LOAN BILL 2016

Second Reading

Resumed from 13 October.

HON KATE DOUST (South Metropolitan — Deputy Leader of the Opposition) [2.16 pm]: Last week, I started to talk about why the government was in such a dreadful financial situation that it had to introduce its fourth Loan Bill in the last couple of years. I remind members that under the Loan Bill 2016, the government is seeking an additional $1.7 billion to tide it over to the middle of next year. I had already started to canvass a number of concerns that I had and what I thought might have led to the bill. I will not go back over the matters I talked about last week, but it is fortuitous today to read an article in *The Australian Financial Review* headlined "Sun sets on WA economy". The article written by Julie-anne Sprague is opportune. It outlines some of the reasons that the Western Australian Liberal–National government finds itself in this financial pickle. It refers to the decline in the iron ore price, the shutdowns in some of those sectors and the decline in employment so that we no longer have a thousand people a month moving into Western Australia but a decline in those numbers with people exiting our state. In fact, the article suggests that perhaps we will not get back to the figures we experienced about 13 years ago, and that more than 160 people a month are leaving Western Australia, with that number expected to grow as employment opportunities diminish.

The article also refers to the shift of employment from the mining sector back into the city, with people looking for jobs. It refers to the ever-increasing decline in full-time employment, which I have referred to in other speeches. The article refers to the increase in part-time employment. We are seeing a shift from full-time high-wage employment in the mining sector to an increase in part-time employment, predominantly in the service and retail sectors, with people's incomes dropping from $130 000 a year to about $37 000 a year, which is a substantial drop in anyone's book. The article references the increase in the number of men who are now prepared to take on part-time work. I suppose it is a case that any job is better than none. That is a trend we will continue to see.

We all know that part-time and casual work, which seems to be the mode of employment being offered predominantly, has no guarantee of tenure or security of employment; it has shifting arrangements with rosters and working hours and, depending upon the nature of the business, employees' opportunities to grow their income are perhaps not as fortunate as they would have been in other types of employment.

Some significant trends are occurring in Western Australia. As I said last week, the government needs to address the changes in technology in the mining sector that are driving the decline in employment opportunities and identify how it can create new opportunities in that sector. When we tie that in with the decline in full-time employment opportunities and the drop to part-time employment, another significant challenge for government is to engage with industry across the spectrum and try to work up some direction, some plan or some vision—some sort of engagement would be a good starting point—that will enable people to have more permanency in their employment and to plan their lives and make appropriate financial decisions for themselves and their families.

Some real challenges are facing this state. This article in today's *The Australian Financial Review* goes through a raft of those challenges. The article refers to people like John Nicolaou, who is a former chief economist at the Chamber of Commerce and Industry and is now with another organisation. The view put by John Nicolaou in that article is that things will only get worse before they get better. We therefore need to ask whether the $1.7 billion that the government is seeking in this Loan Bill will address any of those issues. The simple answer is no. The $1.7 billion that the government is seeking is all about filling the financial black hole that the government has created for itself, and, unfortunately, also for the taxpayers of this state, over the last eight years. If members have not had the opportunity to read that article, I would certainly encourage them to do so.

I want to refer now to one of the things that is referred to in this article as a by-product, if we like, of all the things that are happening in the state—the financial woes, the decline in full-time employment and the shift of people from this state. The article in its opening lines references the upcoming state election next year and states that this sets the scene for change in the political arena and provides an opportunity for political organisations such as the Pauline Hanson group to gain traction, field candidates and be successful in the state election. The article also references the National Party's plan for an iron ore tax and states that although the Premier had not been supportive of such a tax, he is now having a bit of a rethink and is trying to work out whether it might provide an opportunity for the state.

The reason all these things are happening is that the government and the Premier are desperate. As I said last week, we are dealing with a range of pieces of legislation in which the government is attempting to offload public property, ports and a number of other facilities. We have had the Bell Group fiasco. The government is desperately trying to pull in money to deal with the debt issue that it has created. This article pulls all those factors together. The article also commences a discussion about the negative outcomes and overflows that have arisen from what is happening in this state. I do not know whether any members would want to see the rise of the Pauline Hanson political party in this state again. We have had that experiment. However, sadly, that is a possibility that is indicated in this article. This is a very opportune article and one that is worth going through. The journalist has certainly hit a number of nails on the head and raised some valid points.

I now want to talk about some other matters of interest in the portfolio areas for which I have coverage. In talking about the Loan Bill and the figures that are linked to it, it is important to canvass how we got to this stage and the cuts that have taken place. Yesterday, Safe Work Australia released a report containing the most up-to-date data on workplace fatalities in Australia. The report makes particular reference to an increasing trend in Western Australia for workplace fatalities. Unfortunately, last year there were 35 workplace deaths in Western Australia. Those deaths were very tragic for the families involved. Last week, there was the tragic loss of a young woman on a construction site. We need to ask ourselves why this situation is getting so bad. I am not saying that it is necessarily the government's fault that this is happening. However, if the government had not cut back so heavily on the structure and functions of WorkSafe, there might have been greater opportunity to ensure greater compliance with the health and safety legislation and regulations. There might have been greater opportunity for people to be trained as safety representatives. There might have been greater opportunity for WorkSafe to ensure that workplaces have health and safety committees. One would hope that there would also have been greater opportunity for WorkSafe to liaise with employers to make sure that they understand their requirements.

Part of the tragedy of these deaths is that they were young people. A young woman died on a construction site last week, and, almost a year ago, three young men died within a fortnight of each other on construction sites. I can only assume that those investigations are ongoing. These young people were travelling and were spending some time in this state before moving on. They were only in their twenties and obviously one would hope that they had a long and happy life ahead of them. A series of questions need to be asked about the responsibility of the employer to ensure that their employees are appropriately trained, and that employers are on site to manage those individuals to ensure that the safety requirements are upheld. However, we also need to ask whether WorkSafe and the government are doing enough to ensure that everyone knows their rights and responsibilities. That involves ensuring that there are enough WorkSafe inspectors on the ground, that there is good interaction between the department and all the players in the workplace, and that the necessary follow-up is done.

One significant issue that is raised with me time and again is the amount of time it takes for WorkSafe to conduct and complete an investigation. I will not spend a lot of time on that today because I am sure there will be other opportunities to do that. However, I will say that this government has had four years to bring into this place legislation to update and modernise the health and safety legislation of this state, and it has not done that. I have had discussions and meetings with the union movement and a number of employers about this issue, even as late as yesterday, and they have raised the fact that the government has not yet introduced legislation to improve and update the health and safety arrangements in this state. I doubt very much, now that we are in the last few weeks of this sitting before we move to the election, that that legislation will be brought into this place. That is a significant disappointment. Again, I believe it comes back to whether enough support has been given to the department, and whether the department has been cut back so far—because of the government's inability to manage its finances—that it does not have enough people who can deliver on those outcomes and ensure that the minister can bring that bill into this place.

The same applies to the occupational health and safety legislation. Again, the government put out draft documents for that and talked about a rewrite. We all know that workers' compensation legislation is cumbersome. It is not user-friendly. It has lots of traps and pitfalls for both employers and employees. Perhaps it would have been timely. A significant number of people have certainly been waiting for change in that space. They will be disappointed yet again because that will not happen during the next few weeks either. This government could have done a number of things to improve arrangements in workplaces, but it has not done those things. We have to ask ourselves: why has it reached this point? Over the next few weeks, I will certainly ask questions about the specific detail of the issues of fatalities in our state and workers' compensation arrangements.

I want to canvass another matter that is linked to those issues. It is certainly linked to industrial advice. This government has cut back to the bone and reduced its grant and support programs to such a degree that it will see the demise of a very important advice unit for working people in this state—that is, the Employment Law Centre of WA. I have raised this issue with the minister a number of times. That organisation has run successfully for a number of years. It survives predominantly on the pro bono support of a number of lawyers around the city. In the past, it has had federal and state funding. Come January next year, once its financial support expires and it has exhausted all its reserves, it is more than likely that that very useful unit will have to shut its doors. All that the centre required from the government was around $330 000 or $350 000 to assist it to leverage other funds and seek continued support. The centre provides legal advice to workers who are not unionised. Union members have the capacity to seek advice from an organiser. If they require further assistance, they might go to workers' compensation support or the union may provide its own legal service free of charge to that union member.

A non-union member does not have access to that type of service, but they could go to the Employment Law Centre. Even now the centre tells me that it sees only one in four people whom it could see because it does not have enough resources. There is significant demand for this type of assistance. Given the decline in work opportunities in the state, I dare say that the centre would have had more people knocking on its door than it may have had in the past. Keep in mind that Legal Aid WA is not an avenue of support for people who need industrial advice. The Employment Law Centre has filled that gap very, very well for a significant period. It is an absolute tragedy that as a result of the government's mismanagement of funds and its inability to provide further support to that organisation, a vast number of people who strike employment difficulty in the future will not have somewhere to go if they are not members of a union. One has to ask: Where will they go for help? How will they navigate complexities of applying for hearings through the Western Australian Industrial Relations Commission? How will they know what sort of paperwork to fill out? How will they know how to seek to argue a case?

I found that this service provides very good support particularly for people who have language or literacy issues. That is important because, over the past couple of years, we have seen an influx into our community of people from a vast array of countries who do not always speak English as their first language. A number with employment difficulties have come to my office looking for some help. This service would be a good first port of call for those people. I am very concerned about what will happen to a significant group of workers when this organisation no longer exists simply because it cannot sustain any financial support from the government. It may very well run ad hoc through a group of people who may continue to provide advice.

