

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

McGOWAN GOVERNMENT — ELECTION COMMITMENTS

Matter of Public Interest

THE SPEAKER (Mr P.B. Watson) informed the Assembly that he was in receipt within the prescribed time of a letter from the Leader of the Opposition seeking to debate a matter of public interest.

[In compliance with standing orders, at least five members rose in their places.]

DR M.D. NAHAN (Riverton — Leader of the Opposition) [3.03 pm]: I move —

That this house notes the government, in delivering its first budget, has breached a number of fundamental election commitments it made to the people of Western Australia prior to the March state election.

As we know, the Labor Party made a raft of commitments. Let me review them. Labor said it would create 50 000 jobs. That was its major starting point. It said it would pay down debt like a mortgage and return the budget to surplus. It said it would keep fees and charges on households to the forward estimates. It committed to retaining the wages policy of the previous government of a 1.5 per cent a year increase. It said it would not cut frontline services and it would fund an estimated \$5 billion worth of additional expenditure. On most of these commitments, it has failed.

Let us go back to the context of those commitments. As governments often want to do, particularly those who go into a tight election, it has overcommitted. It knew the fiscal outlook and it argued for years what the issues were. It understood the requirements. The *Pre-election Financial Projections Statement* from Treasury indicated where the financial situation was heading; the deficit was projected to be in the vicinity of \$3 billion for 2017–18—declining, but still in deficit—and debt was projected to go towards \$40 billion. The Labor Party knew the challenge. Treasury also said that the next government must have a debt reduction strategy and that the risk of revenue was on the downside. Those figures are in the *Pre-election Financial Projections Statement* from Treasury and are all accurate.

The government also knew that the household sector was extremely soft and fragile and could not withstand large hits. That is one reason that the Labor Party won a large swing towards it. The Labor opposition campaigned for four years against every increase in fees and charges that we put together. It campaigned against and voted against every effort that we made to increase revenue, such as through land and payroll tax. The Labor opposition resisted every bit of fiscal reform that we suggested and put through. When it came to the election, it knew the task in front of it and it has failed. Yes, the Premier has gone on and said that he is sorry. He has done a Peter Beattie on us; the former Premier of Queensland made apologising a new art form. Apologising is not good enough. Six months ago, the Premier of the state and then opposition leader, swore a set of promises to the people of Western Australia. He has reneged on them in six months.

Let us go through these matters, starting with jobs. The Premier has formed some new committees and he is sending the member for Cannington over to China to do something—I am not sure what. That will not create a job. He is setting up Defence West. That new bureaucracy has not created any jobs. He has announced 3 000 more redundancies in the public sector and a payroll tax increase. Yes, that will affect the businesses on the big side of town—the ones that have large payrolls—but they still employ people and pay very good wages. I know a large number of people who work for them or want to work for them. A tax on jobs, even if it affects only large firms, is still a tax on jobs but generally on only high-paying jobs.

When he was in opposition in 2014 and 2015, the now Premier reiterated that he was deadly opposed to any increase in gold royalties. The context in 2015 was a 14 per cent drop in our revenue and a large increase in our deficit. A review of mineral royalties was underway and that is now being used to increase royalties. The opposition, the now Premier and a number of members of his now ministry, campaigned against it and promised not to put it in. Indeed, the opposition in the upper house promised to try to block any increase in royalties. That is what the Labor opposition did. The evidence is there. Now the Labor government has increased gold royalties and said that it will not hurt jobs. It claims that it needs to use the royalties increase to repair the budget. When we suggested it for the same reason in 2014 and 2015, the Labor opposition rejected it. Now it is trying, as it has repeatedly done, to try to blame the fiscal position on us. One thing that we decided to do back in 2014 and 2015 was not to increase the royalty on gold. It is the government's choice. It can choose otherwise and decide not to. By the way, the government has not consulted.

It has also removed the first home owner grant boost and cut social housing expenditure. Yes, it made a lot of noise about Metronet and spending on roads, but the reality is that the capital spend in the general government sector and the total public sector declines under the government's four years of forward estimates relative to what was scheduled under the Liberal–National government. How does the government create jobs in the state? First, it can employ people directly. The government is laying off 3 000 people. Taxation, whatever it might be, and

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

royalty increases will impact jobs. If the government does not know that an increase in gold royalties will impact on jobs, the government does not understand the industry; it will destroy jobs of some sort. The slowest sector other than household sector is the building sector, and the government took away the first home owner grant bonus, which was significantly going to maintain activity and jobs in one of the most labour-intensive industries of housing. The other way that the government could increase jobs is through capital spend, but it is reducing that. That is a significant factor.

The government promised that the last deficit would be in 2019–20. It says that it will have a surplus in 2021–22. The reality is that that will largely be achieved by a one-off payment from financial institution duties.

