonwealth Grants Commission. It was not an agreement that the commonwealth could rip up willy-nilly and take whatever it wanted. Once it has done that, Gillard has been looking at funding education and doing the same thing. Last week there was a brainwave from Canberra that the commonwealth government would take all our royalty revenue—\$2.5 billion—and it would spend it on itself. It might give some back, but it did not say how it would give it back. The commonwealth government did not say that the money was going to the Commonwealth Grants Commission; and if it were, we would be getting 68c out of a dollar; it simply said that it was taking it from us. It did not even come to us and ask us what would be the implication of that. It did not debate or discuss; it just said that it was going to take it. The Premier said no. He has asked members opposite a couple of times: what would they do about 30 per cent of the GST revenue being held, and would they have caved in? There has been deathly quiet from the other side, because they would have caved in.

Mr E.S. Ripper: Do you want me to talk about that?

Dr M.D. NAHAN: Later, sure.

Mr E.S. Ripper: What I have said —

Dr M.D. NAHAN: I said later.

The second question was on the resource super profits tax. Members opposite were asked today what they would do, and they were quiet. They did not want to go into detail. The reason they would have given in is that they said the resource rent tax, which has been Labor policy 30 years, is a good idea and that they just want to fiddle about with the discount rate. In the Labor Party at the time under Burke, there was a year's review of all royalties. I was the bureaucrat in charge of it. It actually looked at whether we should put a resource rent tax on.

Mr E.S. Ripper: What was the answer?

Dr M.D. NAHAN: No.

Mr E.S. Ripper: Why was that?

Dr M.D. NAHAN: It was because the government did not want to cause sovereign risk to the most important sector in the economy.

Mr E.S. Ripper: What about the question of tax design?

Dr M.D. NAHAN: Thirty years on it decided. There is another issue that we have to deal with, and it is called the Rudd slide. If members have looked at the markets lately, they will see that Mr Rudd in his genius has come out and kicked the guts out of the one sector that pulled the nation through the GFC.

Mr C.J. Barnett: And the one state.

Dr M.D. NAHAN: And the one state that pulled the nation through the GFC. He kicked the guts out of them without debating with them adequately and without giving any details of how it would work out. His timing could not be worse. Portugal is about ready to fall over and there are questions of growth in China. He came and kicked the guts out of the mining sector and precipitated the collapse of the stock market. This disaster is going to affect us, not immediately, but if he puts this tax in place, there will be a decline in investment in our driving sector. Eventually, when it starts to decline if he puts the tax in place, he will come around and say that the commonwealth had this resource super profits tax and now it will put pressure on us to steal our royalty revenue from us. These are huge threats going forward for the state.

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There is another threat, which the Leader of the Opposition quite rightly mentioned, and that is the steady decline in our share of GST revenue.

Mr E.S. Ripper: Member, would you not agree that we already do not keep very much of royalties—not that I support anyone stealing our royalties? Are they not already equalised away?

Dr M.D. NAHAN: They do get equalised through the grants commission process, but it takes time.

Mr E.S. Ripper: It does take time, so you get a benefit.

Dr M.D. NAHAN: There is a benefit, particularly when government is trying to budget over the four years of the forward estimates. Also, not all of it gets clawed back, although a lot of it does.

This budget faces a large number of threats from Canberra. The way Kevin Rudd is going, he must be the most capitalist Prime Minister in history! He has turned pink batts into a deadly weapon. How does he do that? He kicks the guts out of the one sector and the one state that drove him through the global financial crisis. It is mind-boggling. In each case, when the Prime Minister came up with one of these screwy ideas, who stood up to him? Was it Mr Brumby? He stands up and says, “I’ve got a plan. I am going to fight!” And he caves in.

Mr F.M. Logan: He got \$800 million!

Dr M.D. NAHAN: Each one of them caved in. A Premier who can be bought! That is how members opposite treat being in government: give them a bit of money and be the usual type of Premier—do not get between a Premier and a bucket of money! Is that how members opposite are going to do it? That is what Labor has done; it is traditional. Put a bit of money there and Labor Premiers follow it like a dog. That is not how to run a state for the long term. Members opposite might do it, but that is not how it is done.

What has been the track record of the Barnett government to date on fiscal policy? That is what this debate is about, and it is about what will happen in a few weeks. Whether members opposite like it or not, we came into government during a period of unprecedented wealth in the state. There was a huge surplus—a \$2.5 billion surplus—inherited from the previous government, and it was estimated to be \$1.8 million coming into that first year. Soon after, in September, the global financial crisis hit. That is when Lehman Brothers fell over; it was a few weeks after the election. We did come in with expectations of spending a bit, especially for teachers. We do not stand off from that; and royalties for regions was part of our policy coming into government. We thought we could do it. That is what we expected and that is what members opposite expected. What happened? During that first year we had a \$1.2 billion drop in royalty revenue and tax revenue. That is what happened. Those are the facts. That is in the budget.

Mr E.S. Ripper: But revenue still rose!

Dr M.D. NAHAN: Revenue rose for one reason. Why did it rise? Again, it was Rudd. As the member for Victoria Park said quite clearly, Rudd did help that year and he stimulated the economy with handouts and pink batts, but he also gave a large amount of money to each of the states, including this state. He gave it in the form of grants. That is why the only source of growth revenue was from Rudd; it was from grants. Each time he gave it, almost without exception, it was as a matching capital grant; that is, he said, “I will give you this money, \$100 million, if you spend \$100 million for these reasons.” That means money is coming in and money is going out on spending. How did we get the matching grants with a class of revenue? We had to borrow it. But all the borrowing is for capital. There is nothing wrong with borrowing for long-term capital. There never has been! If the deck is stacked with real quality assets, there is no problem. There is an issue about the extent, but particularly in the worst crisis, as everybody knows, in 30 years that is when one does it. That is why the previous government was squirrelling away money and reducing debt; it was because of the risk of what happened. They were right. The Treasurer at the time was spot on. The Treasurer would have said, “We do not know what is going on, but if we get hit with a whack, which just sometimes happens, we have to have cash to back us up to have a stimulus, particularly in capital.” We got hit. We lost our revenue. Rudd borrowed almost like a drunkard—as he had to, to some extent.

Mr F.M. Logan: And gave a significant portion to WA. Are you suggesting he should not have done that?

Dr M.D. NAHAN: Members should listen. Parts of it, I thought, were a complete waste, but some of it was quite good. He went too far, but the stimulus money he gave to the state led to our growth in revenue. Take that out and we had a large collapse in revenue flow. Second, it also forced us to borrow. A major source of borrowing and the major reason our borrowings went up was that we had to match Rudd, and we should have matched Rudd.

Mr F.M. Logan: He did not force you to do that. You did not have to take it. Do not say you were forced. You took the money.

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Dr M.D. NAHAN: No; we took it willingly, as we should have. It is a matching grant. What happened? We came through that year with a slight surplus. That is pretty good. We came through the GFC with large commitments extending.

Mr P. Papalia: Are you talking about you now, not the state?

Dr M.D. NAHAN: The Barnett government.

Mr P. Papalia: It was false; it was not real.

Dr M.D. NAHAN: It came through with a surplus during the —

Mr P. Papalia: The budget was a fake document.

Dr M.D. NAHAN: The member for Warnbro might wish it to be, but it is not. It was audited according to established accounting process. We came through this with a surplus, whereas what was the budget outcome for our comparable state, Queensland? It was a complete blow-out; it was a \$1.5 billion deficit.

Several members interjected.

Dr M.D. NAHAN: The basic indicators were the collapse of revenue and increase in spending, but we came through with a surplus, and with Rudd's help. We spent huge amounts on capital for things like housing, particularly social housing

Mr P. Papalia: The federal government spent huge amounts.

Dr M.D. NAHAN: No, it was a matching grant. We spent a lot. The state government matched the money from the commonwealth.

Mr P. Papalia interjected.

Dr M.D. NAHAN: No, we matched it. With schools, the federal government committed to a lot and we matched it in part. It was \$150 million.

Several members interjected.

Dr M.D. NAHAN: Yes, we did! Members opposite might not like it, but that is the truth.

Several members interjected.

Dr M.D. NAHAN: Going forward, there has been a huge challenge, which the previous Treasurer has mentioned. The previous Treasurer mentioned repeatedly that we had a real challenge, which is that we inherited a public service that had lost control over wages and expenditure controls. Expenditure in the previous government was running out of control.

Mr P. Papalia: And you constrained expenditure? Have you constrained expenditure in the public sector? Is that what you have done?