I must say that the one thing that struck me when I met recently with a number of people involved with the Employment Law Centre is the bipartisan political support for this group. I know that the Attorney General is supportive of the organisation, but I imagine that he is constrained because it is very difficult to find any spare dollars because of the way that the government has managed its finances. I met with Brendan McCarthy. A lot of my colleagues would know former Commissioner McCarthy. He is possibly not a traditional friend of the Labor Party, but is a very fine commissioner and I certainly acknowledge the good work that he has done with the Employment Law Centre. I have met with Tony Cook, a former secretary of UnionsWA, and a number of the lawyers who have been offering advice.

This service, which has been very valuable and which perhaps could have been in growth mode given what is happening with unemployment, will more than likely no longer exist post-January. But we never know what might happen. I will be very pleasantly surprised if at some point between now and the election, the government commits to continue to support this very important service. If it does, I will say, "Well done", because I think it is valuable and I hope that there is some way for it to continue. At this point, its demise will be as a victim of this government's mismanagement of finances.

I have also referenced the residential parks on which the government has taken no action. I think I referred to the retirement villages last week. There have been some interesting issues with the Building Commission. Members would have seen an article in *The West Australian* on Saturday about some homeowners who have had difficult dealings with the commission; there are some questions around timeliness. I hope that the government at some point will look at how that functions. Part of the complaint is about the department being understaffed and, again, that comes back to cutbacks. Those are issues.

We fully expect at some point amendments to the Construction Contracts Act, but who knows? We do not know the government's priorities, so we do not know whether they will get to us. The Construction Contracts Amendment Bill 2016 has taken four years to be pulled together. It still does not go all the way to resolving the issues for subcontractors. I note that the minister today made a statement about the demise of Collier Homes, former Senator Bob Day's company. I picked up what he talked about with the home builders, and that is good and proactive. However, there was no reference at all to what will happen to the subcontractors in Western Australia who were working on those homes and more than likely will lose substantial amounts of money. Some of them talked on talkback radio today about the implications for them. A lot of work is still to be done there. The government has bitten off only a small part of it, and I think that was done just to quieten down the subbies. Given that the government has had four years to deal with this issue, we hoped that by this time and in response to Professor Evans' report it would have gone further than looking at the timeliness of payments or adjudication and the change of business days. We hoped that the government would have better addressed the issues around retention payments, penalties and a raft of other matters about which I understand the government is still going to go off and consult. If by an absolute fluke the Dead Sea parted and the Liberal–National government gets back in again next March —

Hon Sue Ellery: The Red Sea.

Hon KATE DOUST: I do not know. Whatever—the Red Sea; the Dead Sea. I am trying to say that it will be a minor miracle.

Hon Sue Ellery: A tragedy.

Hon KATE DOUST: It would be a tragedy for everyone if members opposite get back in. It is just that they drag their feet so hard. I picked up the notice paper earlier today. It is probably still on my table just there. It is the difficulty of standing here, Mr President; if I was at my desk, it would not be a problem.

I ask myself: what is the government really doing? A raft of things could have been achieved, but I note that the notice paper contains seven or eight pieces of legislation for just the Attorney General alone to deal with.

Hon Michael Mischin: If you sat down, I might be able to deal with them.

Hon KATE DOUST: They are not on the list; some of them have been on the notice paper for more than a year. Most of them are pretty user-friendly, very sensible and not contentious, so I do not understand why we have not had an "Attorney General Legislation Day" to knock them all off. How about that as a suggestion for the government to be productive? The government could have done a whole lot of things but it has chosen not to do them.

Hon Michael Mischin: I'll take that up with the Leader of the House if you are prepared to knock it through in a day.

Hon KATE DOUST: I have often asked the Leader of the House why the Attorney General does not bring on his legislation and he says that he does not know whether the Attorney General knows how to do it.

Hon Peter Collier: Can you give that commitment then?

Hon KATE DOUST: The Leader of the House would have to speak to the Labor Party's leader. I am not the one who makes those decisions.

Several members interjected.

The PRESIDENT: Order! I am normally not too concerned about the interjections, but because of the sound system, they present a problem for Hansard. I remind members that your interjections will probably not get noticed.

Hon Michael Mischin: Can I get up and interject?

The PRESIDENT: Keep in mind that the microphones where Hon Kate Doust is speaking from and here from this dais are live all the time. We have ultimate power!

Hon KATE DOUST: I have already talked a lot about these matters and how staff have been cut from government departments. We are seeing a decline in compliance in this state and the capacity of departments to ensure that employers are complying with their responsibilities. I have already talked about compliance as it relates to WorkSafe and other matters, but I want to talk about compliance as it relates to industrial relations and workplaces. Last Tuesday night, I attended a Catholic Mission forum on human trafficking held at St Thomas More College—my old college, which is always lovely to visit. I was fortunate enough to be on a panel and a number of people who are involved in this matter and who are trying to assist people were there. There was discussion around human trafficking for the purposes of prostitution, and I and a couple of others were discussing employment-related issues. A couple of years ago, in the north of the city in, I think, Carabooda, a number of workers who probably did not have visas were found at a particular location. I cannot remember all the details, but I think WorkSafe and a range of government agencies were involved. I am not sure of the final outcome, but I am aware that other issues have arisen because a few people have come to me over the last few weeks quite separately and independently with other examples of these "interesting", one might say, work arrangements. I fully intend to pursue this matter with the Minister for Commerce. However, there was an interesting discussion the other evening about what needs to happen to, firstly, protect these workers who are often brought into the country as students or tourists or are persuaded to come here thinking that they are going to live here. I have seen the type of advertising that is currently used in countries outside Australia, significantly in Malaysia, that targets Perth as a place to come to. One has to ask, given the cutbacks in staffing in the department, what sort of opportunities will there be? How is it that these types of things can be talked about here in WA? I do not know the numbers involved, but I had a discussion on the weekend with somebody who showed me photographic evidence of visa-free workers at a particular site. If a fully staffed government body in the industrial relations area in the commerce department focused on compliance, I am sure we could prevent these types of arrangements and ensure that they did not happen in the future. I think that is the real challenge. Unfortunately, I do not think the department has the staff or the bodies to do that type of work, because the government has cut back so hard and fast. Some employers are either treading a very fine line or are simply abusing the system by bringing in these individuals. I would say that some of these people are not necessarily on 457 visas; some may be on tourist or other visas. I am aware that a group of workers turned up to the Construction, Forestry, Mining and Energy Union office late last year—I think on a Friday afternoon. They had been working on a building site in Perth and had not been paid for months. They came to the union office to see what assistance could be given to them. If they did not have visas, I imagine, more than likely, they would have been put on a plane and sent home. Some real challenges exist, but, unfortunately, as I have said repeatedly, because of cutbacks, a lot of things are being missed; the money is simply not available to find the staff to do that important work. That is a challenge and it is something that we will continue to look at and pursue.

Linked with that, the government has missed an opportunity here, either by choice or omission, to look at labour hire companies and their role in these types of employment arrangements. That is something we will certainly be looking at in the future.

Last week, I referred to transparency. When Mr Barnett first became Premier, transparency was his thing; he was going to be more transparent and open. However, we saw that fall away quickly and it is now fully acknowledged by the Auditor General. As I said last week, a number of Auditor General reports have referred to ministers not providing information and about lack of information. I wonder where that will lead. At what point does this government take its responsibilities seriously and at what point does it take on board and act fully on the Auditor General's advice? I think we will find that as we roll on towards the election next year, the Western Australian public will say it simply does not trust the government anymore because the government is not telling the people what is really going on; it hides the truth and has certainly not managed the finances. We are finding that there is a steady growth of anger in the community. I must say that it is quite enlightening to see that change in attitude towards the government from not only people in the community, but also the business sector. People who would normally not have engaged in those conversations are now being openly critical about the way the government is functioning or about its dysfunction at this point in time, especially given its recent internal crisis and ministers quitting. Mind you, I am sure Hon Mark Lewis is pleasantly surprised at that outcome. He is a great beneficiary of that little crisis and he should enjoy it while he can.

I think there are some serious problems. Here we are heading towards the end of the year and we still do not know the government's priorities to finalise legislation before we go to an election. Some very serious pieces of legislation are still left on the books—legislation that will provide some positive outcomes for a range of groups or employment groups—and the government has not moved on them. I have already talked about a number of bills that the Attorney General has responsibility for, but we are also waiting to find out what is going to happen with the electricity and gas legislation that the Standing Committee on Uniform Legislation and Statutes Review recently tabled a report on. We are waiting to see what will happen with the Construction Contracts Act and whether legislation to amend that will get to this place. I am not even sure about some other measures, such as the Mining Legislation Amendment Bill, and what will happen with all the good work that the Standing Committee on Legislation did on its report last year in that regard. The government has really dragged its feet. It has not delivered on its commitments; the only thing it has done is deliver on an ever-increasing debt.