Let me go through a few issues relating to the budget repair. Probably the most important issue is that the government said that it wanted to hit the big side of town and that all sectors would bear it. According to its own estimates, if all these charges go through, the private sector will be hit to the tune of \$876 million over the forward estimates. The government business enterprise sector will get hit by \$802 million. The public sector will be hit by about \$1.7 billion. If we compare that figure with the figure from our forward estimates, the household sector will be hit by an additional \$1.1 billion. In other words, the household sector, other than the government, is carrying the burden for the government's budget repair. Much of the debt borne by government business enterprises relates to the electricity industry. The government will massively increase the levies on the electricity industry. They will be passed on in full by way of higher electricity prices into the future. Therefore, much of the recovery in the GBE sector will be borne by the household sector.

This document is a litany of broken promises. We will be holding the government to account for each one of those broken promises. It did not need to make those promises to win the last election. It won succinctly. It knew what it was doing. Saying sorry now means nothing because it knew what it was doing. It knew that it was not going to meet these commitments and it was trying to mislead people to gain their votes. The government will be held accountable for that over the next four years.

MR D.C. NALDER (Bateman) [3.11 pm]: The government, when in opposition during the election campaign, committed to tackle debt. Prior to the election, it would not subject its costings to Treasury but said that net debt would be \$39.8 billion at the end of the forward estimates. We now have a budget that shows that state debt will be \$43.6 billion by 2020–21. What happened during that election? If we look at the *2016–17 Pre-election Financial Projections Statement*, we see that the Premier tried to use numbers that were not factual. He was talking about a figure of \$42.2 billion during question time. The PFPS shows a figure of \$41.1 billion. The Under Treasurer said that whichever party formed government, it needed to tackle the debt position. The Liberal Party took a position that it would tackle debt, and we had it costed by Treasury. The Treasury position was that by the end of the forward estimates under a Liberal government, net debt would be \$28.8 billion. The Premier is not taking responsibility for where the net debt is going during this term of government. I do not understand that. We are starting to find out that there are a lot of gaps between what the government put up during the election and what we are now seeing in the budget.

When we look at the impact on householders, we have seen a \$440 increase for householders—a 10.9 per cent increase in electricity charges for this year. I remind members of this house that when we put up electricity by three per cent last year, the Premier, the then Leader of the Opposition, said that we were mean-spirited. We also have to remember that today's increases in energy prices compound on the percentage increases of the past. A large percentage increase eight to 10 years ago had a much smaller impact.

Dr M.D. Nahan interjected.

The SPEAKER: Leader of the Opposition, I cannot hear your member speak because you were talking in the background.

Mr D.C. NALDER: It has a much smaller impact in percentage terms than it has today. I remind people that we have had a downturn in the economy. We all know that. We all know that people are hurting and that people have been worried about jobs, yet we see a 10.9 per cent increase in electricity prices. As a principle, the opposition agrees with the government that moving towards cost reflectivity is right, but we have always said that we have to look at where the economy is at whenever we are considering it. That is why we never saw the Liberal government increase electricity prices by that rate in the forward estimates in the last four years because we looked at the ability for the community to absorb these costs. What we saw this year went beyond what the forward estimates were saying—10.9 per cent.

In 2015–16, 10 200 people sought assistance from the government to meet their electricity bills. Last year, in 2016–17, 27 000 people sought assistance. That is a signal of what is happening in the economy. We have seen a 10.9 per cent increase in power prices for Western Australians. What happened in the first month of this financial

year—in July? We have seen 10 600 people seek support, which is more than the total number of people who sought assistance in 2015–16. If that is not an alarm bell for the government—in looking at the impact that this is having on households, the government went out on the weekend and confirmed that it will keep the increases that it has in the forward estimates, which are still relatively high and compounded on the price increases that have gone before it—I do not know what is. This is impacting on households. The government says that it is not impacting on households. It tried to move away from that and say that the budget had nothing to do with households because it was announced a couple of months earlier, and it was not part of the budget. It was part of the budget. There is a sting in the tail of this budget for householders moving forward, something that everybody needs to be aware of.

MR D.T. REDMAN (Warren–Blackwood) [3.16 pm]: In my short contribution, I want to go through roughly three points, which fundamentally relate to a breach of trust from the government to the people of Western Australia when it went to the last election. The most obvious one—although we did not see it physically, we have heard it over the last couple of days—was a massive backflip by the Premier on the gold royalty. We had that fantastic picture of the member for Rockingham taken out the front of this place wearing one of those flash yellow hats. I am sure that it had “McGowan” written across the front. He was standing right next to a young lady with lycra on, who came from the resources sector. He was waving the hat around, saying, “We do not support a gold royalty.” The only thing that was missing was his sneakers! He had everything else but his sneakers. The first test—the first budget for a brand-new Premier—was to come in on the back of someone who railed against us over here and raised concerns about the previous government meeting our commitments, and he went to the people of Western Australia in the first term and said, “Sorry, but I just backflipped on one of the things I said I would not do.” The gold royalty will raise \$400 million for the budget. What do members think the people in the goldfields are saying? They are saying, “It must have been a tough day for the Treasurer yesterday.” To have that fundamental commitment and understanding in the regional communities about their position and fundamentally backflip, it is not surprising that the Premier has a nickname like that.