Dr M.D. NAHAN: We have in this budget, and the member will see that we had very rapid growth because of our various commitments—royalties for regions and commitments to teachers.

Mr B.S. Wyatt: It has been going for 18 months now.

Dr M.D. NAHAN: Yes. Those are big lump sum expenditures—and to the police. And members opposite can judge us on that, but the clear indication from the monthly statements is that we are finally getting expenditure under control. We have done it, not during periods where we had \$2.5 billion surpluses but during tough times—during difficult times. Members opposite might laugh. That is why they are on the other side of the house. If members opposite think it is easy to control expenditure during the worst fiscal crisis in the state's history and still maintain a budget surplus, they should not be where they are. There are a couple of other issues. One is the utilities—electricity. The former government stated in its budget that it had a pile of liabilities on electricity that it was going to meet. But what members opposite are really saying —

Mr P. Papalia interjected.

The DEPUTY SPEAKER: Member for Warnbro, this is becoming a two-way argument across the chamber. Please let the member for Riverton continue.

Mr P. Papalia interjected.

The DEPUTY SPEAKER: Member for Warnbro, I call you for the first time.

Dr M.D. NAHAN: The real choice, if we were to continue with Labor's policy of just funding electricity with taxation, would be to borrow it. Our taxation revenue dropped, as did our royalty revenue and the only way we

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could have funded it on the never-never was in fact through borrowing. I think I heard the member for Victoria Park railing against debt. What we did was take the honest and appropriate policy of saying that we are not going to continue the subsidy. At that time, if members remember, the world was going to adopt a carbon price and we were going to have an emissions trading scheme that was supposed to be pricing carbon energy properly. And here we were subsidising energy! Madness! What we did was more rapidly increase the price of energy to the market price. It should have been done a long time ago.

Mr E.S. Ripper: Do you know what upsets me? Before the election, you campaigned against those increases. You ran radio advertisements during the election campaign against electricity price increases.

Dr M.D. NAHAN: If the opposition is worried about charges to households and taxes—I heard the member for Victoria Park rail against high taxes—it is really saying that we should fund subsidised electricity by hitting payroll tax and tax on jobs.

Mr R.H. Cook: What did you tell the people of Riverton before the election?

Dr M.D. NAHAN: I told them the truth.

Mr R.H. Cook: Did you say that you would increase their electricity charges?

Dr M.D. NAHAN: I told them that —

Mr R.H. Cook: Did you say that at any stage during the campaign?

Several members interjected.

The DEPUTY SPEAKER: Members!

Dr M.D. NAHAN: The opposition does not want to hear an answer.

I had the privilege of writing newspaper articles and I wrote extensively on this issue. I stated quite honestly—many people of Riverton read it—that there was a huge liability out there that the former government was going to put on the never-never and put on taxes to try to hide it from people.

Several members interjected.

The DEPUTY SPEAKER: Order, members!

Dr M.D. NAHAN: They could find it if they read the budget papers!

Mr F.M. Logan: Oh, rubbish!

Mr E.S. Ripper: We put it in press releases!

Dr M.D. NAHAN: Most people had no idea that they would have to pay for it through higher electricity fees eventually; that is the truth!

[Member's time extended.]

Several members interjected.

Point of Order

Mr C.J. BARNETT: Just for clarification, the member for Riverton is our lead speaker.

Debate Resumed

The DEPUTY SPEAKER: Member for Riverton, continue.

Mr E.S. Ripper: Not the Treasurer?

Mr C.J. Barnett: No.

Mr P. Papalia: He's afraid to speak!

Mr C.J. Barnett: He's got an hour.

Dr M.D. NAHAN: We have made electricity charges transparent. We have paid for it directly and we have told people what the electricity prices are, and we have overcome the failure of the previous government to be honest.

Point of Order

Mr J.C. KOBELKE: The Premier has indicated that the member on his feet is the lead speaker, and we have accepted that, but the clock has been set and I do not think that time is correct. He should have had 60 minutes and he has already spoken for 20 minutes. He was given 20 minutes and he had spoken for nearly the whole of

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the 20 minutes, and if that is taken off the 60 minutes, there should not be 47 minutes on the clock, I put it to you, Mr Deputy Speaker.

Ms M.M. Quirk: It should be 43 minutes.

The DEPUTY SPEAKER: That is correct, member for Girrawheen. The clock now reflects 43 minutes and the member for Riverton has the call.

Debate Resumed

Dr M.D. NAHAN: If I referred back to the previous government's last budget, I could name some of the charges that it handed down. Its forecast for the water rate increase was slightly over nine per cent, which is about same as we have imposed. The member for Victoria Park said, quite rightly, that for many of these charges such as electricity, water and others, we are moving towards a bipartisan effort to give signals of scarcity value.

Mr P. Papalia interjected.

The DEPUTY SPEAKER: Order, member for Warnbro!

Dr M.D. NAHAN: I refer to a bipartisan effort to tell people what the real cost of resources such as coal, gas and water are, and to have the prices reflect the costs. There must be an effort to ensure that they are produced cheaply. When the previous government committed to two desalination projects, the price of water was necessarily going to rise because of the cost of processing of energy. Yes, during the last year or so we have had a move towards real pricing of electricity and real pricing of water, both out of policy and necessity, which, of course, should have happened before.

Several members interjected.

Dr M.D. NAHAN: I turn to the major issue of royalties. This state is wealthy and vibrant and has the highest prospects for growth of any region or state or territory in the nation by reason of our mining, oil and gas sectors. That has not just come about like manna from heaven. It has been an effort by the private sector, by individuals and by the state going back decades. If members compare Western Australia, and Australia as a whole, with most resource-rich places around the world, most of them are basket cases to some extent—namely, Indonesia, Angola, Nigeria and Russia. Western Australia is one of the few places that is not only not a basket case but it is a vibrant, growing nation and area based on resources.

Mr F.M. Logan: That's the state, not the government.

Dr M.D. NAHAN: That is because there has been a long effort at the state and national level to understand the importance of mining and to ensure that our property rights regime and our taxes are open and we avoid unnecessary precipitous changes and imposts on the mining sector. The Burke government looked at this in the 1980s because at that time it was Labor policy to impose a resource rent tax on the mining sector. They spent a year looking at it and hired a Canadian economist, Craig Emerson, who is now, I think, the small business minister who was working for Peter Walsh at the time, and he had written his thesis on it. The whole model was written up by Labor's favourite economist, Garnaut, and it was pushed. But when the government of the time looked at it, knowing the importance of the sector, it decided not to impose it. It put a tax on the Barrow Island project, on which, again, I was the bureaucrat in charge of negotiating, but that had a special arrangement—that is, that it was a declining field. Then they put a tax on at a national level, only on offshore oil. But the offshore oil tax was put on for a good reason. When they put that on offshore oil, there were certain special cases. Australia was the first to move from a system whereby petrol prices were controlled to world parity prices. If they had not moved to world parity prices, there would have been a huge increase in wealth to that sector.

Nevertheless, we now have a huge threat from Prime Minister Kevin Rudd to the basis of the viability of not only the state's revenue but also the vibrancy of the state like never before. It is not just the taking of revenue; it is worse. It is, all of sudden, coming out of the blue and hitting the resources sector—500-odd companies—with a 40 per cent super tax on top of income tax and all other charges. We have never experienced such a destructive proposal. If that tax comes through not only will our future budgets be wrecked, but so will the vibrancy of this state. The only reason that it has not come through is because the Premier stood up and said no. When members opposite were asked today whether they supported it, they did not want to say yes. They were trying to qualify it, particularly the member for Armadale who must be really loving this.

Mr F.M. Logan: Her answer was exactly the same as the Premier's was on radio—exactly the same!

Dr M.D. NAHAN: Members opposite must get a few things straight. Firstly, Rudd is not proposing a royalty. The commonwealth cannot levy a royalty. It is a discriminatory super tax on the vibrant sector of the state. It is a super tax on Western Australia. It is not a royalty; the commonwealth cannot levy royalties. There was a legitimate discussion about changing royalty rates, and it was reasoned and justifiable to have a debate about the

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royalty rate. As I understand it, the Premier said that we would not increase the royalty rates. We thought about it, we looked at it and we said no, except for the special tax rates on fines and iron ore. We looked at it, thought about it and said no. It was legitimate to look at that. Look at what Queensland and South Australia did. Under Rudd's regime, there would almost be an incentive to increase the royalty rates like South Australia did because the royalties get reimbursed under Rudd's proposal. South Australia said that it would get in before Rudd and it increased the royalty rates. We did not do that.