Whenever we see the Treasurer appear in the media and we see his photo in a newspaper, he always has a very hangdog look. I do not know whether it is because he is very distressed about the situation he finds himself in and cannot work out what to do about it or whether he thinks flogging off public assets is the only way. He seems to be constantly competing with the Premier, who comes up with random thought bubbles and no detail and cannot manage his ministers. This is a government of enormous dysfunction, which it has brought upon itself through its financial mismanagement. Today the government is asking us to pass the Loan Bill 2016, which is seeking another $1.7 billion to add to the state's debt so that the government can get itself out of a black hole. This is a debt that will take an extremely long time to pay off.

The one thing we have not heard from this government is a clear and coherent long-term strategy to get our way out of the debt. All we hear about are cutbacks, be they staff cutbacks or cutbacks in other areas such as information and communications technology. We all know that the new ICT arrangements that Bill Marmion heads up now in the Department of Finance is all about saving money in government departments in procuring ICT. It is certainly not helping any small businesses in the state that are involved in that area of work and it looks to be giving work away to large companies outside Western Australia. We have to say to ourselves that if the government is really serious, it would be publicising a proper strategy to get the community on board for how it intends to get out of its debt hole. It would be talking about strategies to improve the lot of businesses in Western Australia be they small or large. It would be considering proposals to assist businesses and considering issues around local content so that we can rejuvenate our manufacturing areas. The government would be identifying and targeting new work opportunities into the future so that economic growth can move from the mining sector to other areas and so that we can be proactive in creating full-time employment. At the end of the day, I think the vast majority of people would like to have a full-time, secure job so they can plan for their future and make good financial decisions for themselves and make choices generally. Unfortunately, that is not the case. The government does not have a strategy or a plan. In fact, leading up to the election we do not know what it will talk about. Very little can be spent because there is nothing left in the kitty.

As the Leader of the Opposition said the other day, WA Labor has a very lengthy plan that refers to jobs and diversification. It certainly refers to ICT, Mr President, which I know you would be keen on. I am happy to refer you to the individual pages you might like to read where we promote ICT opportunities in the future. Labor certainly has a plan. As we get closer to 11 March, the Western Australian community will feel very comfortable with WA Labor's plan for the future. Unfortunately, the community will not hear much from this government because this government has dug itself into a big hole and, sadly, is pulling the community with it. With those few words, WA Labor will support this Loan Bill 2016.

HON SUE ELLERY (South Metropolitan — Leader of the Opposition) [2.53 pm]: I might just rearrange the furniture again and see how I go. Thank you very much, Mr President.

It is 12 days until the government runs out of money. This Loan Bill 2016 is before us because if we do not pass it to enable the government to borrow more money —

Hon Simon O'Brien interjected.

Hon SUE ELLERY: When I am wearing my glasses to read, I can see only a blur opposite.

I was making a very important point. It is 12 days until this government runs out of money. I have a vague recollection that in the last loan bill debate before this house, I made the point that perhaps I should keep my notes because I might need them again. I therefore went back and read my speech of last year in *Hansard* and, lo and behold, that is indeed what I said and, lo and behold, here we are and I will rely in part on what I said last time at the beginning of my comments. It is not usual for me to quote myself but I am going to. On 16 June last year, we were debating another loan bill. I said then —

> The government's first loan bill, the Loan Bill 2009, was in response to a genuine crisis; namely, the global financial crisis. In that bill the government sought $8.3 billion. The second loan bill was the Loan Bill 2012, which sought $5 billion. This third loan bill —

That was last year. To continue —

> the Loan Bill 2015, is for a further $8 billion to meet the government's day-to-day expenses; that is, planned general government purpose borrowing requirements, until 30 June 2017.

Bear in mind that we were told then that that would enable the government to meet its day-to-day expenses until June 2017. However, here we are in October 2016 with another loan bill before us. I said in June last year that I was not sure why there was a rush with the bill before the house because, at that point, the government had some $1.6 billion left over from the previous authorisation. With $1.6 billion left over for spending in 2015–16, the government was saying that it needed at least $9.6 billion just to pay its bills to 30 June 2017. I made the following point —

> We are also aware that when the Treasurer was specifically asked, he did not rule out seeking another loan bill before the next election, which, of course, is in March 2017.

I went on to make the following point —

> We may reach a record fourth loan bill, so we may need to save our notes to make exactly the same speech at exactly the same time next year.

Where I was wrong was that I did not make a speech in June 2016; I am making one in October. The argument remains the same. I went on in my speech last year to make the following point —

> Every year since 2003–04, Western Australia has had more revenue per capita than any other state, including that of Queensland …

We were being asked to endorse a loan bill to assist the government to borrow money to pay the salaries of nurses, teachers and police officers. I made the point also that if we were operating as a small business and asked a bank for a loan to cover our wages bill—not to expand the business or invest in a new piece of plant or equipment—it would be a very unusual bank that did not say, "We'd like to look at your books thanks, before we consider anything as crazy as lending you money to pay your wages; we want to look at your plans going forward because if your business is not growing, how will you pay off the loan?" It is not sound practice to borrow money to pay day-to-day expenses. It is not sound financial practice to borrow money to pay wages. The effect is that the government is borrowing from the future to pay for the ordinary day-to-day business of government. That is the point I made last year and it is the exact point that needs to be made again. The Loan Bill before us is not about the government borrowing to pay for a new piece of infrastructure; it is not about a new rail line, a new bridge or a new power plant, which is also a point I made last year. It is seeking to borrow, effectively, to pay for the groceries, for the day-to-day running of government or the core service delivery costs of government. At the same time as borrowing money to pay for our day-to-day expenses, the government is selling off not the family jewels—an expression used from time to time—but the essential core bits of equipment we need in our household, to continue the grocery analogy. We are selling the washing machine, stove and fridge to pay for the day-to-day costs of running the household. That is not sound practice, and the ratings agencies have the same view.

In February of this year Moody's again downgraded Western Australia's credit rating to Aa2, and warned that forecast deficits would blow out unless the Barnett government strengthened its commitment to improve the budget. An article in *The Australian Financial Review* in February of this year stated —

> Moody's, which warned in June last year that the state's credit rating would be cut if the government did not cut spending or increase spending, said there was a "lack of financial cushions against adverse movements in commodity prices and exchange rates".
>
> In December, the West Australian government revealed it would deliver a record $3.1 billion deficit this year and net debt would ballon to $39 billion within four years as it suffers from plunging iron ore royalty revenue and lower GST payments.

I will talk a little about those, because they were not a giant surprise to anyone. Treasury has been predicting and basing its budgets on assumptions about iron ore prices and lower GST payments for some time. The article continues —

> "Moody's believes that unless the government strengthens its commitment to budget improvements there is a risk that deficits forecast in the mid-year report will be exceeded," Moody's said.
>
> The ratings agency said the government was assuming average spending growth of 2.7 per cent annually over the next four years, compared to 5.7 per cent in the past four years.
>
> This significant cut in expenditure would require "very low increases in public-sector employee costs and a concerted reduction in the growth rate of spending on healthcare and other social services".
>
> Moody's said reform of the state's healthcare system was proceeding "at a more gradual pace than anticipated".
>
> Western Australia's revenue's are also under pressure from falling payroll tax revenue.
>
> West Australian premier Colin Barnett believes he can prevent debt soaring to $39 billion by selling assets. It is trying to sell Port Hedland's Utah point terminal, betting agencys TAB, the Fremantle port as well as land assets.

Of course, before the public right now is the debate over whether the Treasurer wins the day and this government sells Western Power, or the Premier wins the day and Western Australia does not. The article continues —

> Moody's said it ahd assigned a stable outlook to the state because of the support because the state would receive a cushion from GST revenue, which will increase in about three years as part of the equalisation formula.
>
> …
>
> But falling iron ore revenues have exposed a big spending government …
>
> Unemployment has hit 13 year highs and Perth property prices are falling.

The article then refers to the state of the opinion polls, which I would be happy to talk about but I will move on. The article continues —

> Moody's said larger state deficits would drive further increases in the state's debt, which was already high at 102.3 per cent or revenue in 2015 compared to 44 per cent in 2008.
>
> "Over the medium term, projected cumulative consolidated government cash deficits could push the debt burden up to around 140 per cent of revenues by FY2106–17, which is higher than other Australian states," Moody's said.

Moody's is, of course, not the only ratings agency. More recently, in July of this year, S and P Global issued a warning that the federal government's AAA credit rating is at risk, and the future of WA's already downgraded credit rating remains unclear. On 11 July, the ABC reported —

> The Barnett Government's last budget delivered its second deficit of more than $2 billion, projected three more and showed debt spiralling to $40 billion by 2020.
>
> With this year's deficit forecast to hit $3.9 billion, ratings agency Moody's issued a clear and stern warning —

The one I referred to earlier —

> to the Barnett Government to cut spending, curb debt, and get the budget back in the black.
>
> "The projected improvement in the state's financial performance will rely to a large extent on a strengthening in the State Government's resolve to lower current expenditures, particularly as the

> growth in revenues is not expected to return to the more robust pace seen in earlier years," the agency said in a statement following the May budget.
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> …
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> Just when Moody's and its rival S&P Global … will deliver their verdicts on the Barnett Government's 2016–17 budget, is unclear.
>
> It is almost three years since S&P Global dropped its credit rating for WA from AAA to AA+.
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> …
>
> WA Premier Colin Barnett was unable on Monday to shed any light on any ratings change, and said any discussions with the agencies were handled by the Treasurer.

The Premier said —

> … the reason Western Australia's got a financial difficulty is we only get 30 cents [in the dollar] of our GST back.