We brought a motion to this house last Wednesday to refer an issue to the Economics and Industry Standing Committee. The member for Swan Hills, who is busily looking at her papers getting ready for her speech, stated last Wednesday —

We cannot say to companies, “Bring your capital, bring your jobs, bring your infrastructure, but at any stage we may fundamentally change the terms of your deal. No negotiation, no discussion.” That is no way to run an economy or to generate regional jobs.

That is a quote from the member for Swan Hills when she talked in private members’ business last week.

Ms J.J. Shaw interjected.

The SPEAKER: Member for Swan Hills, I call you to order for the first time.

Mr D.T. REDMAN: Thank you for your protection, Mr Speaker. That was a quote that was made against our motion when we talked about just referring an issue to the inquiry.

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka, I call you to order for the first time.

Mr D.T. REDMAN: What did we say about a Premier who backflips and says, without discussion, without negotiation, “We’re going to hit you with a brand-new royalty that you have never heard about before. In fact, you thought we were not going to do it”? There is no more fundamental a breach of a commitment going to an election than that—let alone the issues with royalties for regions. The Labor Party went to the last election with a list of 200 fresh ideas—this will be a great list to go through in a couple of years. Buried in the middle of the list is the statement —

Support and maintain Royalties for Regions with a focus on jobs.

Ms J.M. Freeman interjected.

The SPEAKER: I call to order the member for Mirrabooka for the second time.

Mr D.T. REDMAN: I would not have thought that people in regional Western Australia would have thought that at the first turn and at the first test we would see in the headline a figure of \$861 million of cost shift straight into royalties for regions—that is about 21 per cent in terms of the current forward estimates. But the implications of that decision as those new subsidies come into play in the out years is an over 40 per cent hit on royalties for regions. That is \$400 million a year for the Minister for Transport to go and build her Metronet, which today she told us will be just a whisker bigger than Alannah’s. She must be happy about that, Mr Speaker. This is a fundamental issue for people in regional Western Australia. Going into the election, the Labor Party said that it

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

supported and would maintain royalties for regions, but at the first turn, \$400 million over the long term will come out of it, not to mention all the other issues that we will raise in the short term.

The member for Bateman highlighted power and water prices. The Labor Party went to the election and stated that the privatisation of Western Power would increase power prices, but did not tell us, as we have said before in this place, that if Western Power was not sold, it would raise power and water prices. Again, mums and dads are being hit up —

Mr D.J. Kelly: What've we done about water prices?

Mr D.T. REDMAN: I am waiting to talk about the member; he is next!

Mr D.J. Kelly interjected.

The SPEAKER: Minister for Water, I call you to order for the first time.

Mr D.T. REDMAN: The government misled the people of Western Australia; it has put up water and power prices. What is more, the question we regularly received from the Minister for Water when he sat on this side of the chamber was about the net accrual to government out of the Water Corporation. He called it a cash cow when the net accrual to government was about \$200 million. What is it in this budget? It is \$443 million! The net accrual to government out of the Water Corporation is \$443 million. The Minister for Water was railing against us when it was \$200 million!

Mr D.J. Kelly interjected.

The SPEAKER: First of all, member, talk to the Chair. Minister for Water, I call you to order for the second time.

Mr D.T. REDMAN: Do government members think that the people of Western Australia like the idea of \$443 million being pulled out of the Water Corporation on one hand, but over here the government is saying that they have to pay another six per cent? They have misled the people of Western Australia at the first turn and at the first test. There have been backflips left, right and centre, and members opposite cannot hold straight faces. If government members stump up and try to make commentary on this motion, they will have to try to hold a straight face, but it will be bloody hard, because there are fundamental breaches and they have failed at the first test. It was a fantastic backflip by the Premier today on the gold royalty. The Labor Party misled the people of regional Western Australia on royalties for regions and power and water prices. The government is using the Water Corporation as a cash cow, which is exactly what the Minister for Water said it would not do.

Mr P. Papalia interjected.

The SPEAKER: Minister for Tourism, it is not a chat fest, I call you to order for the first time.

Mr D.T. REDMAN: The Minister for Water is doing exactly what he said he would not do when he was in opposition. I do not know how government members hold a straight face when they look people of Western Australia in the eye.