Mr F.M. Logan: You should have.

Dr M.D. NAHAN: The member for Cockburn actually stated that we should have raised the royalty rates when we heard that the Rudd government was proposing to implement a discriminatory super tax on Western Australia. The member for Cockburn suggested that we should have increased our royalty rates before the tax came to light.

Mr F.M. Logan: Don't you think we should have increased our royalty rates?

Dr M.D. NAHAN: No.

Mr F.M. Logan: Why?

Dr M.D. NAHAN: Because I do not believe that Rudd's super tax will become law.

Mr F.M. Logan: Don't you think that we should increase royalties?

Dr M.D. NAHAN: No.

Mr F.M. Logan: It is good to have that on the record. Leave it just like that.

Dr M.D. NAHAN: I think that we should increase it for fines.

Several members interjected.

The DEPUTY SPEAKER: Order, members!

Dr M.D. NAHAN: The Premier said that we should look at the issue.

Mr F.M. Logan: Don't you agree that we should increase the royalty rates?

Dr M.D. NAHAN: We should increase the royalty rates on fines for BHP Billiton and Rio Tinto.

Mr F.M. Logan: You never said that. Don't qualify it now.

Dr M.D. NAHAN: We should increase the royalty rates for fines and iron ore.

Mr R.H. Cook: That is not what you said.

Dr M.D. NAHAN: I did.

Mr R.H. Cook: You said that they should not be increased.

Dr M.D. NAHAN: No.

Several members interjected.

The DEPUTY SPEAKER: Order, members!

Dr M.D. NAHAN: The Premier and the government looked at the issue of royalties and decided to not increase them. The South Australian government, which saw that Rudd was going to try to rip off South Australia by imposing a discriminatory super tax on its mining sector, got greedy and pre-emptively increased the royalty rates even before the super tax has become a reality. We have not done that, and nor should we.

Mr E.S. Ripper: That comment will come back to haunt you.

Dr M.D. NAHAN: That is the difference between the Liberal-National government and the Labor Party. There is a principle at stake. The opposition would have just said, "Money!" It is like the 30 per cent of goods and services tax for health. Rudd put a bucket of money in front of the Labor governments and they came running. They were climbing over themselves. They were full of rhetoric, but they went for it because it was easy.

Mr E.S. Ripper: Our Premier said that we would pay an equivalent amount into the hospital pool. In other words, he accepted that the GST would be a tied grant.

Dr M.D. NAHAN: No. He stated that we would put into the pool for hospitals an equivalent amount. The principle was that we would not give up the GST and allow Rudd to rip up the GST agreement.

Mr E.S. Ripper: That is an acceptance that the GST, rather than being a general credit, would be a tied grant.

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Dr M.D. NAHAN: The GST would flow into the state's coffers and an agreed sum equivalent to the GST that we pay—which I understand is more for health than the 30 per cent GST—would be put into the pool to fund hospitals. That is what Brumby had proposed too, but he walked away from it. The principle was to preserve the financial foundations of the state. Members opposite know that for the past 70 years there has been a steady encroachment on the fiscal viability and independence of the states.

Mr E.S. Ripper: I am concerned about that.

Dr M.D. NAHAN: The Leader of the Opposition should be concerned. We have reached the point at which we are under threat. If we had lost 30 per cent of the GST and set a precedent for the federal government to do it again, we might as well have turned off the lights here because we would be a local government. Ken Henry proposed, and assumed without discussion, as I understand it, that the states would give up their royalties. Victoria and Tasmania do not care because they do not get any royalties, and Queensland is in debt, besides which it is a Labor government. If we had lost \$2.5 billion or more in royalty revenues on top of the 30 per cent GST, we would be unviable. We would not be able to run most of our activities. The real question would then be whether the state was a useful entity anymore given that its financial independence would be the equivalent of a medium-sized city council. That is what is at threat. Many people in the Labor Party have grown up with the view that the states are not necessary.

Mr E.S. Ripper: Not in the Western Australian Labor Party.

Dr M.D. NAHAN: I am talking about Labor generally. Many people in the Labor Party, particularly in the eastern states, which is fair enough, are of the view that the states are no longer an essential element of democracy and that we can do without them. They believe that we should change from having a centralised government to having a bunch of local governments. That is what will happen if we do not stand up for certain principles. Those principles are that our resource base, which is based on the GST, and our royalty revenues should remain with us. This is serious. These things often go in cycles. When I look at our fiscal issue and relative performance, the question that comes to my mind is: what would the Labor Party have done if it were in government now, God help us? It would have caved in on the 30 per cent of GST for health and on the royalty revenue, just like its mates in the other states did.

Mr E.S. Ripper: Is this all over or are you going to eventually reach a deal with the federal government?

Mr C.J. Barnett: On which part?

Mr E.S. Ripper: On health. Will it stay like it is or will you reach some sort of agreement?

Mr C.J. Barnett: We will not reach an agreement on the GST.

Mr E.S. Ripper: But are you expecting an agreement of some sort?

Mr C.J. Barnett: On health, but not on the GST.

The DEPUTY SPEAKER: Order, members!

Dr M.D. NAHAN: As the Leader of the Opposition has stated, and as we all know, there is a long-term issue; that is, we need to renegotiate and get a different arrangement regarding the GST allocation by the Commonwealth Grants Commission. As I understand it, that arrangement might change because of the decline in the royalty revenues and the decline in the mining sector —

Mr E.S. Ripper: Once they get us to zero, there will be nothing more to take.

Dr M.D. NAHAN: As I understand it, we are on a trajectory to get back through the GST just 55 per cent or so of our GST revenue for each dollar that we pay. If that is the case, we need to show some leadership and change that. In the first term of the Gallop government, the then Treasurer worked with the Victorian and New South Wales governments in an effort to renegotiate that agreement, but when the Commonwealth Grants Commission process changed, the Treasurer went a bit quiet because the government got more money, if I remember correctly. I might be wrong, but that was my interpretation.

Mr E.S. Ripper: There were a couple of consolation prizes available.

Dr M.D. NAHAN: But they were short term. Getting back to the budget, this government has faced major fundamental changes, one of which was the global financial crises. Let us not underestimate that. Rudd helped us through it—there is no doubt about that. However, Rudd's help led to rises in revenue because the payments came, but this government has faced the largest drop in its own source of revenue in decades.

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Rather miraculously, we came through that with a budget surplus. What really counts here is that the objective of the previous budget was to use the budget sector to cushion the effect of the global financial crisis to a limited extent—we cannot do much—by focusing on spending capital to keep people in jobs and to keep businesses going and business confidence up. Surveys done by the Chamber of Commerce and Industry and other groups show that Western Australia did that better than any other state. Levels of business confidence and levels of investment in Western Australia are near the top. That is the bottom line.

Mr F.M. Logan: But unemployment has increased.

Dr M.D. NAHAN: Unemployment is low. It is a difficult one. Even though we did not get hit as badly as others, the member for Cockburn should know that, particularly in his own sector—the metal bashers' sector—many people got hit. When the GFC hit, the member for Cockburn's sector was really hit.

Mr F.M. Logan: Unemployment in the southern suburbs has doubled since November.

Dr M.D. NAHAN: I know. On aggregate, the GFC was not as bad as we expected. But certain sectors in Western Australia, particularly the metal fabricators, were hit big time. All of a sudden, I think around December 2008, many fabrication shops lost all their forward jobs and construction people were laid off. Looking back, we can easily forget about that. It was a supportive budget, in a minor way, by spending on capital works and by giving a positive outlook to the mining sector. Another sector that was hit badly was exploration, but the federal government provided stimulus assistance for exploration. It was spot on. That is what governments do. Bookings for drilling rigs went from being overbooked to being underbooked. That is what has come through and the bottom line is: yes, our debt has gone up, but what has it been spent on? Capital. Was the capital spending worthwhile? Yes; it was spent on schools and houses. Did it stimulate the economy and keep it growing? Yes, it did.

When we looked at the major threats to the economy, we would have hoped that the economy would pick up with the amount of stamp duty, payroll tax, GST and mining royalties coming in. We could have been doing what the previous government was able to do. Royalty revenues would have flowed in and we could have started paying off debt, put more capital works in certain places and done other things. We could have improved the state's fiscal position, although that would depend very much on the mineral sector. We could have looked forward to large increases in royalty revenue despite the dollar being high. The expectation is for a 90 to 100 per cent increase in iron ore royalties. We should be able to look to the forward estimates and expect things to improve. However, the biggest threat to that is not the collapse in China or problems in Portugal; the real threat to that is Rudd. It is a real and phenomenal threat, probably even worse than the GFC. More importantly, it is completely and utterly unnecessary. That is our challenge going forward.