That is just not true. We do have a GST issue that I will talk about in a minute, but to put the sole reason for WA's financial difficulties at the feet of the GST is to be dishonest. That is what the Premier is being about the state's finances. It is as if he has washed his hands of it and had nothing to do with the financial decisions that have led us to be in the place we are—in the extraordinary position of coming before the Parliament to request a fourth loan bill.

When the Loan Bill was introduced, my colleague the shadow Treasurer, Ben Wyatt, said —

> - Barnett Liberal Government announces its fourth Loan Bill since 2009
> - The emergency Loan Bill is for the Parliament to authorise an additional $1.7billion in borrowings
> - Without the additional loan, the WA Government will run out of money by the end of October
>
> **As the Barnett Liberal Government continues to fall apart, Treasurer Mike Nahan has moved to immediately borrow another $1.7billion** …
>
> It comes after the $8billion Loan Bill was introduced in April last year …

It was supposed to see us through to the middle of next year. Ben Wyatt's press release continues —

> "Here we are after the greatest period of wealth creation that the State has seen and we are about to run out of money.
>
> "Every Western Australian will rightly be asking — how did it come to this?
>
> "The Barnett Liberal Government has completely destroyed the State's finances and they have no plan to get the budget under control. They are divided and dysfunctional like no other State Government before them.
>
> "Even after record State Government revenue, the Treasurer has been forced to rush in an emergency Loan Bill, because without it, the State will simply run out of money.
>
> "This is the legacy of Colin Barnett and the Liberal Party. Future generations of Western Australians will have to pay for this diabolical set of finances, riddled with record debt and deficits.

At the same time as we are borrowing extraordinary amounts of money just to pay the wages, many folks are not being paid wages at all. The number of unemployed Western Australians has now reached some 90 300, and 8 200 more Western Australians joined the ranks of the unemployed in July. We say that is as a direct result of the government failing to diversify the economy and squandering the benefits of the boom. I would challenge members in this house to say that they do not personally know someone who has been affected by the increase in unemployment, or indeed a reduction in hours. It has certainly affected my household. My husband works in manufacturing, and this week he and his colleagues are working a brand-new shift. Their wages have been cut by 25 per cent. The state of the economy is such that there is not enough work for the company, so they accepted a 25 per cent cut in their pay. In our household that is entirely manageable for the two of us and will not make any difference, but for many of the people my husband works with, who have young families and are in the middle of their mortgage payments rather than at the end as we are, that 25 per cent reduction in hours and income is having a serious impact. Every day in the electorate I talk to people who are seriously worried about their employment future and that of family members, and worried about having their income cut.

This government takes great pleasure in saying, "We built this and we built this and we built that." It is right to spend the money to make sure that the state's infrastructure is kept up to scratch, but if the government does not put aside some money for a rainy day, when that rainy day comes, it will be in serious trouble, and that is the situation facing Western Australia right now. The rainy day is here—literally and figuratively. We are in trouble because this government failed to plan and failed to diversify. At the end of one of the greatest periods of wealth creation in our state's history, we have a weakened balance sheet and record deficits and record debt. The final budget presented by this government before the 2017 election set out exactly how badly this government had managed, or mismanaged, our state's finances. The proof is in the pudding and the pudding is the Loan Bill before the house right now. Despite the fact that we were told that there would be enough money left over under the last two loan bills to see us through effectively until June 2017, that is not the case, and with 12 days to go we are debating a bill that the government requires just to pay the basic costs of government.

Not only do we have the Liberal record of debt and deficits, but also Mr Barnett and the—how many is it?—seven Treasurers have failed to diversify the economy and ensure that, following the energy and commodity boom, WA was prepared to surge into the next phase of economic growth. Instead, this government has adopted policy measures that have had the effect of slowing our economic growth even further. Those are not my words; they are the words of our shadow Treasurer, Ben Wyatt, on the day that the budget was handed down in May this year. He said that following the 2013 alleged fully funded, fully costed election campaign, when the Liberal Party said that no tax increases would be necessary to fund its election commitments because everything was fully funded and fully costed, land tax had been increased three times in two years and we had a record fourth loan bill before us. My colleague went on to say that only the most financially illiterate or negligent government would increase land taxes that dramatically in an environment of increasing rental and commercial vacancies, which I will talk about in a moment, increasing unemployment and falling property values. The measures that this government has had to take to cover up its mismanagement, time after time, are extraordinary. No money has been put aside to see us through the difficult times. No thought or planning has been given to diversify and to be ready to adjust to the structural things which are happening to our economy now and which were entirely predictable. At the same time as we have appalling financial management, household charges have risen higher than promised—well above the inflation rate. Of course, we also have record deficits and record debt, leaving us with the only conclusion to be drawn; that is, the legacy of this government will be that the finances have been wrecked and there have been job losses, privatisation confusion and record debt and deficits.

Members will recall that in last year's budget, the government said that the sale of Fremantle port was going to proceed, as was the sale of the TAB. We have not seen it progress either of those two. Future generations of Western Australians will face the burden of a record deficit approaching $4 billion and record debt breaking through the $40 billion mark. The deficits are worse than forecast. Household charges are higher than promised. For three years in a row, this government has borrowed for everyday spending, and each time it has projected what its everyday spending would be and, therefore, what the size of the Loan Bill needed to be, it has got it wrong. We are being asked to again trust the government that it has its assumptions right this time and that this is the amount of money that it needs to get it through. Instead, it has gone backwards and we find ourselves in this extraordinary position.

People can say that we are politicians and of course we would make that judgement, but, indeed, we are not the only ones making that judgement. I want to refer briefly to the CommSec "State of the States" report that was released in July. When the CommSec report was released, Shane Wright wrote in *The West Australian* of 25 July —

> WA is at risk of being overtaken by Tasmania to become the nation's worst performing economy as slow growth and a deteriorating jobs market drag down the State.
>
> CommSec's quarterly comparison of all State and Territory economies, to be released today, shows WA is now ranked seventh, just ahead of Tasmania. Last quarter, WA was sixth.
>
> Just two years ago WA was the nation's strongest economy, a position it had held for the best part of a decade. Its ranking at seven is the lowest since CommSec started its State of the State reports.
>
> …
>
> It is ranked worst for unemployment, with the jobless rate more than 25 per cent up on its average over the past decade.

I will move on to talk about the detail in the CommSec report. This is the quarterly report comparing the state of the states' economies. Each quarter, CommSec analyses eight key indicators: economic growth, retail spending, equipment investment, unemployment, construction work done, population growth, housing finance and dwelling commencements. It uses long-term averages to compare key economic indicators. It is important to note that although it looks at long-term averages over 10 years, we could draw the simplistic conclusion that of course the economy was in a different state 10 years ago and so that is not a very accurate indicator to use. However, it is important to bear in mind that the CommSec report is done quarterly; it tracks the changes in our performance quarterly and that is its value as an economic tool. The report states —

> The big change over the past quarter has been another drop in the Western Australian economy, this time to seventh position (previously sixth) just ahead of the Tasmanian economy. There is little to separate the bottom three ranked economies.

It goes on to state —

> Western Australia is now seventh and near the bottom of the Australian economic performance table. In two years the mining state has gone from first to seventh. WA is third on retail trade —

That is not too bad —

> and is middle-ranked on construction work. But WA struggles on unemployment (last) and is ranked seventh on business investment, population growth, and housing finance.

I am a reasonably regular visitor to Tasmania—that is where my husband's family is from—and I have had the opportunity over the years to observe the state of the Tasmanian economy and what it means for it to be in such a parlous state. We are now worse on unemployment than Tasmania, and I find it astonishing that we have let that happen. I think it was entirely predictable that structurally our economy was going to change as the construction boom came off the boil, but this government did nothing to pull the levers that it has within its control to try to adjust. The report continues —

> The weakest final demand annual growth rates are in the Northern Territory (down 16.9 per cent on a year ago) followed by Western Australia (down 4.7 per cent) and Queensland (down 1.5 per cent).

Of the eight economic indicators that CommSec measures, we are not doing too badly on retail spending, and I am pleased to say that I am playing my part in that. Spending in Western Australia was up by 11.5 per cent on the decade average, followed by the Australian Capital Territory. On equipment investment, which we would expect to be fundamentally worse than it has been before because of the shift in the resources industry, the next weakest state was WA, which was down some 28.9 per cent, followed by Queensland and Tasmania. I have already talked about unemployment. CommSec asks which state has the strongest job market in the nation and it ranks them from top to bottom. The lowest trend unemployment rate is obviously where we want to be but we are not there. CommSec tells us that we are at the other end of the scale with our trend unemployment rate, which is different from the current level of unemployment, at 5.6 per cent. That is 26.6 per cent higher than the 4.4 per cent normal, or decade, average.

WA is now ranked fourth in construction work; previously we were second. We are nine per cent above the decade average. Although CommSec does not refer to WA in the text of its summary document, the graph shows that our population growth is continuing to grow at about 1.25 per cent. The measure used for housing finance is a trend number of housing finance commitments and is compared with the decade average for each respective state and territory. Housing finance is not only a leading indicator for real estate activity and housing construction, but also a useful indicator of activity in the financial sector. Commitments in Western Australia are down 6.8 per cent on the decade average, with Tasmania down 5.3 per cent.