MR P.J. RUNDLE (Roe) [3.23 pm]: Very impressive facts and figures from the member for Warren–Blackwood. I agree that with the release of the 2017–18 budget the state government has revealed its true colours and it is breaking its commitment not to increase gold royalties and destroy jobs in regional Western Australia. The grand plan for budget repair is to attack the poor cousin of the resources sector, yet turn a blind eye to the billions of dollars of profit being made by the two most profitable iron ore miners in WA.

Mr D.J. Kelly interjected.

The SPEAKER: Minister for Water!

Mr P.J. RUNDLE: In 2014, the *Kalgoorlie Miner* reported the Premier as saying —

“The Liberal and National parties are putting in this massive increase in the royalty, and gold mines will close as a result, make no mistake,” ...

I remember the photo of the then Leader of the Opposition on the steps of Parliament House wearing a yellow helmet with McGowan written across it. Wendy Duncan, our fantastic advocate and former member for Kalgoorlie, was putting out her opposition to the royalty increase and getting full support from Mr McGowan at the time. I am not too sure what is going on in this place, but some of our upper house members have indicated that if there is an opportunity to move a disallowance motion in the Legislative Council to prevent this royalty increase, they will have a good think about it. To be honest, I wonder how this increase to the royalty is different from all the arguments made against revising the special lease rental for BHP and Rio Tinto. I also note comments made by the Premier in 2015 reported in the *Kalgoorlie Miner* that —

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

“For every dollar, we get in gold royalties we lose 90 cents in GST, so at the end of the day for every dollar of royalty increase, the State gets 10 cents,” ...

“It’s basically a waste of time to put up the royalty because it impacts ... jobs and the health of the industry for limited benefit.

So why exactly are we putting up this royalty? As I drove to Parliament this morning, I heard the Premier on the radio talking about sovereign risk, state agreements and all those things, but here we go. I would like to reiterate: exactly why are we putting up this royalty?

MR B.S. WYATT (Victoria Park — Treasurer) [3.26 pm]: I rise to make some comments on the motion. I want to start by reading to the chamber from page 71 of budget paper No 3 —

- Excluding the Machinery of Government changes and new revenue measures, the general government revenue estimates have been revised down by a total of \$5 billion (over 2016–17 to 2019–20) since the *Pre-election Financial Projections Statement* ...

That is \$5 billion. It is outlined in detail on page 71.

Mr D.C. Nalder: What’s the \$572 million?

Mr B.S. WYATT: What is the member talking about?

Mr D.C. Nalder: Of the \$5 billion, what’s the \$572 million—the last number?

Mr B.S. WYATT: By way of interjection, the shadow Treasurer asked me what the \$572 million at the last dot point is for, because four dot points outline the make-up of the \$5 billion. Our friends in Canberra re-cashflowed mainly education and also some health national partnership agreement money. That took money out of Western Australia’s forward estimates that will be back-ended at the end of, off the top of my head, I want to say a six-year period and that had a \$572 million impact across the forward estimates. Member for Bateman, that is what the \$572 million is.

The Leader of the Opposition said on radio if Treasury confirms a writedown in our revenue, but Treasury has done so in the budget. This is not something I scribbled down; it is, as the Leader of the Opposition knows, from Treasury based on our forward estimates projections. I refer all members to page 71 of budget paper No 3. I highlight that. Yesterday I said to the goldminers, as I am about to say here, because there was some disgruntlement that prior to the election we said that we would not increase taxes—we saw that in the media—that I cannot pretend that those revenue writedowns did not happen. If I am going to be in government and if I am going to be Treasurer, I have to react to that, as companies in the gold sector would react if for whatever reason revenue declined or costs increased. They would react and their boards and shareholders would expect them to. So I reacted. I think we have reacted in a balanced way. I outlined in my budget speech that the fundamental problem is that we inherited—I will not go through all the detail of the mess we inherited—a structural imbalance in the state’s books. I said in my budget speech, Leader of the Opposition, that I accept that in the second term, in particular, the previous government had the problem of the idiosyncratic operation of the GST, in which the coming off of record iron ore prices was predictable, although the speed in descent was not. Because of the lag in the goods and services tax return, the former government had the problem that although its spending over the four years up to 2016–17 was clicking along at about \$4.2 billion over that time, its revenue increased at \$950 million. That was exacerbating what it had done in the first term. That was on the back of record revenue growth. Whilst it was getting record mineral royalty returns, it also had a higher GST return because the decline had not yet started, and it increased net debt by 500 per cent. It was the ill-discipline of the first term. I made the point in question time today that the National Party, fiscal ratbag that it is, refuses to acknowledge that while funds are borrowed—we can all pretend, if you like, that they were not—I highlight —

Mr D.T. Redman interjected.

Mr B.S. WYATT: I am not actually referring to the member for Warren–Blackwood, but I will —

Mr D.T. Redman: I did not see that in the commitments.