Our debt is high. Over the decades I have participated in the large level of debate about debt. Debt is not the highest by share of GST, but in the 1990s when it was higher, the real problem was that a good deal of it was spent on recurrent revenue. This was not the case this time. All the debt has been incurred through capital expenditure, properly so, and properly accounted for. That puts us in good stead. One of our greatest challenges is that, as the previous Treasurer stated repeatedly in this house, after four or five years of huge growth, the public sector got used to large pay packets. To some extent, that was necessary because it had to compete with the booming mining sector. There has been growth in wages and growth in numbers and, I believe from the evidence, lack of drive for efficiency. During opulent times when money flows in, almost without asking for it, even if the Treasurer is trying to protect the keys to the vault, it is hard to hold back and say no, especially if departments blow the budget and incur large losses and get more money.

One of the biggest challenges that the previous Treasurer had—I think it will be his legacy—and on which he worked diligently during very difficult times was the implementation of stringencies and reforms in the public sector. He did that at the same time that large pay increases were being given to teachers, which was appropriate, and to the police and others. He did that when there was not very much money to go around for other purposes and when we were trying to focus on not so much stimulating the economy by spending more in the public sector but, indeed, capital expenditure. I trust we will see the signs of this in the next budget. As the member for Victoria Park said, expenditure has been high; we have had a big level of expenditure to swallow. Some of the expenditure the member for Victoria Park said was due to this government was actually commonwealth money coming through. If we strip out the commonwealth money during 2008–09, expenditure growth in Western Australia was only about 6.1 per cent—on par with the level of expenditure growth of the last budget brought down by the Labor government. That was despite swallowing the need for a large amount of additional expenditure. In his own way, the previous Treasurer worked diligently, sometimes behind the scenes and some times openly, expressing to anyone who would listen the need to drive reform and modernisation of the public sector. That initiative will emerge as his legacy. If we look around, one of the biggest residual reforms needed in

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the public sector is not cuts, but efficiency, and that is what the previous Treasurer started to consider. It is easy in this house to flail away at people using easy figures. The former Labor Treasurer will know how difficult it is.

Mr P. Papalia: He was good at it.

Dr M.D. NAHAN: Yes, but in the end he failed. He had a large amount of money. He saved a bit and brought down debt, but, in the end, his colleagues let him down. They allowed the health budget and the arena and other capital works budgets to blow out. That is what happened.

Mr P. Papalia: He doubled the metropolitan rail system in one day.

Dr M.D. NAHAN: He doubled the metropolitan rail system in one day?

Mr P. Papalia: The metropolitan rail system doubled in one day.

Dr M.D. NAHAN: That was when it opened, but how many days did it take to build? I can double anything if I open one building at a time. That is a ridiculous thing to say. The previous Treasurer made a huge contribution in his management, and I trust he will again some time in the future. The budget the now Treasurer will bring down will show clear signs of the member for Vasse's efforts. Again, before I get to him, I would like to reiterate that the real threats of the global financial crisis have not quite subsided yet. There are still warnings out there.

Mr P. Papalia: You're going to use that for a while!

Dr M.D. NAHAN: If the member looks at the markets, we could easily get another drop. Members might not know it but the threats are serious out there. If we get hit again, particularly with the hits to the royalty sector, that is significant. I am confident that the budget will show that we have come through the GFC. We have warded off the Rudd attacks for now, but the threats still remain and we will come through this period in extremely good shape. Labor likes to brag about how large their budget surpluses were —

Mr E.S. Ripper: No; we do not like to brag about that.

Dr M.D. NAHAN: It is true. But it was easy—you brought down the budget and royalty revenues flew up and GST increased. Conveyancing revenue poured in.

Mr E.S. Ripper: No budget is ever easy.

Dr M.D. NAHAN: It just poured in. Members opposite didn't know what to do with it.

Mr P. Papalia: That is something you've never done.

Dr M.D. NAHAN: No. I've never been a Treasurer; that's true. I have watched but I've never been a Treasurer.

Mr P. Papalia: I don't think you're going to be one. I'd like to see you as one.

Dr M.D. NAHAN: So would I!

Several members interjected.

Dr M.D. NAHAN: The Premier is not here yet!

It is easy. Members opposite know it is. What counts is how one performs during the difficult times. That is what counts.

Mr E.S. Ripper: Do you think it was always easy? Do you remember 2001? It wasn't easy in 2001.

Dr M.D. NAHAN: No; I remember 2001 very well. The economy was in recession. That is debateable. Revenue was very slow.

Mr P. Papalia: So the Liberal Party put it in recession?

Dr M.D. NAHAN: No, we didn't put it in recession.

Several members interjected.

Dr M.D. NAHAN: I did not say Labor created the GFC. In 2001, as the former Treasurer knows, the bottom fell out of the commodity markets. Oil was \$13 a barrel. The Labor government came in on a commitment to try to rein in the budget deficit. It did that by various means including raising taxes, if I remember correctly. It also proposed a very high super tax on housing, which it abandoned. I think the same thing was proposed in New South Wales. It was a good thing that it did not do that.

Mr E.S. Ripper: It was implemented in New South Wales. It did not fly in WA.

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Dr M.D. NAHAN: They put it on in New South Wales but they took it off in a year. When Labor came in, it inherited a budget deficit. It decreased the deficit largely by increasing taxes. Over time, it put some efficiency drives in —

Ms R. Saffioti: As opposed to what you guys are doing.

Dr M.D. NAHAN: No. We did not raise taxes anywhere near like members opposite did.

Several members interjected.

Dr M.D. NAHAN: We postponed some. We had some tax cuts but nothing like Labor did in 2001. It is a simple fact. The former Treasurer raised it—that is a simple fact. Labor philosophy is not low tax.

Mr B.S. Wyatt: Neither is the member for Cottesloe's.

Dr M.D. NAHAN: Let us see.

When the Labor Party inherited power in 2001, WA was the lowest taxed state in the country, except for Queensland. Labor came in in 2001, during difficult times, and solved that problem to some extent by taxation.

Several members interjected.

Dr M.D. NAHAN: The electorates of Western Australia, like most electorates in Australia, are very adroit. Electors look at relative Labor, Liberals and Nationals—usually a combination in Western Australia—and ask: for the times, who was best? They looked at us in 2008, and members opposite, and they said “time for a change”.

Several members interjected.

Dr M.D. NAHAN: The electors said it was time for a change. One reason—the Labor government received huge revenue inflows, a \$2.5 billion surplus, and did not do enough with it. That little advertisement we put out, we remember that quite clearly: Name three things that Labor did. When it was opened up, it was empty! Not only did people read it, they thought it was hilarious. They also knew that there was a large amount of excessive expenditure on things like arenas. The previous Labor government did not do anything. It is not because it did not promise things—Carp's the builder was out spruiking everything—but it did not deliver.

Mr P. Papalia: Those two desalination plants you talked about earlier didn't get done.

Dr M.D. NAHAN: One has not been built yet.

Several members interjected.

Dr M.D. NAHAN: The railway was actually committed to by the previous government. Members opposite did something in eight years—I hope so.

Mr P. Papalia: You just said we didn't do anything!

Dr M.D. NAHAN: No; that your government did not do enough.

Several members interjected.

Dr M.D. NAHAN: I kind of like members opposite not agreeing with me. I like them not recognising why they are over there! If they do not recognise why they lost, that keeps us here. In order to overcome failure, they have got to recognise why they got there.

Ms R. Saffioti: This is better comedy than *Seinfeld*!

Dr M.D. NAHAN: You had a chance-in-a-century and you blew it.

Mr M.P. Murray: Oh, for goodness sake. Make him a minister—please!

Dr M.D. NAHAN: We will not do that. When this government came into power, we thought we were going to have the wealth but it collapsed. We have done a remarkable job.

Mr A.P. O'Gorman: Can you do this?

Dr M.D. NAHAN: Is that the member's party trick?

Mr A.P. O'Gorman: That is you patting your own back! What a load of rubbish.

Dr M.D. NAHAN: If the member does not believe it, do not believe it. I like it. If members do not know why they are over there, that is all the more for us. It is a simple fact. Why is the business sector so positive after getting hit by the global financial crisis in Western Australia? It is quiet! The reason is that the state in part has been well managed. We have not panicked, like Queensland did, spending on everything and blowing the

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budget. They privatised Queensland Rail. They went out in desperate times and privatised monopolies. We have not privatised anything.