Western Australia's dwelling starts are in the negative, down 1.8 per cent on the decade average. Perth home prices are lower than they were a year ago, down by some 4.7 per cent. In a sentence or two, the CommSec report has a state-by-state breakdown analysis. Of Western Australia, it states —

> The mining state is third on retail and middle ranked on construction work. But WA struggles on unemployment (last) and is ranked seventh business investment, population growth and housing finance.

The CommSec reports continues —

> Western Australia continues to slip in the performance rankings, having moved from top spot (July 2014) to seventh in two years. Slower population growth and higher unemployment will constrain activity in the housing market.

That is a fairly damning set of indicators. The point to note is not that the economy has shifted, because we knew that would happen; rather, it is: what have we done to respond to it? The answer from this government is nothing.

When the Treasurer was asked about the CommSec report, he essentially said that it was always going to happen; the WA economy was always going to deteriorate. I guess that is the point I am trying to make. If the Treasurer's view was that the WA economy was always going to deteriorate, surely the obligation was to make sure that a response to that was ready to go and that he did not just let it happen. It is all the more reason that we needed to diversify. Instead, this government is now playing catch-up. Whether or not this government chooses to change its leader, the fact is that the damage to the state's economy and finances has been done and the government has lost valuable time in trying to use the levers of state government to diversify the economy.

I refer to the notion that a solution to the GST issue rests with the Prime Minister. When he was talking about the Loan Bill, my colleague the shadow Treasurer said that the government has spent the money it wished it had, not the money it actually had. He referred to an article in *The West Australian*, which was written by Shane Wright in August. I am sure that most members in this place have read it. He said that despite the fact that every single statement of risk in the budget each year and in the *Economic and Fiscal Outlook* has specifically pointed out the likely decline in the GST, and indeed to levels much lower than we actually got to, the government assumed there would be a political fix along the way. We saw that—it was really interesting—play out at the Liberal Party state conference just a few months ago.

Hon Peter Collier: Were you there?

Hon SUE ELLERY: I have this thing at my house called a telly. I can turn it on and see the news and the news reported on the Liberal Party state conference. The Leader of the House should get one.

Hon Peter Collier: They were at the conference and they weren't even delegates.

Hon SUE ELLERY: Yes, they were there.

What we saw play out in the media reports of the Liberal Party state conference a few months ago was the Prime Minister saying, "The fix is on. We're going to sort out the GST problem for WA by fixing the floor and that will be the answer to all of your problems." The Premier came out and did what he does, and said, "This is the best thing that's ever happened in the world, in the universe, in the history of humanity. It's the greatest fix that there ever was." Nobody told Senator Eric Abetz from Tasmania that that was the case. The biggest, best in the world, greatest fix in the universe ever to happen in the history of humanity, according to the Premier, was shot down by Senator Eric Abetz not very long after the conference. Senator Eric Abetz did what he does very well, which is to stand up for the constituents of Tasmania. He does that very well; I cannot argue with that. I argue with what he does with a lot of other things, but as far as standing up for his constituents in Tasmania, I think he is quite a good advocate.

Here is what happened at the Liberal Party state conference.

Several members interjected

The ACTING PRESIDENT (Hon Amber-Jade Sanderson): Order, members! Hon Sue Ellery has the call.

Hon SUE ELLERY: Thank you. Here is what happened.

Hon Nick Goiran: I hope you get this right.

Hon SUE ELLERY: I am deciding which article I should refer to.

Several members interjected.

Hon SUE ELLERY: I look forward to hearing about what happened from Hon Peter Collier and Hon Liz Behjat when they stand to make their speeches. However, in the meantime, I will rely on excellent sources of information, the ABC and Paul Murray.

An article written by the ABC in September states that at the WA state Liberal conference —

> Mr Turnbull flagged changes to the GST, proposing a minimum amount each state and territory would receive.

That is based on the fact that the current system disadvantages WA. It continues —

> The move to introduce a "floor" was strongly opposed by smaller states such as Tasmania, who argued they would be unfairly disadvantaged.

The article continues —

> In a letter seen by the ABC to Liberal Senator Eric Abetz, the Prime Minister said the GST issue would not need to be resolved for years.
>
> "I suggested we take the opportunity to consider a percentage floor below which no state or territory's share of the GST can fall, as the Western Australian share of the GST increases under the current system," Mr Turnbull said in the letter.
>
> "This will not arise for some years and so is not an issue that needs to be, or can be, determined in the near future."

That is slightly at odds with the message given by the Premier in the media he did at the Liberal Party state conference and on the days immediately following. That plan was set out by Paul Murray in an opinion piece in *The West Australian* at the beginning of October in which he stated —

> The plan worked out by Malcolm Turnbull and Colin Barnett to come up with something before the State election to mollify WA's grievances over the GST has been exposed as a dud.

A classic bit of rent-seeking by Tasmanian Liberal senator Eric Abetz—fretful that his State's lifeblood from Canberra might be reduced as a result of a WA deal—last week flushed out the reality that any GST revamp isn't planned until 2019–20.

When Turnbull headed west in August for the Liberal State conference, our share of the tax was high on his to-do list. But his promise to put a credible floor into the GST distribution system lacked both a clear time line and a method.

Unfortunately, that didn't stop the Premier swooping like a seagull on a chip, playing up the prospect that a solution was imminent.

"With the commitment of the Prime Minister, if we are resilient and believe in the strength of our economy we will be able to return our Budget to surplus over the next two Budget years," Barnett told the conference.

But the time frame exposed by Abetz is four financial years away—not two—and won't stop WA falling further into economic decline.

So, for the avoidance of doubt as lawyers say, these were Turnbull's exact words: "Over the next few years, the formula will see WA's share more than double—considerably more than double—from where it is at the moment to a much higher level.

"We believe that we should take that opportunity—as the WA share of the GST increases under the current system—to change the arrangements so that we set a percentage floor below which no State's receipts of GST can fall. Setting a floor below which a State's share of the GST cannot fall, immediately after it has been exceeded in this cycle, means that no other State will be disadvantaged based on their projected GST shares."

If those responsible for doling out the GST rebates had their way, WA would get back just 18c in the dollar next year, with Abetz's Tasmania on $1.81. They were baseline figures calculated in the Commonwealth Grants Commission's most recent full review last year.

…

When the review took real anticipated iron ore figures into account, WA's expected rate of return went from 38.3c next financial year to 51.7c in 2018–19, the last year of the CGC's projections.

But nothing in the review supports Turnbull's conference comments that WA's GST returns will "more than double" over what he said was "the next few years".

So on the basis of Turnbull's plan, the best floor WA could expect in 2019–20 is around 50c—some 25c below the one Barnett has been demanding.

Even on the current projections based on WA's falling royalties, every State other than Queensland and SA will suffer significant GST cuts in the normal course of distributions leading up to the proposed reshuffle.

Unless Canberra is prepared to make up the shortfalls inherent in a readjustment—as was suggested by the Abbott government's Commission of Audit—GST justice for WA means a bigger haircut for everyone else.

The CoA's forgotten report shows that Canberra could fix the political impasse with an annual "equalisation payment" of $4.9 billion to move to a per-capita distribution system while ensuring no State was worse off.

It remains the easiest solution yet provided to the GST wrangling and should be the one that Turnbull eventually adopts.

In the meantime, Barnett's hopes of taking a good GST story to the election in March are shot unless Turnbull quickly revisits the August plan.

The proposed long delay jars with his Government's insistence that Barnett push ahead with the Perth Freight Link as an economic stimulus, when a greater effect would come from timely GST justice.

The political problems with GST reform are of a greater scale, but they won't get easier by putting them off. While WA's complaints draw criticism —

That we were once a slower state —

… the truth is that no one else's returns have ever fallen below 80c.

> This year WA gets just $2.03 billion back from its GST receipts, while a comparable resource-based State like Queensland gets $14.35 billion. That disparity is simply inexplicable.

He is right about that! He also demonstrates the point that my colleague Ben Wyatt keeps making that this government keeps thinking there is a political fix, but thanks to the efforts of Senator Eric Abetz, the political fix promised by the Prime Minister and the Premier at the Liberal Party state conference was shown to be a falsehood. It was not going to happen; they could not deliver! The Prime Minister put that in writing to Senator Abetz. That promise could not be delivered within the time frame that the Prime Minister talked about and certainly not within the time frame of the next two budgets that the Premier talked about.

The problem is that we will not see a political fix. The other report I want to refer to is Deloitte Access Economics' quarterly report *Business Outlook: October 2016*. In its summary on Western Australia, Deloitte states —

> As usual, Western Australia is a very different kettle of fish.
>
> This State's pain of the moment is very real. It is evident in almost every indicator.
>
> - Perth's office vacancy rates are 22%—double the national average, and the highest seen in more than two decades, which has driven rents down 40% on their levels of just four years ago.
> - And, speaking of four years ago, housing finance approvals in the West are at their 2012 levels, whereas the equivalent ratio is 5.0% above 2012 levels for the nation as a whole.
> - Building approvals in the State are also back down at 2012 levels, house prices are falling, and residential vacancies tripled over a three year period—which is why residential rents are down 5% in the last year alone.
> - Having held the championship position for some time, retail sales growth has tailed Australian outcomes for three years ... and counting. Retail sales are currently flat, and new car purchases are fully one quarter less than they were in 2013.
> - Population growth has gone from hero to zero, with a further loss of momentum in the pipeline.
> - In net terms no jobs have been created over the past year, and the unemployment rate has now climbed above the national average.
> - Even export earnings—the much vaunted third phase of the resource boom that was meant to 'bring home the bacon'—have been shrinking in recent years as prices fell faster than shipping volumes rose.
>
> Yes, that list is a sad one, and there's not a lot to like about the current conditions mapped out in State Chart 10.