Mr B.S. WYATT: The member for Warren–Blackwood also did not see the fact that we were expecting a \$5 billion revenue writedown. That is why I started my speech with the \$5 billion revenue writedown that I do not get the right to ignore.

Let me just flag why the decision we have made around royalties for regions will make it sustainable. Let us say for every \$1 billion of royalties just over 90 per cent is iron ore. Ninety per cent of royalties are redistributed; so for every \$1 billion, \$900 million of that is redistributed straightaway. Because royalties for regions is a gross, not net, funding source, another 25 per cent goes into that fund. So we are now spending 115 per cent. I am hoping people are starting to see the problem. As a result —

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

Mr D.T. Redman interjected.

The SPEAKER: Member for Warren–Blackwood, you had your chance to speak.

Mr B.S. WYATT: — we had to make decisions to make it sustainable. I said in my budget speech that that is why \$861 million of regional programs funded by the consolidated account will now be funded by royalties for regions. In the end it is all part of the budget. The programs are there, but I pulled out—this is something I think the National Party is perhaps most disgruntled about—the bunch of little hollow logs that were, to be frank, nothing more than National Party slush funds. Let us be frank about it, Mr Speaker. That is what we did. I note that already—in the most hypocritical of performances—the Leader of the National Party has gone out there and said, “We’re going to block gold royalty and we’re going to block the payroll tax.” It was the most hypocritical performance. I have sat here day after day while the Leader of the National Party says, “Why don’t you just go and ignore your state agreements and increase your lease rental fee on the iron ore miners”, yet when we introduce a payroll tax levy—the single biggest payer of that will be those iron ore miners—the Leader of the National Party says she will oppose that. Despite being the fiscal ratbag that created a big part of the problem, the National Party is now saying, “We create this problem —

Several members interjected.

The SPEAKER: Member for Warren–Blackwood, I call you to order.

Mr B.S. WYATT: “We create this problem. We’re not going to be part of the cleaning up process.” I hope the Liberal Party will be. I note, as I said in question time today, that I think the shadow Treasurer is going to great lengths to try to position the Liberal Party to try to support some of this. This is actually not just important for the state of WA, it is also important for the fiscal credibility of the Liberal Party. The Liberal Party, as the grown-up adults in government, only towards the end—to the credit of the Leader of the Opposition—started to have an impact on the National Party. As I have said before, the National Party has no interest in the finances of the state. It has zero interest in the finances of the state. It has a simple interest in just trying to get as much money as it possibly can to spend right now! That is the extent of its vision. The hypocrisy now of the Leader of the National Party saying, “We’re not going to support a tax increase”, when the single biggest payer will be the iron ore miners, highlights exactly where this fiscal ratbag stands. I am particularly disappointed about that.

I have a couple of other points. I quote the member for Roe when he asked, “How is the gold royalty increase different from the lease rental fee?” Why oppose it, member for Roe? Why oppose it if it is no different? It is exactly what the National Party proposed during the election campaign. Again, interestingly enough, Mr Speaker, it was not mentioned once by the National Party while it was in cabinet for eight and a half years! Again, it came to that point in the end because I think the now Leader of the Opposition was starting to have an impact on how the National Party was spending money, and the National Party ran off to find its next pot of money. I have said that the National Party is not interested in economic growth or the broader finances of the state; it is simply interested in its own fiscal capacity to pork-barrel its own electorates.

The shadow Treasurer is right—I wrote it down because he was bang-on—we are impacting households. The shadow Treasurer is right. I have never once said we are not impacting households, and neither has the Premier. We are. It is not something I like to do, it is not something I got into Parliament to do, but I again draw members’ attention to page 4 of budget paper No 3, “Contributions to Budget Repair”. The pie chart on page 4 is important. We are impacting households, which is why we have looked to other sources—gold and payroll tax. That is why we made these decisions; they are not decisions we wanted to make. That is why I quoted page 71. When in government we have to react to those sorts of revenue writedowns. But I do not want to impact on them even further. The revenue measures we have taken are important to our effort of budget repair, and if they do not make their way through Parliament then unfortunately the reality of state governments is that the revenue sources are blunt, and so we will start looking at ones that will then look to the households of WA to have a greater impact. I will tell members what I will call them; I will name them after the National Party because it has decided to take zero responsibility for the fiscal consequences of its time in government. I assure members I will not let the National Party get away with that.