Several members interjected.

Dr M.D. NAHAN: Public-private partnerships are a Labor Party invention. They are so far out that they are still in the socialist era. We have gone out slowly and steadily and managed through the GFC. We saw the real threats of loss of about 30 per cent of our GST and royalties. We said no.

Mr B.S. Wyatt: What did you say?

Dr M.D. NAHAN: We said no to the loss of the GST. The mob opposite would have said, "Take it. Come in and take! Gimme \$100 million, gimme \$1 billion, you can take it." They would have said, "Take the GST. We don't need it." They would have said to Rudd, "Take the hospitals. We're not competent." That is what they would have done.

Mr P. Papalia: You are telling us what we would have said. We know what your Premier said! He signed up to the GST agreement.

Dr M.D. NAHAN: No, he did not. The Court government did.

Mr E.S. Ripper: Richard did.

Several members interjected.

Dr M.D. NAHAN: The issue is not the GST. The issue is: do you allow Rudd to unilaterally rip up the GST agreement? That is the issue. We said no. All other Labor Premiers and Chief Ministers said, "Yes; come take it. We don't want it. We're incompetent. We don't want the hospitals. We're incompetent. Take it." The Premier is the only person who stood up and said no. I did not hear the Leader of the Opposition —

Mr P. Papalia: What did he say no to?

Dr M.D. NAHAN: He said no to Rudd taking 30 per cent of the GST.

Mr P. Papalia: For what?

Dr M.D. NAHAN: For hospitals.

Mr P. Papalia: What did he say earlier on tonight?

Dr M.D. NAHAN: He said no to the 30 per cent take.

Mr P. Papalia: He said it's not over yet and he is going to make an agreement.

Dr M.D. NAHAN: I think that the member has been under water too long. He has a real hearing problem! Maybe there is some disconnect.

Mr B.S. Wyatt: That is the former Treasurer!

Dr M.D. NAHAN: He said that there would be, hopefully, a deal on hospitals but he said no to the goods and services tax take. That is the issue. There was a big bucket of money offered and the Premier said no; whereas all the other Labor people ran for the money. They will rue the day they ever did it. The biggest threat, of course, is our royalty rates. Those guys opposite have to make up their mind, especially the member for Armadale.

Mr P. Papalia: You are in government; you have to make up your mind.

Dr M.D. NAHAN: No. The people of Western Australia will hold Labor members accountable for their stance on Rudd's big super profits tax.

Mr P. Papalia: They'll hold the government accountable.

Dr M.D. NAHAN: We say no. What do members opposite say?

Mr E.S. Ripper: That's because you want to grab the money yourselves!

Dr M.D. NAHAN: No. We are not going to impose a 40 per cent super royalty on the mining sector; do not be absurd.

Mr D.A. Templeman interjected.

Mr C.J. Barnett: You would have caved in if you lived in Tasmania.

Dr M.D. NAHAN: Yes, they would have; they would have just given it away. Of course Tasmania has very little royalty revenue. We have \$2.5 billion, and the future of the state is dependent upon it.

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Mr P. Papalia interjected.

Dr M.D. NAHAN: The member for Warnbro was babbling the other day when he asked the Premier: do you want the \$5 billion in infrastructure expenditure that Rudd has offered?

Mr P. Papalia: No, I didn't.

Dr M.D. NAHAN: The member for Warnbro did. It is actually \$700 million.

Mr P. Papalia: That must be the other member for Warnbro, because it's not in *Hansard*. It must be some other member for Warnbro.

Dr M.D. NAHAN: It is \$700 million; and yes, he is offering baubles.

Mr P. Papalia: Don't put words in my mouth. You know I didn't say that.

Dr M.D. NAHAN: He is offering little inducements to give away Western Australia's future.

Mr P. Papalia: Can you point to where in *Hansard* I said that?

Dr M.D. NAHAN: I will look for it. The member for Warnbro clearly asked the Premier: do you want part of the infrastructure handout? And it is \$700 million. By asking that of the Premier, the member for Warnbro was stating essentially that he would have accepted the super tax. Would the member for Warnbro have accepted it? He is going to have to answer this.

Mr P. Papalia: Don't say what we would have done.

Dr M.D. NAHAN: Answer—would the member for Warnbro have accepted it?

Mr P. Papalia: The Premier signed up to this current GST rate.

Dr M.D. NAHAN: No; would the member for Warnbro have accepted it? Does the member for Warnbro accept Rudd's tax grab?

Several members interjected.

Dr M.D. NAHAN: There is quiet! Does the member for Warnbro accept it? For the first time in the past 56 minutes there is quiet when I asked him, yes or no, whether he agrees to Rudd's super tax. If he does, he should be quiet about the budget, because Rudd's super tax guts it.

Mr M.P. Murray: Could we have an extension, please!

Dr M.D. NAHAN: Ha, ha! If we accept the super tax, how are we going to make forward estimates when the tax is supposed to come in 2012? There are going to be huge impacts on royalty revenue going forward.

Several members interjected.

Mr P. Papalia: Do you have ambitions for federal government or something?

Dr M.D. NAHAN: No. I am talking about Western Australia. There is an issue of interaction between governments.

Mr P. Papalia: Talk about the household costs in Western Australia and what you have done to them.

Dr M.D. NAHAN: I know this is a bit complex for the member for Warnbro. I will speak slowly!

Mr P. Papalia: Talk about what you've done to the budgets of Western Australians.

The ACTING SPEAKER (Mrs L.M. Harvey): Member for Warnbro!

Dr M.D. NAHAN: Rudd has proposed to take away from Western Australia \$2.5 billion in revenue.

Several members interjected.

Dr M.D. NAHAN: Rudd is proposing to impose a huge tax on our major economy, our major businesses. Is the member for Warnbro not worried about that?

Mr P. Papalia: Were you envious because you weren't at the dinner with the Premier and his good friend? Is that what this is all about?

Mr D.A. Templeman interjected.

Dr M.D. NAHAN: I was. The member for Mandurah and I did a little act together, a vaudevillian act!

Several members interjected.

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Dr M.D. NAHAN: A good question. In the end we stood up to the major threats.

Mr P. Papalia: What major threats? Were you at the Alamo or something?

Dr M.D. NAHAN: Does the member for Warnbro not think that a 30 per cent loss of GST revenue is a threat to this state?

Mr P. Papalia: You were saved by the federal government.

Dr M.D. NAHAN: Does the member for Warnbro think that a 30 per cent loss of GST revenue is a threat?

Mr P. Papalia: Of course it is.

Dr M.D. NAHAN: Of course; okay. That is what the Premier stood up to.

Mr P. Papalia: What did we do in government? You haven't done any more than we did. You complained about it too.

Mr D.A. Templeman: You owe me 59 minutes of my life! I can't believe you have done that.

Dr M.D. NAHAN: The member for Mandurah could leave the chamber.

Several members interjected.

Dr M.D. NAHAN: In a couple of weeks I am sure the member for Warnbro will find something to babble on about, but in reality he will look at that and say —

Mr P. Papalia: Fifty-nine minutes; I can't believe it!

Dr M.D. NAHAN: He will say, "Oh my God, they did it, they pulled us through the global financial crisis. They have started controlling expenditure. They have stimulated the economy. Debt is up but it was spent for good purposes and they made the budget more honest and transparent, particularly with electricity charges and it sets us up well for another term and most importantly we stood up to Rudd."

MR J.C. KOBELKE (Balcatta) [6.15 pm]: I am going to do something quite extraordinary and actually speak to the motion before the house. We have wasted an hour of our lives on listening to ramblings that were totally irrelevant to the motion. The motion states —

That the house demands that the Premier —

- (a) limit further increases in household fees and charges after the record increases contained in the 2009–10 budget;
- (b) ensure that the 2010–11 budget is an honest reflection of the state's finances; and
- (c) ensure that the forward estimates contain all of the projects announced by the Liberal–National government.