That is the graphic associated with Deloitte's analysis of the WA economy in its business outlook. Deloitte's points out the shift in WA's economic standing.

Western Australia is in dire economic circumstances and the question that is asked by Deloitte, which is the right question to ask, is: what happens next? Unfortunately, this government did not look ahead and did not anticipate—even though everybody else did, including a forecast in its own budget papers—what was going on, and where it should have predicted this, it did not.

I have referred to articles by Shane Wright previously. He wrote this really good article in August as well in which he said, essentially, that this was a set of circumstances that arose as a direct result of the government's own actions. His article states —

> **Despite the best efforts of the WA Treasury, the Barnett Government has never been one too worried about the Budget's forward estimates.**
>
> Successive treasurers up to Mike Nahan were told the rivers of gold might come to an end. That the State was engaged in too much spending and not enough belt-tightening.
>
> A financial reckoning—and with it a political reckoning—was always ignored or pushed back.
>
> Some people bought into the idea of a never-ending expansion of the mining sector, as if the laws of supply and demand didn't apply to WA or its State Budget.
>
> The history of the Barnett Government and its Budgets can be summed up in one line—"this time, it's different".
>
> And WA Treasury knew that the good times would eventually come to an end.
>
> Let's head back in time.
>
> On the opening page of the 2011 Budget this point was made.

> "The projected decline in Western Australia's share of national GST revenue over coming years, from 7.4 per cent in 2011–12 to an unsustainable 3.5 per cent by 2014–15, represents a major structural challenge in managing the State's finances," it noted.
>
> The next paragraph, however, gives away the game.
>
> "The State Government will continue to actively pursue a more equitable and sustainable GST-sharing arrangement, including through the Review of the GST Distribution recently announced by the Prime Minister."
>
> The choice was made then to channel the Government's efforts into a political solution.

We saw how that ended: the grand plan that the Premier announced at his party's state conference was shot down in flames by Senator Abetz of Tasmania just days later.

What should the government have done about that? The government should have looked much earlier at how it can diversify the economy. That is why we have put out the "WA Labor Plan for Jobs". That is a well-evidenced and well-argued plan for the diversification of our state's economy. WA Labor is committed to taking advantage of the innovation economy by stimulating growth and jobs in the high-tech sector; funding start-ups in new industries; connecting start-ups and investors; skilling our local workforce; investing in coding; investing in science in primary schools; investing in science fellowships; investing and collaborating with educators in robotics; supporting innovation hubs; and supporting the renewables industry.

In respect to tourism, WA Labor is committed to fast-tracking Brand WA; creating jobs in tourism by restructuring the WA Tourism budget to fit in with our three budget priorities around destination marketing, event tourism, and tourism infrastructure and investment; taking advantage of the knowledge economy to diversify our economy and create new jobs; growing opportunities in the hospitality industry; working with industry to develop the cruise industry; supporting the regions by ensuring that regional wineries, breweries and distilleries are able to sell their products where they want to; and supporting the Perth Convention and Exhibition Centre. The list goes on. It includes creating new jobs through investment in an international education strategy; international trade and investment; a state infrastructure strategy, for which industry in this state has been calling for years; establishing Infrastructure WA, which will be an independent advisory body to report directly to the Premier on major infrastructure projects; establishing industry technology parks; the Australian Marine Complex; creating jobs through government contracting; an industry participation plan; and an Aboriginal procurement policy. It also includes Metronet. Of course, I could talk for another hour about Metronet. It also includes the manufacture of railcars; skilled jobs on local projects; and the defence industry.

In respect to training for the future, the plan includes quality assurance in training; making training a priority in everything we do; creating more training opportunities; and using regional colleges of technical and further education to support regional job growth. In respect to small business, the plan includes reinvigorating the Western Australian industry capability network with respect to government contracts; supporting small and medium enterprises to complete participation plans; supporting Aboriginal small and medium-sized businesses; and supporting the services that are provided to microbusinesses in Western Australia. In respect to jobs for the regions, the plan includes maximising local content; tourism in the regions; valuing the agricultural sector; a livestock precinct at Boyanup; and the Kemerton food hub and growing jobs. In respect to business growth into Asia, the plan includes an Asian business strategy; Asia readiness, trade, investment and jobs; government-to-government relationships in Asia; and Asia literacy, with education and cultural networks. The list goes on. I could read from the whole document—it is some 138 pages—but I will not do so.

The point is that this government has squandered the good times. The government is now in the extraordinary position of having to bring in a fourth loan bill to enable it to borrow money to pay wages and to pay for core government services. This government has squandered the benefits it could have achieved from the boom by failing to put aside a bit of money to make up for the rainy day. The rainy day is now here, and the finances of this state and our economy are in dire straits because of this government's failure to act.

HON ROBIN CHAPPLE (Mining and Pastoral) [3.44 pm]: I wish to speak on behalf of the Greens on the Loan Bill 2016. I imagine that my colleague Hon Lynn MacLaren will also speak on this bill. The purpose of this Loan Bill is to generate a further $1.8 billion, which will in the forward estimates probably take our debt up to $41 billion or $42 billion.

The first thing we need to identify is that the reason the government got to this stage is that it made a fundamental mistake. That mistake was that it assumed that the sudden increase in iron ore prices two or three years ago was an omen for the future. However, anyone who was worked in the iron ore industry, as I have, and has followed the flow of iron ore prices and production rates would know that for the last 20 years, the average price of iron ore has been between $US50 and $US60 a tonne. However, because of an aberration in that process, the government has been driven into a frenzy of spending. I make the point that it was the Liberal–

National government that went into this frenzy of spending, without evaluating its future budgetary requirements and the requirements of the state.

I turn now to an article in *The West Australian* of 22 August 2016. That is one of the best articles that I have seen in *The West Australian* for a long time, because it contains some detailed analysis. The article also addresses some of the issues around the GST. The GST is blamed consistently for Western Australia's ills. The GST has always been a problem. The problem with the GST is that it has a three-year lag. However, because we have four-year electoral terms, we conveniently forget that the GST will continue to go through ebbs and flows. At the time this state was earning $US123 a tonne for our iron ore, our GST share was based on the iron ore price three years previously, at around $US70 a tonne. Therefore, we were getting a good GST return at the time of the increase in the iron ore price. However, because of the three-year lag in the distribution of Commonwealth Grants Commission levies, this state's GST share is now based on the price of iron ore at the heady level of $US123 a tonne.

I need to make a couple of salient points. The iron ore price has averaged between $US50 and $US60 a tonne for the last 20 years. Interestingly, even though our production rates have exceeded what they were in previous years, Australian iron ore comprises only approximately 27 per cent of the market, and that has been the case for many years.

We have now reached the point at which the administration needs to keep a lid on its spending. However, it has not done so. The administration is continuing to spend in an unfettered way. Although the debate on this Loan Bill is about the budget and expenditure under the Treasurer, we need to remember that the National Party, which is in coalition with the Liberal Party, has also been spending a significant amount of money. Because it affects my area—that is, the Mining and Pastoral Region—I thought I would turn to some of the expenditures and failures of the royalties for regions program. Before I go any further, I point out that I am a great supporter of royalties for regions. It was Jim Scott in this chamber back in 1998, I believe, who first mentioned royalties for regions. It was during the administration of the introduction of the gold royalty that Hon Giz Watson received a commitment from the then Leader of the House and Minister for Mines and Petroleum, Norman Moore, that the return of those gold royalties would go into an abandoned mine site register. We have always had the view that there needs to be a better return of royalties to regions.

Obviously, we have just seen the Auditor General's report into the Ord–East Kimberley development, and his comments are salient insomuch as we see that the distribution of funds really has not returned much to the state. A project under the Water for Food program cost $340 million and will, in essence, generate a feedstock for methanol production for the Chinese. It has little to do with the economy of the state or indeed Water for Food.

There is also, unfortunately, in my immediate neck of the woods, the Woodie Woodie spigot project, which was an idea to draw surplus water from mines to irrigate crops. Royalties for regions funded one spigot and the farmer bought two more. Royalties for regions provided $4.18 million. The manganese price dropped and Woodie Woodie mine went into care and maintenance in January 2016, and the water stopped flowing. The Department of Agriculture and Food negotiated with the mine's owners, Consolidated Minerals, to keep pumps running at the government's cost so that it could finish the trial. It cost a further $428 000 annually to maintain the provision of water for the Woodie Woodie spigot project. Unfortunately, the continuation of that annual assistance was cancelled and, in my view, it has taken more than $4 million of royalties for regions funding to learn that mines are too risky to rely on for irrigation activity, while also leaving, unfortunately, the poor station owner with expensive infrastructure that has no use.

My concern about the Karratha health campus that is being developed is that it will have no dialysis machines and, as we all know, kidney failure is a significant problem in the Pilbara and indeed further north in the Kimberley. There is the issue of the Jigalong dialysis machine not working because the energy supply to that community is substandard, so people are unable to use the dialysis machine. This means that a lot of patients have to come to Perth. Newman Hospital does not have a dialysis machine either. Kennedy Finley is a Newman resident who grew sick and started requiring a dialysis machine. He and others were forced to leave their community, family home and language and live in places such as Perth and Port Hedland. To a large degree, they found themselves in parks here in Perth, which really did not benefit them or the community in general. These are the sorts of things on which I think royalties for regions funding should have a significant impact.