I have made the points around royalties for regions. If colleagues look at page 4, I think we have struck the balance. During this budget process we have spent a vast amount of time, effort, demands and expectations on what we can control—that is, our spending growth. I said in my budget speech—I have said it wherever I go—that the challenge will be in the delivery. But we are projecting—I emphasise “projecting”—expense growth on average of 1.9 per cent across the forward estimates. If I compare that with the first term of the previous government, I think it had 7.8 per cent. This is a very important part of what we have sought to do—limit what we can do. Some things in government on the spend side are demand-driven—hospital attendances et cetera—but we have sought to limit what we can do in respect of the spend side. If members look at page 4, half of the effort in budget repair is coming

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

from the public sector. We have made announcements around the wages policy, full-time equivalents and reductions announced in the budget, and a range of others.

I have tried to limit it on households. I note some of the commentary today on the government trading enterprises. I have been challenged in this place by the member for Bateman and the Leader of the Opposition to make sure Synergy does its bit—specifically challenged in here—and that is exactly what I have done and will continue to do. Synergy has stripped out a lot of costs, and now I am asking it to do a bit more. I have said that the subsidy we pay to Synergy will disappear from 2018–19. Because of the decision we made around tariff 4—I know the Leader of the Opposition supports that—around increasing the fixed charge to ensure that it actually reflects what Western Power charges Synergy for its customers, that has had a big impact on the reduction of the tariff adjustment payment. We will see that reduce from around \$155 million in this financial year through to around \$58 million in the next financial year. We made the decision to pull that out of Synergy and asked it, in its \$3.1 billion in revenue, to absorb that through its own efficiencies. My job is now to ensure that it does that, and that will not simply flow through to power bill increases. That is the determination we have to ensure that our GTEs are also looked to. I guess the benefit of ownership and being the shareholders is that we can put them under a bit of pressure as well so that they are contributing to the broader effort of budget repair. We have made a range of decisions across a range of GTEs in that regard.

I have a final point I want to make. Clearly, the payroll tax decision is one that I did not want to make but had to. We had to look to the corporate sector. We have looked to the largest corporates in WA. We are specifically ensuring that it is a finite period. Five years, and then it expires. That will ensure that governments do not simply assume the revenue and allocate it to spend, which would make it all the more difficult to pull it out in the future. That will be a very small five-year increase across the forward estimates. To give members some context about its likely impact, from memory, on payrolls above \$2.5 billion, the increase will be about 2.6 per cent. Importantly, payroll tax is a revenue source that, by and large, we keep here in Western Australia.

The other decision that had some focus today in question time was our gold royalty increase. I think this was a good decision by the cabinet. We have looked to protect the smaller operators and the gold sector from any decline in the gold price from its current very high level, which, across the forward estimates, is not expected to be dramatic at all. That tiering will protect the gold sector. I enjoyed my meeting with a large range of significant gold miners across Western Australia yesterday in Kalgoorlie. I make the point that at the current gold price, we are asking the gold sector to pay an extra \$20 an ounce out of about \$1 700 an ounce. I will respond to comments that this will mean that exploration will disappear, jobs will go and investment decisions will be impacted. As I said in question time today, the gold price in 2016 was spread across a \$300 range, but exploration increased despite that volatility. That has put these things in context. It is about a one cent move in respect of the Australian and US dollar relationship. We have tried to make these decisions to have as small an impact as possible because I want to support the continued economic growth of the state.

I hope that members have had the opportunity to spend some time looking through the forward estimates. They contain some very healthy signs around what makes up the gross state product. We are an investment state and we are finally seeing the decline in business investment, which is now about nine per cent, start to increase across the forward estimates. That is incredibly important for job creation in WA. The other thing I will draw to members' attention on page 17 of budget paper No 3 is the increase in household consumption. These are very healthy signs that I hope eventuate. We have had to make decisions that protect the hoped-for economic growth and do not have a negative impact on it.

Although I note that I am being critiqued on some of these decisions that I appreciate people do not like but, I hope, will understand, it has also been put to me that we did not go hard enough and that perhaps we should have done more. As I said before, the reality is that the levers are limited in government. The Liberal Party's contribution today suggests that it is worried about the impact these decisions will have on households—as am I. Please help us get these measures through so that we do not have to look to households to take up an even greater burden. The inevitable result of these revenue measures failing to get through Parliament is that I will have to resort to blunter measures, which will fall on households. The Liberal Party is no longer in coalition with the National Party. It should let those fiscal ratbags go. The members of the National Party take no responsibility for the mess that they created and are not interested in taking any responsibility. The Liberal Party, on the other hand, is expected by the broader community to respond to the fiscal circumstances that it created, by and large, with its first term in government.

MS R. SAFFIOTI (West Swan — Minister for Transport) [3.43 pm]: I rise to speak on this matter of public interest. I want to reinforce the Treasurer's comments about the significant writedown in revenue we experienced as a government. I worked on budgets for a long time —

Several members interjected.

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

The SPEAKER: Member for Cottesloe and member for Dawesville, if you want to have a chat, go outside. I call you both to order, the member for Cottesloe for the second time.