What we have seen is a Premier who cannot live up to that honesty and therefore is too ashamed to rise and speak to the debate. He was offered the opportunity but, instead, he preferred to let the member for Riverton waste an hour of our time rambling on about issues that are largely irrelevant to the motion before the house. Members on this side of the house were quite happy to let the member for Riverton go on, as it showed how bankrupt this government is. We have a member for Riverton who is really quite hopeless, yet aspires to be Treasurer. We had a Treasurer—who has just lost the position—whom the Premier claimed was the greatest Treasurer in the world, yet there is no evidence to support the claim whatsoever. We know that the member for Vasse can be a charming character. We know that he can be good company because he is good at telling jokes. We know that he is intellectual. But we know that he cannot answer simple questions on the budget, cannot control expenditure and cannot control the state's debt, yet this Premier throws him compliments such as "the world's greatest Treasurer". This really relates to the "honesty" in part (b) of the motion before the house and that what this government does in talking about finances bears no resemblance to reality. The reality of the member for Vasse is that he has done an appalling job as Treasurer, but the Premier says that he is the greatest. When it comes to the Premier himself, he will not actually stand and enter the debate about the dishonesty of the budget over which he has control. Now that he is Treasurer, will it get any better? We need only look to the events that have unfolded over the past week or so to know that.

When the Premier assumed the role of Treasurer last week, Robert Taylor asked him a question to the effect of whether it meant that the Premier as Treasurer would deliver a budget in deficit on recurrent expenditure, knowing that the Premier had said repeatedly that his government would not run a deficit budget. We see, therefore, how this Premier operates. He clearly has to say something that sounds plausible that will shift the

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agenda. But what did he say when he was asked this question by Robert Taylor, which I will take from the report that appeared in *The West Australian* on Friday, 30 April? He said —

Final estimates of revenues and the like will be at the last minute and will be included at the last minute in the Budget papers.

This Premier therefore thinks that he can get off the hook on the government's total lack of control of the budget and the potential for it to go into deficit—unless he is totally shonky in the way he presents it—by saying that he cannot answer the question because he does not know the final sign-off on the budget amounts. Now the difficulty with that answer, which was reported on 30 April, was that only a few days before that the previous Treasurer, the member for Vasse, had told this house that the budget cut-off date was 21 April. The previous Treasurer said that the cut-off date was 21 April and that at that time the government would know the parameters. It would then go to the printer to get the budget printed. That is not what the new Treasurer said, as reported on 30 April. He simply got out of answering the question by saying the cut-off date had not been finalised. He has either totally rearranged the budget process within a few hours of assuming the role of Treasurer or he is saying something that is not true. How are we to judge it? Do we have a Treasurer who cannot answer the question honestly or has he changed the budget process?

Yesterday the new Treasurer, the Premier, was asked a question in question time. My notes indicate that when the new Treasurer was asked about the budget cut-off date he said, "It is not a date." Perhaps he realised he said something wrong, because a few sentences later he said that there is a cut-off date. When I was a young lad my parents told me not to lie and that I must tell the truth. The rationale they gave me for that was that if I said things that were not true—that is, telling lies—I would trip myself up. I would be trying to explain something away and would then try to excuse something that I said that I knew was wrong to cover up what I had said. I tried to learn that lesson from my parents. It is a pity the Premier did not learn that lesson. What we had from the new Treasurer was a line to Robert Taylor about the budget cut-off date that is not true. Then, when he was asked a question in this place by the member for Victoria Park, he said that there is not a cut-off date, but then he said there is a cut-off date. I am talking about the new Treasurer of this state. Where is the honesty and integrity? It certainly is not showing through. He called the member for Vasse the best Treasurer in the world. What term will be attached to the new Treasurer when he cannot get the budget cut-off date right?

Further on in question time yesterday my notes indicate that the new Treasurer said —

Finalisation of both revenue and expenditure figures will continue until the moment that the documentation goes to printing. In practical terms, that means the end of this week.

We have a Treasurer who started with a story that is not true and now he has to create another story to cover his mistake. On the one hand, he says that there is not a cut-off date and it will be determined when the budget goes to the printer, and that will be this week, and, on the other hand, he says there is a cut-off date. This reflects that we do not have honesty when it comes to the budget. We no longer have the process that has been in place and followed by successive governments year after year whereby there must be a cut-off date. From the cut-off date the expenditure and revenue—surplus or deficit—is matched and members can see what will happen. That is not the line that the new Treasurer wants to use because it is inconvenient.

The result of this lack of honesty and not following proper procedures means that we have a budget that is out of control. Last year and this year there has been a cumulative growth in expenditure of between 21 per cent and 24 per cent.

The proposals put forward by the member for Riverton do not go to the issue. They were half-truths and did not deal with the issue; that is, that the deal that was done between the National Party and the Liberal Party to spend another \$3 billion over four years will lead to a huge blow-out in expenditure. That is what we are seeing.

Another issue that has arisen from trying to cover this up is that after the cut-off date, which the new Treasurer does not agree on, the Minister for Transport said the Northbridge Link has blown out by \$100 million. Therefore, expenditure of \$100 million is required to complete that project, which is one of the key projects the Premier wants to push. When asked today whether it will be in the budget, the now Treasurer ducked for cover and did not give an honest answer. He is playing with cut-off dates. He is making it up as he goes along. He wants to be able to say that some things were taken into account before the cut-off date. However, if he wants to change his mind, shift things around or pull a swiftie he will say that the cut-off date has not been determined. The issue is that this additional \$100 million, or whatever amount it will be, has to be found for the Northbridge Link and it will not appear in the budget because that decision will, supposedly, be made after the cut-off date. That illustrates the dishonesty that we are talking about in this motion.

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We do not have a transparent and proper set of accounts because this government wants to be loose with the truth and not run a proper set of accounts. It comes down to not only dishonesty but also that the people whom we represent—the mums, dads and families—are being socked by increased costs to meet the lack of control over expenditure by this government.

Mr R.F. Johnson: If you watched the news tonight you would have seen that they certainly do not like Kevin Rudd.

Mr J.C. KOBELKE: I take that interjection because it is claims of dishonesty by this government that members opposite cannot deal with. They keep talking about other things which to them are important. However, that does not reflect the motion before the house. The motion before the house is that we have a government that cannot present an honest set of books when it comes to the budget. That dishonesty is leading to the people we represent being hit with increased household charges, including increased electricity charges and increased water charges. The basket of goods has been kept from the Court government, through the Labor government to this government. All through the eight budgets of the Labor government the increase on household costs was measured by that representative basket. It was kept below the inflation rate. That meant that those costs on ordinary families were, in real terms, dropping. In one year this government has increased costs on ordinary families by 9.6 per cent, very close to 10 per cent, which is way above the inflation rate. In addition to that, it imposed a \$23 levy on municipal rubbish. It also increased the levy on central city parking. It is looking everywhere to find an additional impost to put on ordinary families.

My point is that it is taking this action because it does not approach the budget with clean hands and honesty to ensure that there is a transparent set of books and that the hard decisions on its priorities are made. A range of things are not budgeted for and that creeps up on them. They do not have control over costs and they will slap on small businesses and ordinary families additional taxes and charges. That is the reason that this motion needs to be supported. It calls this government to account and demands that it puts a limit on the record increases in fees and charges, it presents an honest set of books, it does not play around with cut-off dates, it does not hide amounts that need to be spent and that the forward estimates show the amounts it has committed for projects. It should not be making promises that it has no intention of delivering on. On that basis, I ask the house to support the motion.

MS R. SAFFIOTI (West Swan) [6.28 pm]: I rise to reinforce the comments made by the Leader of the Opposition, the member for Balcatta and the shadow Treasurer about the impact the last budget had on household budgets and to ask the government to take into consideration ordinary families in framing this year's budget. We have seen massive increases in household charges. We have seen increases in electricity over the past year. In April last year there was a 10 per cent increase in charges, a 15 per cent increase in July last year and a 7.5 per cent increase in April this year. The proposed increase in July this year is 10 per cent. It is a massive increase on the budget of the typical household. Families are being made to pay an additional \$500, on average, on their household bill in one year. Seventy-seven thousand Western Australians are now asking for assistance to pay their electricity bills. It is one of the key issues that people in my electorate come to see me about; that is, the increase in charges and their inability to manage their household bills. I know that a number of pressures are on families today, but the increase in household charges being undertaken by this state government is having a direct and severe impact on families in Western Australia. I urge the government in framing the 2010–11 budget to take into consideration how families are struggling. I urge the government to take pity on Western Australian families and to ensure that the massive increase in charges that we saw last year does not occur again this year, impacting on ordinary families.

I want to flick to a couple of comments made by the member for Riverton. I feel compelled to respond to —

Mr B.S. Wyatt: Really?