I am concerned that some of the issues around the region could be more readily supported by royalties for regions into the future. The 400-seat Wanangkura Stadium, the South Hedland Aquatic Centre, the Marquee Splash and Play Park, the JD Hardie Youth Zone and the South Hedland skate park facilities cost $78 million, of which $21 million came from royalties for regions. The Pilbara Cities initiative essentially stipulated that the Town of Port Hedland must comply. In the 2015–16 financial year, the depreciation and maintenance costs of these facilities was $2.19 million and council rates skyrocketed as a result. The town will not be able to meet the 100 per cent renewal funding requirement. The Pelago apartments in Karratha are another example. The value of the government's 62 apartments in Karratha's Pelago project has dropped from $37 million to $16.6 million. The government is paying rent for five-year leases signed during the boom, but the apartments are now empty. An amount of $70 000 per annum is being paid in fees for empty apartments. At the Mulataga housing development in Karratha, the Cottesloe of the north, blocks were levelled and roads half-laid, but it was abandoned in 2014 despite the original plans for 2 000 homes and a retail and restaurant precinct. I could go on.

In looking at the issues that are now before us in trying to repair the budget, I come to the points that have been made recently by the Leader of the National Party in the other place about increasing the 25c lease arrangement in state agreement acts to $5. I want to talk at length on this.

When royalties were first established, based on a 10 per cent benchmark that underpins the four-tier ad valorem structure, discounts were then made and royalties paid were based on the discounts established under a number of criteria. A 2015 review found a high level of acceptance by the government, which contains the National Party, of the state's basic royalty structure in both industry and the wider community. The mineral royalty rate analysis—the review—was announced in the 2012–13 budget and the terms of reference were released by the government on 19 August 2013. Western Australia's four-tiered royalty system was introduced in 1981 and applies one of three royalty rates depending on the form in which the mineral is sold—ore, concentrate or final form—and the extent to which it is processed. A tiered system explicitly links processing to one of four royalty rates. Tier 1 is for primary treatment and attracts a rate of 7.5 per cent with a 2.5 per cent discount for infrastructure developed by the proponent. Tiers 2 and 3 are for secondary treatment and attract a rate of five per cent for concentration and a new rate of 3.75 per cent for metallurgical processing. Tier 4 is for final treatment and attracts a rate of 2.5 per cent. Western Australia's royalty system is designed to return to the community about 10 per cent of the mine-head value of ore, regardless of the commodity or the level of processing. In 2015, no stakeholders argued against the 10 per cent being too high or too low in principle, although some argued that their particular industry should pay less. It was noted in the reports that the industry and the government were happy to continue on the basis of 10 per cent ad valorem. In essence, the situation remains largely the same as it was in 1981. I point out that, subsequently, fines have become much more usable and have moved to the 7.5 per cent ad valorem rate from the five per cent they originally held.

Mineral royalty rates are applied through the Mining Act 1978 and Mining Regulations 1981 in state agreements that refer to rates in the Mining Act 1978 and Mining Regulations or in state agreement acts for specifically royalty rates, not iron ore. State agreement acts are contracts between the state government and companies seeking to establish and operate major resource projects and are ratified by an act of state Parliament. They specify rights and obligations in terms and conditions for the development of a project and establish a framework for cooperation between the parties to the agreement. Royalties were an important negotiation issue in earlier state agreements and many still contain specific royalty clauses. Later, state agreements typically referred to royal rates in the Mining Act. As we have recently seen, a number of amendments have been made to state agreement acts to enshrine the Mining Act more formally. For Brendon Grylls to say nothing has changed over time belies the point that most state agreement acts during the term I have been in this place have been amended significantly. We have also heard the comment that state agreement acts have never achieved what they set out to do; that is, to develop downstream industry and the smelters that were required. However, we have to remember that it was former governments that agreed to offset those particular developments; for example, for the establishment of a pipeline and a power station in Port Hedland and, in the case of BHP Billiton, the development of the hot briquetted iron ore plant, which unfortunately, as we know, was a disaster and led to the death of some very good workers.

State agreements have always been used to develop major resources. I point out that the Greens have also opposed every state agreement act because they are anti-competitive. They provide incentives and assistance to industry and obfuscation in some cases to the rule of law in areas that the other miners do not have. They also apply discriminatory levies that other miners do not pay. However, they provide legal certainty and, in some cases, incentives to investors developing capital-intensive, large-scale mineral processing operations that by their very nature are seen to be anti-competitive. A very interesting paper by Richard Hillman has been referred to a number of times in this place. It goes to the essence of whether we should have state agreement acts and provides some interesting insight into the anti-competitive nature of state agreement acts to the broader mining industry. It does not make a particular judgement about royalties or anything like that, but it refers to the anti-competitive nature of state agreement acts. I am mindful that at one stage the Labor Party had a policy that it would not enter into anymore state agreement acts, but unfortunately that policy fell by the wayside.

The 25c levy per lease per tonne or mined is an extra charge, and I think we need to make it clear that currently all mines pay for a lease to access the ground, whether it is for mining, exploration, prospecting or for service leases. They also pay a 7.5 per cent royalty for iron ore and, currently, that royalty equates to around $4.60. If we add the 25c per tonne, it takes the amount paid to about $4.75. The Leader of the National Party is proposing to increase that 25c to $5, and I will talk more on that in a minute.

It is really important that everybody realises that by their very nature state agreement acts cannot be amended unless by the mutual consent of the two parties who sign them—that is, the state, not a government, and the proponent—and that is something we have been concerned about The original state agreement act, the Iron Ore (Mount Goldsworthy) Agreement Act 1962, assented to on 27 September 1962, was an agreement between Hon David Brand, the then Premier, and Consolidated Gold Fields (Australia) Pty Ltd, which represented a number of iron ore companies at that time. It described what royalties were and also what this special lease of 25c was about. The royalty regime is based on freight on board, or FOB, and states —

> "f.o.b. revenue" means moneys payable to the Joint Venturers by the purchaser thereof in respect of any shipment of iron ore from the mining area shipped from Depuch Island —

I found that interesting because I did not know that Port Hedland had been sidelined in this process and that, in fact, the original development was going to Depuch Island —

> … and charges properly incurred and payable by the Joint Venturers from the time the ore shall be placed on ship at the wharf at Depuch Island to the time the same is delivered and accepted by the purchaser including —
>
> (i) ocean freight
>
> (ii) marine insurance
>
> (iii) port and handling charges at the port of discharge
>
> (iv) all costs incurred in delivering the ore from port of discharge to the smelter as shown in the relevant invoices copies of which shall be furnished by the Joint Venturers to the State

In fact, it is more than just a royalty based on the ore; it is a royalty based on the charges that accrue from the ore and import taxes by the country of port of discharge. We then come to what Hon Brendon Grylls has stated several times in the media; that is, the first mention of the 25c or as it was expressed at the time in pounds, shillings and pence. It is important to remember the agreement was made in 1962, and it states —

> … and expiring on the 15th anniversary of the date upon which the Joint Venturers first ship iron ore from the said wharf in commercial quantity but not later than twenty … years from the date hereof AND THEREAFTER until this Agreement is determined the Joint Venturers will pay to the State a rental equal to two shillings and sixpence … per ton for all iron ore shipped by the Joint Venturers from the Island —

Depuch Island —

> hereunder in any financial year provided that the rental will be payable within one … month …

That later became 25c. It is important to note that the next agreement in 1963 was between the state and what is now Rio Tinto. It contained a clause that provided that notwithstanding the agreement, the rentals and the royalties could not be amended at any time into the future. This Goldsworthy iron ore agreement was amended in 1965 to include that clause. Every state agreement act since then has included that clause. If anyone were to change this 25c, they would breach one of the fundamental tenets inserted in every state agreement act. Notwithstanding anything that is done, they will never be able to change this licence clause.

What is this licence clause all about? I will talk some more about that shortly. In essence, it was an extra charge. It is not a charge to replace any other licence because those who pay that 25c per tonne pay a lease payment to the Department of Mines and Petroleum for their lease. It is not for the way they operate; it is an addition. It is even more interesting that in 1996, the Mining Regulations were amended to insert section 28A "Additional rent for mining lease producing iron ore". This addition is attributed only to mines producing iron ore. Anyone who does not have a state agreement act also pays the 25c. Regulation 28A states —

> (1) In addition to the rent prescribed in Schedule 2, a lessee shall pay rent calculated at the rate of 25 cents per tonne of all forms of iron ore obtained from the mining lease after the expiry of the period of 15 years from —
>
> (a) the day on which iron ore is or was first obtained from that mining lease by the lessee; or
>
> (b) the day on which the Mining Amendment Regulations 1996 came into operation,

The important couple of words are "the day on which the iron ore is or was first obtained". I will come back to that shortly. I note that this is on top of the prescribed schedule 2, the base rent of $16.50 per hectare currently paid by all other miners; namely, those who mine nickel, uranium, copper, lead or gold. Those miners do not pay the extra 25c.