Ms R. SAFFIOTI: I worked on budgets from 2001 to 2008 and such a significant writedown in revenue is unprecedented. To be honest, I am surprised that there could be a writedown of \$5 billion between the *Pre-election Financial Projections Statement* and this budget. I was alarmed by that number. In last year's midyear review, there was an uplift in some of those revenue forecasts that ended up being written down. Nevertheless, that is something that we encountered. As a new government, we are prioritising the existing forward estimates to accommodate our commitments and to fund one of the most significant writedowns in history. We encountered a significant writedown and I think, when the overall package is looked at, we got the balance right. If we look at who will contribute to fiscal repair, it is very clear. The public sector will contribute \$1.7 billion to budget repair. The corporate sector will contribute \$922 million, primarily through the payroll tax changes and the gold royalty changes. I was going to say that I was surprised that the National Party appears to be saying that it will not support those changes. The National Party, which has come in here every day and asked us to go after the big end of town, is now protecting it in this budget process.

Mr D.T. Redman: We didn't have a policy that supported an increase in gold royalties.

The SPEAKER: Member for Warren–Blackwood, you had your time to speak before. I want you to be quiet. I call you to order for the second time.

Ms R. SAFFIOTI: The only party in WA that opposes a higher tax for big miners is the National Party. That is the hypocrisy that has happened here today. The only party that will not support asking the big end of town to pay more is the National Party. I can understand why we have the budget we do. The Leader of the Opposition's contribution was fair and the member for Bateman's contribution had a lot of policy analysis. Imagine how that cabinet used to operate. I think that the member for Bateman always tried to bring some policy analysis to the former cabinet. Members of the Liberal Party were trying to bring some policy analysis but members of the National Party were writing bumper stickers. That is the only thing they know that they can do. All they are good for is one-line slogans and wrecking the budget. It is clear today that the only party that supports big business and opposes tax increases on big business is the National Party. Its members will continue to be budget wreckers because that is all they know. That is all that is in their DNA. The budget repair measures are fair and try to make sure that everyone in the community will contribute; that is what they are about. The impact of the National Party's decision may see households pay more but not big business.

Another budget repair measure is to increase the Pilbara Ports Authority's port fees. It is something that did not get a lot of attention but the port authority will bring in an extra \$100 million to the budget. Since 2014, there has been a freeze in miners paying more. We will increase that charge to allow \$100 million to go into the budget, which I think is fair. We did all we possibly could in that case. It is a fair and balanced budget.

There has been a lot of commentary but I think people understand that it was a tough budget to prepare. Let us look at some of the major economic indicators, such as the fall in state final demand over consecutive years. The contraction of four per cent in state final demand in 2015–16, seven per cent in 2016–17, and a predicted 1.5 per cent in 2017–18 shows how tough it is and how turning the economy around is so important.

We went to the commonwealth and got that \$1.8 billion reallocated for job-creation projects because we understand that we have to balance getting the finances back in shape, particularly on the recurrent side, which is a point that we made a lot in opposition. Recurrent growth was the key factor that impacted the underlying budget. Therefore, getting that constraint on the recurrent growth, whilst sustaining a level of asset investment to keep jobs going and to create new jobs in WA. That is a balance we have tried to strike. I am proud of the record spending on rail and road infrastructure. It is quite weird that every regional council I go to tells me about the backlog of work they have—the backlog of road projects they have. For eight years of royalties for regions, roads in WA were neglected by the now opposition. I find it difficult to swallow when every member on that side, particularly from the National Party, comes to talk to me about road projects. For eight years they purposely neglected roads. They purposely did not want to spend money on roads through RFR; that is what they did and that is why there is a backlog.

Mrs L.M. Harvey interjected.

The SPEAKER: Member for Scarborough.

Ms R. SAFFIOTI: Mr Speaker —

Mrs L.M. Harvey interjected.

The SPEAKER: Member for Scarborough.

Ms R. SAFFIOTI: I have the analysis—\$111 million was spent on Main Roads projects in the five years preceding this one.

Mr R.S. Love interjected.

The SPEAKER: Member, it is not a question and answer session. I call you to order for the first time.

Ms R. SAFFIOTI: We have record regional road spending. We have funded our priorities, and many of those in regional WA.

Mr R.S. Love interjected.

The SPEAKER: Member for Moore, I call you to order for the second time.

Ms R. SAFFIOTI: The Liberal and National Parties did not think regional roads were a priority in their eight years of government. They should not try to blame this government. They neglected roads in regional WA. It is all clear.

As I said, this is a balanced budget.

Mr D.C. Nalder: Coalfields Highway.

Ms R. SAFFIOTI: That is the member for Bateman's favourite project.

Mr D.C. Nalder interjected.

Ms R. SAFFIOTI: He has mentioned it a few times.

Mr D.C. Nalder interjected.