Ms R. SAFFIOTI: Yes, I feel compelled. I am not sure why, but I feel compelled to respond to a number of points that he raised. The first is about the goods and services tax agreement. The GST agreement was a bad agreement for Western Australia. It was a bad agreement in 1999 when it was signed by the then Court government. It was always going to be vulnerable to commonwealth takeover and commonwealth influence. It was not a state tax, as was being proclaimed by the Howard government at the time. Talk about running up and signing an agreement that was bad for Western Australia. That was a time when the state government ran up and signed that agreement in the lead-up to the federal election. As a result, we have an agreement that has always been vulnerable, and continues to be vulnerable, to the commonwealth whims of the day, and that has played out. At the time, the state opposition argued against the signing of that agreement, because Western Australia was going to be worse off. It was going to be worse off financially, and, again, there was movement of financial control from the state to the federal government. That was a point we raised time and again. The state government, in which the now Premier was a key minister, sat around the cabinet table and agreed to sign up to

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that agreement. What we are seeing now are the repercussions of following the federal government at the time and of the state government supporting the Howard government at all costs and signing an agreement that reduced the financial power of the state and made us vulnerable to a bigger share of its revenue being subject to the Commonwealth Grants Commission process.

Mr R.F. Johnson: Are you running down the Rudd government? Is that what you are doing? It sounds like it.

Ms R. SAFFIOTI: I am saying that the GST agreement was a bad agreement. It was always going to be vulnerable to the whims of the commonwealth government of the time. It was a point that we raised, and it is playing out.

Another point I make is about tough times; namely, inheriting an economic situation and going through a tough budget process. When the former Labor government inherited the economy and the set of books in 2001, the previous government had delivered five deficits in eight years, and also had delivered a recession in the state economy.

Mr C.J. Barnett: Did you work in Treasury? Did it actually pay you for your advice?

Ms R. SAFFIOTI: Yes, it did. Treasurer, I was not the one who made a \$300 million costing blow-out. I did not commit to a canal with no costs and no time frame. I am not the one running around the state making commitments with no idea of how much they will cost. So, please, do not accuse me of financial mismanagement.

In respect of difficult times, the then Treasurer and now Leader of the Opposition, and the then Premier, Dr Geoff Gallop, had to manage the finances through very tough times. There is a theory that there was a boom for eight years. The boom did not hit until 2004–05. The first three or four years were very tough.

Several members interjected.

Ms R. SAFFIOTI: There were tough times and some tough decisions were made. Now the state government is introducing massive increases in household charges, reaping hundreds of millions of dollars of extra revenue to the state government, and abolishing planned, proposed and budgeted tax cuts. Again, what is the difference? This government is hitting small businesses by abolishing proposed tax cuts. It is hitting households by removing the subsidy for electricity. I do not have the exact estimates, but it is worth hundreds of millions of dollars. Members of the government sit there and accuse us of increasing taxes through tough times, and then they say that they are handling the global financial crisis brilliantly. They are handling it by hitting households and hitting small business. That is what they are doing.

The other point I want to make is about the federal government. Over the past 18 months we have seen the Premier and government members come into this place and boast about the government's relationship with the Rudd government, and good on them. They have been boasting about the billions or hundreds of millions of dollars of revenue that they have received for key projects around the state. Let us go through them. There is Oakajee.

Mr C.J. BARNETT: We haven't got it yet. We haven't seen the payments yet.

Ms R. SAFFIOTI: So is it not coming? We have not seen the state government's money either. We have not seen any budgets for the waterfront.

Over the past 18 months we have seen ministers come into this place and claim credit for projects that have been jointly funded by the federal government. Even today the Minister for Agriculture and Food talked about a drought relief program—a joint partnership with the federal government, and a great initiative.

Mr D.T. Redman: Which we put our hand up for.

Ms R. SAFFIOTI: The federal government gave this government the money. Under the Howard government, we put our hand up all the time, and it gave us nothing. We had to beg for a bit of money for the Perth–Bunbury highway. We got nothing.

Mr D.T. Redman interjected.

Ms R. SAFFIOTI: Under the Howard government, we put our hand up and we got nothing. Let us go through some of the money that the federal government has been handing out to this state government. As I said, that is great; partnership is great. We have seen ministers coming into this place claiming responsibility for and being proud of the amount of money that the federal government is giving to the state. For Oakajee, there has been \$337 million. For the Northbridge Link, or the city link, or the hub, or whatever it is called—I think it has had four names—there has been about \$240 million. For the Swan District Hospital, there has been \$180 million. For the Fiona Stanley rehabilitation centre, there has been \$230 million. For the Ord, there has been \$180 million.

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We have seen the stimulus funding through housing grants and also through funding for schools, and the amount involved is about \$500 million.

Mr F.A. Alban: It is great negotiating, I reckon.

Ms R. SAFFIOTI: So the member is proud of the \$1.7 billion.

Mr F.A. Alban interjected.

Ms R. SAFFIOTI: We built a train line. I cannot wait to see the government's. We built a train line.

I have calculated a rough estimate, just sitting here, of nearly \$2 billion of funds that have come to the state government. The member says that it is good negotiating. What happened with the petroleum resource rent tax? Why is it that the government did not negotiate its way out of that? Is that bad negotiation now? Is that bad negotiation on the government's behalf? Two billion dollars worth of funding has come to the state government, and then the government talks about other issues impacting on Western Australia. The Rudd government has given this government far more than the Howard government ever gave us. We also suffered a significant decline in our share of GST revenue over that time, but we did not get any of these handouts or any of this funding for infrastructure. We did not get anything. We had to beg for AusLink money, and again we had to fight for the 50–50 partnership on every account.

I hope that this budget will see some restraint in respect of families. As I said, last year we saw increases in household charges. People on the other side can laugh and mock, but if they do not have a genuine concern about families managing their bills, they are not doing their job. I know that they have to be proud of their political party and play the political game, but they must have some genuine concern about the people in their electorates. Members must hear the real stories of people coming into their offices complaining that they cannot manage their weekly bills. Members know that thousands of people are having to renegotiate to try to manage their budgets and are contacting utilities daily. I urge this government to show restraint this year. We have already seen the course that has been set with electricity prices. I believe that the government could have spread the cost recovery plan over a much longer period. The government has ripped money out to help its bottom line, and it is as simple as that. I urge the government to care about how public transport and other household charges impact on ordinary families. It did not matter how tough the budget was; the previous Labor government managed to ensure that the increase in the cost of a basket of household goods was below the consumer price index. We did it for no other reason than we knew that household charges are a huge issue for people throughout the community. We are not talking about one sector of the community; we are talking about every household in every electorate in every region in Western Australia. It did not matter how tough the budget was, and they were tough in the first two or three years in particular, we managed to keep those increases below the CPI. I urge and beg the government to protect ordinary families when framing the next state budget.

I want to go onto the last issue, which is that this budget should be an accurate and true reflection of the commitments made by the government. I believe in budget honesty and integrity. Call me old-fashioned, but I believe that state budgets should reflect the decisions of the government of the day. The state budget is the one time that the government brings in its record and when the opposition has the time and the ability to ask questions through the estimates process. It is a fundamental principle in how we run government. Last year we saw budget papers that did not accurately reflect the state of the finances at the time. Decisions were made that were excluded. The most fundamental form of accountability in our state government is the production of budget papers that accurately reflect what is happening in the state at the time. It worries me when the government is cavalier in its approach to the state's finances, not merely for today, but for tomorrow and for 10 to 20 years hence. Net debt is out of control under this government. It has no plan to control net debt. As much as I love all the projects, and we all love them because we all love the photo opportunities, the massive posters and brochures —

Mr R.F. Johnson: We know; you used to issue thousands of them.

Ms R. SAFFIOTI: The Liberal Party came into this place week in and week out accusing us of being all spin and no substance. That is exactly what this government is doing. Within 18 months this government has basically committed to projects all around the state with no plan to pay for them. I would love a new waterfront development, but how much will it cost? Can we afford it? We do not know because —

Mr C.J. Barnett: You could not make a decision on it.

Mr F.A. Alban: You are a bit embarrassed because we are doing something.

Ms R. SAFFIOTI: No; I am embarrassed that the government is bankrupting the state and it seems not to care about it. I am embarrassed about that. I am embarrassed that this government does not seem to care. It is making announcements on projects week in and week out with no idea of how to pay for them. I am embarrassed that in

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10 years' time Western Australia will be struggling to get its own source of revenue to pay for the grandiose plans of this government. That is what I am embarrassed about. Basically, it will not be up to many current government members to fix it and find the best solution to this problem; it will be up to many others of us.

Mr C.J. Barnett: You have no vision of the big picture—a small thinker.