There is a lot of misinformation about who pays or is eligible to pay this fee. It should be noted that the fee applies only to mines that have completed their first 15 years of production. Many small iron ore mines that have a mining life shorter than 15 years will never pay the 25c. We notice that today a small miner has come out in support of Mr Grylls. That is not surprising given it will never pay the 25c or, indeed, the proposed increased levy of $5 per tonne, so I can understand why it has co me out in support of it.

Who pays the fee? I thought I would check to find out and I think it is important to record this in *Hansard* because it will provide some guidance into the misinformation being peddled. I will not go through the whole list of agreements but those that pay the fee are Marillana Creek Yandi, Goldsworthy Iron Ore, Mining Area C, Jimblebar–Wheelarra–Hashimoto, BHP Newman, Channar, Brockman 2, Brockman 4, Hamersley Iron, Marandoo, Paraburdoo, Tom Price, Turner Syncline West, Hope Downs, West Angelas, Robe River–Deepdale, and Yandicoogina. But there is a kicker, which, interestingly, is that all the mines not covered by state agreement acts also pay 25c. They are, Pardoo, Woodgina Iron, Mt Dove–Turner River, Abydos, Mt Weber, Nullagine CID, Iron Valley, Sino–Cape Preston Iron, Koolyanobbing Iron, Jack Hills, East Pilbara Iron Ore, Solomon, Karara, Blue Hills, Ridges and, interestingly, Koolan Island. Koolan Island is an interesting case because it pays the 25c; it has done its 15 years of production. The idea that only BHP and Rio have reached the 15-year period is a bit of a nonsense. Certainly Koolan Island pays it. If it had not gone into receivership, Pluton at Cockatoo Island would also be paying it. To continue with the list: Spinifex Ridge, Tallering Peak, Mt Gibson Iron, Poondano Iron Ore, Phils Creek, Carina, Roy Hill Iron Ore, Koolanooka and Greater Mummaloo. All those mines pay 25c. The rhetoric that it is only the big two is a bit of a nonsense.

Members might wonder what a member of the Greens is doing, in essence, supporting the mining industry. We do not mind the mining industry but we like to make sure miners are doing the right thing. When iron ore was at the decent price of $123 a tonne, the federal government tried to introduce a tax. Interestingly, at that time there was a lot of hoo-ha about not being able to afford it and that we would all go broke. But when iron ore was $123 a tonne, a degree of super profit was going offshore and we should have worked hard to enable retention of some of that super profit in Australia through a taxing regime that basically covered profit.

Roy Hill Pty Ltd, Fortescue Metals Group and Sino Iron project, Cape Preston will all be eligible to pay 25c on their lease once they have completed 15 years. It is something of an anomaly that although we are going down this path, the Liberal–National government has given one of those mines that is due to pay the 25c a 50 per cent discount on its royalty rate; namely, Sino Iron Ore. Interestingly, the royalties for regions program is funding the 25 per cent of the cost of the reduction in revenue to the state. I find it rather hypocritical that at one level we are saying let us tax the two big companies while a company such as Sino Iron Ore, which, last year, made $7.3 billion in profit on the back of $73.8 billion in revenues, had its royalties halved by the very same people now proposing to increase the royalty rate for the two big majors by 100 per cent. I hope the National Party members of this chamber listening to this speech will enter into this debate and answer why we have this dichotomy of positions. The government has extended its magnetite financial assistance program for another three years, which will allow the Chinese industrial giant CITIC Pacific to make significant profits on a reduced royalty base.

In 2013, when Hon Brendon Grylls was a cabinet minister, the State Agreements Legislation Repeal Bill 2013 was passed, the purpose of which was to ratify an act to repeal various state agreement acts. The following acts were repealed: the Broken Hill Proprietary Company Limited Agreements (Variation) Act and the Broken Hill Proprietary Company's Integrated Steel Works Agreement Act. I have heard that there has been quite a lot of comment that it was rather terrible that industry had not developed the things they were supposed to yet, a cabinet minister has signed off on a bill that enables them not to do so. A couple of years later, people have a different position. Also included was the Iron and Steel (Mid West) Agreement Act, which also was designed to develop industry in the state. Here we have a cabinet minister signing off and saying, "Well, we don't need that development any longer." We now have that same gentleman—in another place; in another dimension—saying it is terrible that we have not developed it. That is an interesting little bit of commentary.

Over the week since this announcement on revenue raising was made, it has become abundantly clear that Mr Grylls has no idea of how to implement this policy. I do not think it is a problem that there has been no consumer price index on the 25c, but no other miner pays that 25c. It is an add-on to the major miners and anybody who operates under section 28(a) of the Mining Act.

I have said that the breakdown is about $4.60 a tonne, plus 25c, making $4.85, and we are talking about increasing that by $5—an over 100 per cent increase. One of my major concerns is that because we are dealing with a rental, not a royalty, there is a significant risk to the state. I will come to that. I have said that that applies to many miners within the state. My view is that, regardless of how many times it is sugar-coated, it is a major sovereign risk for the nation. I will deal shortly with the Premier's proposal to abolish the 25c and receive a payout from the two big miners.

Pragmatics aside, the National Party has supported every state agreement act that has come to this place; the Greens have always opposed them. A former colleague, Dee Margetts, wrote a major thesis on state agreement acts. I am sure long-serving and former members will remember that competition policy was discussed ad nauseam in this place. The thesis was based around those issues and how they affect national competition policy; that is why the Greens have never supported state agreement acts.

Currently, there are 66 state agreement acts, of which at least 18—originally 22—deal directly with the iron ore industry. Mr Grylls seems to forget that in his past life as Minister for Regional Development, from September 2008 through to December 2013, he presided over four such state agreement acts. One would have thought that if he had a problem with state agreement acts, he would have raised that in cabinet and made sure that his colleagues in this place carried forward his concerns.

Since 1952, state agreement acts have regularly been used by successive Western Australian governments to foster resource development such as mineral, petroleum, wood extraction and related downstream processing projects, together with essential infrastructure investments. When Hon Crawford Nalder established the first state agreement act with Conzinc Riotinto for iron ore, he did so under a number of principles. I have stated that the Iron Ore (Hamersley Range) Agreement Act was the first of many to come, but it provided for the companies to build towns and not be subject to local government rates or many other laws of the state. This was the first agreement that referred to the additional rental for a mineral lease equivalent to 25c. That was the first time, after the decimalisation of our currency, that the 25c was identified.

Some interesting commentary has been made. I quote Hon Brendon Grylls —

> The reason we're concerned —

About a mining tax —

> is that if most of these major projects rely on international finance to get off the ground. There's not enough money in Australia to fund the multibillion-dollar projects which are underpinning the West Australian and national economy. If the new mining tax, which we oppose, goes ahead, we are worried that we scare that international capital market away from Western Australia, and the projects simply don't ahead.

That statement, which has been repeated a number of times, provides a really good insight into why we should not support the sort of proposal coming from Hon Brendon Grylls. I invite interjections if there are any.

Hon Stephen Dawson: The microphones can't pick me up, but I totally agree.

Hon ROBIN CHAPPLE: Assuming there was an interjection, we need to know that that statement was made by Hon Brendon Grylls, as Leader of the National Party, on the ABC's *Landline* program in 2010. He had a lot to say about the mining tax at that time. It again shows a degree of hypocrisy that somebody would put an idea forward now that is exactly the opposite of his view six years ago. Those comments were made right at the beginning of the boom, when iron ore was at a price sitting comfortably over $120 a tonne—a time when several miners were making obscene profits. Indeed, the federal taxing regime of that time would have enabled some of those super-profits to be retained in Australia and distributed for the benefit of all states. We did not choose that path. We opposed a mining tax at that time, and the very same people who opposed that mining tax are now suggesting that, with an iron ore price of $50 to $60 a tonne, this is the ideal time to introduce it.

I mentioned that that royalty reduction rate of the Liberal–National government has been implemented. It applies specifically to CITIC Pacific Mining's Sino Iron project, which is also in receipt of that 50 per cent discount on its current royalties due to the downturn in the industry. We have a member who wants to initiate a major tax on an industry that he acknowledges is in a downturn and to which 25 per cent is paid out of royalties for regions to support that declining industry. I see a problem with that. I have looked at royalties, taxes and state agreement acts over many years, and my view is that we are opening up a Pandora's box. The lease rental we are talking about is not identified as a royalty; the lease rental is identified as essentially a tax. As such, my view is that it opens up the state to a huge range of problems. I do not know what BHP Billiton or Rio Tinto may consider into the future, but we already know that BHP is challenging the Queensland government over the ability to raise royalties. We also know that the liquefied natural gas companies are challenging the Queensland government over its ability to levy royalties. A dictum in law exists that considers royalties to be an excise and not available to the states to raise. I will turn to that more in a moment.

I am not talking about royalties here; I am talking about this lease rental that is not defined as a royalty. The Department of Mines and Petroleum goes to great lengths when discussing a royalty and makes very clear that a royalty is not a tax. It repeatedly restates that whenever it talks about royalties because it is obviously concerned about this issue. That has never been a statement attributed to this 25c lease.

I refer to a Murdoch University paper—volume 7, number 3, September 2000, by Manuel Calzada—entitled "State Government Mining Royalties: Requited Taxes or Duties of Excise". I have read the paper at length. In the main, it deals with the issue of royalties. But when it deals with the issue of a lease, it is not a lease for the land, because they are already paying that lease through another dictum; namely, the Mining Act—rather, it is a lease that generates income.

Debate adjourned, pursuant to standing orders.

[Continued on page 7165.]