Ms R. SAFFIOTI: We could have vision but we have to be able to afford it. Small thinker! The canal was a vision, but there was no plan to pay for it and no cost worked out. This is exactly what the Premier is doing in government. I thought possibly that when he won government, the Premier might take financial responsibility a bit more seriously. Does the member for Swan Hills not care that the Ellenbrook rail line is not being built? Does he not care that these other announcements are being made, which means —

Mr F.A. Alban: How do you know the Ellenbrook line will not be built? You have got nothing else to talk about. You said yesterday there were about 30 000 new people in your electorate, and you will probably get lucky if you get a dozen.

Ms R. SAFFIOTI: So there are 30 000 people, and they will all want a rail line. As I said, I believe that budget honesty and integrity is a core element of this Parliament. I hope the Premier, now that he is Treasurer, takes the issue of fiscal responsibility a bit more seriously. Members on the government side do not seem to care, but they will be caring because it is up to every Western Australian to pay off the massive debt incurred as a result of the cavalier approach that this government has taken to the finances of the state. It is very easy to go around making these statements. We heard about the Perth waterfront development beginning this year, and it has now been moved to 2011. We heard that work was to start at the end of this year on the Northbridge Link, and now it has been pushed back to next year, and the cost has already blown out by \$100 million. Yes, there can be a blow-out before a sod has been turned, and that is the definition of a blow-out. Government members accused the former Minister for Planning and Infrastructure because of blow-outs on a rail line before a sod had been turned. They accused her all the time, but now because they are overseeing blow-outs —

Mr R.F. Johnson: We were right.

Ms R. SAFFIOTI: So what is \$100 million in respect of the Northbridge Link? Is it a blow-out?

Mr C.J. Barnett: The contract has not been awarded yet.

Ms R. SAFFIOTI: It is \$100 million without any contract being awarded. I would hate to see the final cost of this cavalier approach to the state's finances.

Mr C.J. Barnett: You are against the city heart project, are you?

Ms R. SAFFIOTI: I believe that the Premier should be honouring his election commitments, such as building the Ellenbrook rail line. That should be his primary goal, not to restate those election commitments and then go around doing something else.

Mr R.F. Johnson: You did not in 2001.

Ms R. SAFFIOTI: I will tell the people in Ellenbrook that the government prefers to do all those projects instead of building its rail line, as the government committed to build.

Mr F.A. Alban interjected.

Ms R. SAFFIOTI: I do not believe that government members should be going around week in, week out making commitments that they cannot fund and cannot deliver in the timeframe that they propose.

MR C.J. TALLENTIRE (Gosnells) [6.47 pm]: I rise to make a brief contribution in support of this motion. I represent a part of the Perth metropolitan area in which people on modest incomes are finding it increasingly difficult to make ends meet. They are people who do not live in an ostentatious manner. Those people, who know how to budget carefully, are finding it very hard to make ends meet. They are struggling more and more. They are finding that some of the decisions that are put forward by the Barnett government leave them at a complete loss to understand, for example, why projects such as Oakajee should be receiving government funding, when under Labor it was possible to have that project go ahead without government funding. They are at a loss to understand why we are spending money in such a way that we cannot look after their wellbeing. People are probably feeling the most pain with electricity price rises, gas price rises and waste levies. People are feeling the pain with a never-ending succession of household fees and charges increases. I mentioned electricity price rises. We have seen 23 per cent increases in the price of gas, and then 25 per cent increases in the price of electricity. It just does not seem to go away. On top of that, people have had to deal with the removal of things like the It Pays to Learn allowance for high school students. There is an ongoing problem with the creep of fees that people are being asked to pay for primary school students as well. Supposedly, there is a \$60 cap on what a primary school can charge. Some schools in my electorate have asked for additional contributions. Additional

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fees are being charged for the athletics program. It is a good program but parents are forced to pay for it, adding to their general stress.

Mr C.J. Barnett: Forced to pay?

Mr C.J. TALLENTIRE: Indeed.

Mr C.J. Barnett: That's illegal.

Mr C.J. TALLENTIRE: That is the theory, that it is illegal. The reality is that parents end up having to pay it. I am glad the Premier said that because I put a question on notice to the Minister for Education asking why people should have to pay these additional fees. The minister provided me with the following response —

Public primary schools are required to provide a full learning program within a maximum voluntary contribution of \$60. This should include the provision of textbooks and learning systems and programs required for all learning areas including mathematics.

Yet, schools in my electorate have to pick up the tab for this athletics program on top of that \$60 fee. In theory, it is illegal for that amount of \$60 to be exceeded but the reality is that the pressures are there. Parents are being asked to pick up the tab for all sorts of other things such as texts, whiteboards and school trips. Parents are constantly pressured to keep up with the cost of living, which is growing all the time.

The other area in which people in my electorate feel seriously let down is transport. The government promised seniors free transport. It delivered on that promise between the hours of 9.00 and 3.30. But in the lead-up to the election it also promised that within six months of winning office, it would review free transport for seniors, with the possibility of it being provided free 24 hours a day. We have not seen any progress on that.

Mr C.J. Barnett: We extended the hours beyond what Labor promised.

Mr C.J. TALLENTIRE: But the government won office on the basis that it would exceed what Labor promised.

Mr C.J. Barnett: We did.

Mr C.J. TALLENTIRE: The Liberal Party policy statements promised free travel for seniors for 24 hours a day, seven days a week. It promised to review the situation in six months with a view to making free travel available 24 hours a day.

Mr R.F. Johnson: No, we did not.

Mr C.J. TALLENTIRE: I will find the statement. I can quote from the Liberal Party's 2008 election commitment. It said that the Liberal Party would —

Provide free public transport to WA Senior Card holders, aged pensioners and disability support pensioners between 10am and 3pm from Monday to Friday and all day Saturday and Sunday. The Liberals will publicly review these arrangements after six months with a view to extending this to 24 hours a day, seven days a week.

That is from the Liberal Party's own policy statement. The government has not delivered on that. Despite what the Minister for Police and the Premier were saying, that is a patent fact. They are choosing to not listen now that the facts have been presented, but that is the reality.

People in my electorate are feeling the pressure of all these rises. People are particularly frightened by the notion in the document entitled "Putting the Public First", an Economic Audit Committee report. It flagged the idea of rolling a lot of concessions and rebates into one package, putting them all together with the inevitable outcome that there would be a reduction in rebates and concessions. That is an issue of grave concern to everyone. Everybody would be worried about the eligibility criteria. The evidence is there. As rich as Western Australia may be, the present government is not putting enough effort into looking after those who are less advantaged in our community, whose incomes are modest and who perpetually face that day-to-day struggle of balancing their household budgets.

I will conclude my remarks there. I am proud to support the motion put forward by the member for Victoria Park. I certainly hope that the messages put forward by members on this side during this debate will be listened to by those opposite.

DR G.G. JACOBS (Eyre — Minister for Water) [6.55 pm]: I do not have many minutes left in which to make my contribution. I take exception to the suggestion that our behaviour with household fees and charges has been cavalier. It seems that the opposition has a mandate for compassion in this area. To put the household charges in perspective, particularly as they relate to water, I think it is really important to recognise what the increase in

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household charges has really been. The increase in the average annual household water bill—that is, water, waste water and drainage—to the end of June was \$46, a 10 per cent increase from a total charge of about \$1 000.

This bottle of water before me cost me \$1.60 from the member's bar.

Mr D.A. Templeman: I put this up first!

Dr G.G. JACOBS: Perhaps the member for Mandurah should go and see a renal physician! Two thousand times the amount of water in this bottle is delivered to a kitchen sink in an average residential unit. It is delivered pristine, clean, free of bacteria and free of any impurities for less than \$1. This bottle contains 500 millilitres. If I add another bottle of water, 1 000 of these are delivered to kitchen sinks for less than \$1 in Western Australia. Members opposite are complaining about an increase of 10 per cent in that product that is delivered —

Several members interjected.

The ACTING SPEAKER (Mrs L.M. Harvey): Members, the member for Eyre has the call. I would like a bit of decorum.

Dr G.G. JACOBS: I do not really think I am part of this debate somehow. I feel that I am on the outside of this debate. However, we need to keep things in perspective. We are supposed to be unfeeling and uncompassionate but when we keep it in perspective, the contribution for a household product is very, very cheap. There is currently no recovery of the state's costs of managing water resources. When the Labor Party was in government in 1994 the Council of Australian Governments' water reform agreement followed the national water agreements of 2004–06. It was recognised that we did not have a system for cost recovery and management for water.

Debate adjourned, pursuant to standing orders.