The SPEAKER: Member for Bateman, you had your chance to talk.

Mr D.C. Nalder interjected.

The SPEAKER: She only answered because you asked and she is on her feet.

Ms R. SAFFIOTI: It is a balance program recognising that we have significant financial constraints, a reduction in our revenue of \$5 billion, and we have balanced the program to ensure that we have the path to financial sustainability and to keep jobs in WA.

MRS L.M. HARVEY (Scarborough — Deputy Leader of the Opposition) [3.52 pm]: This is a very important motion. We are going back to the basics of fundamental election commitments made by the Premier. The Premier was out in the community saying whatever he needed to say to get elected. He said that there would be no new taxes, but now there is a gold tax and a payroll tax. He said that there would be no increases in taxes. He said that there would be no increases in household fees and charges because householders had had enough. What have we seen above the forward estimates? He said that we would reduce net debt.

Several members interjected.

The SPEAKER: Members!

Mrs L.M. HARVEY: He said that he would return the budget to surplus by 2019–20 and create 50 000 new jobs. He knew the state of the finances because he had been berating us in here for years over the state of the finances and our spending priorities. Notwithstanding that, the Premier and the now government went out to the community and promised billions of dollars' worth of election commitments with no plan to pay for them. That is what we are facing at the moment. That is why the government had to break its key commitment not to introduce new taxes. That is why it had to break that fundamental election commitment not to increase existing taxes and charges. The fundamental problem the government has is that it refused to present its costings for its election commitments to Treasury and so undercooked them. The problem the government has with this budget and the reason that net debt is increasing in the out years is that it anticipated the Thornlie–Cockburn line would cost \$474 million, not \$536 million. The government said that the Yanchep extension to the Joondalup line would cost \$386 million, but it has come in at \$520 million.

Several members interjected.

The SPEAKER: Members!

Mrs L.M. HARVEY: The government said that upgrades to existing train stations would have an allocation of \$144 million. Karnup station alone will cost \$100 million. That is \$100 million just for one of those upgrades to existing train stations. The government said that four level crossings would cost \$257 million. One of those level crossings has been costed in this budget and it will cost \$70 million. That happens with every single one of the government's commitments. There is a commitment for 78 railcars at \$410 million. Guess what that is going to cost—\$508 million. There is no provision in the budget to build this fantasy of a railcar manufacturing business

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

in Western Australia. There is nothing in the budget for that, because all the money is going to be consumed on the cost of those railcars. That is the problem this government has. The government's commitments for public transport funded in this budget are already \$394 million over what was anticipated because its costings were undercooked. We told the Labor Party that during the election campaign.

We said that there needed to be a plan to pay for these commitments and the Labor Party said it would pay down debt slowly like a mortgage. The Labor Party said it would pay for these commitments without increasing taxes, increasing fees and charges or borrowing more money. The Labor Party was in a fantasy land. In the heat of the election campaign the Treasurer, to his credit, tried to distance himself from those ridiculous promises that the Premier made, which have now been broken, about fees, charges and taxes. The Treasurer knew that a fantasy had been put to the community of Western Australia, because the Premier and those people over there who now occupy the government benches would say and do anything to win government, and that is what they have done. The community has now been sold a pup because all fees and charges are going up. The gold industry has been sold a pup because gold royalties are going to increase. The business community has been sold a pup because it is paying more for payroll tax. Even though the government says it is only 0.6 per cent of the payroll, those businesses are going to have to come up with \$10 million to \$12 million a year. What do businesses do when they have to pay extra money to government? They put up prices for consumers or they sack people. That is what they do. They sack people so they can pay the additional payroll tax or they reduce the payroll tax liability that this government is imposing after promising not to do so. The Labor Party won government on a series of mistruths. The community of Western Australia elected the Labor Party with a vast majority because it was sold a series of promises that it has now gone back on. Those promises have been broken. The Premier thinks he can just go out there, smile feebly at the camera and say, "I am sorry. I didn't mean to do this. I didn't know that the books were so bad. I've been talking about this for four years. I didn't know I was going to have to break my election commitments." The Premier cannot smile and say he is sorry after he has just won an election. The government should not break its commitments. People elected the Labor Party to government because it promised that it would not increase taxes, fees and charges.

Several members interjected.

Mrs L.M. HARVEY: The government has done exactly the opposite because it is trying to fund election commitments that were undercooked and poorly costed.

Point of Order

Mr W.R. MARMION: The member for Warnbro is interjecting away from his chair.

The SPEAKER: Thank you for picking that up, member for Nedlands. Minister for Tourism, I call you to order for the second time.

Debate Resumed

Mrs L.M. HARVEY: To make this budget even more farcical, the Minister for Transport said construction on the Ellenbrook train line would start in 2019, but there is no commitment for that in the budget. Even if the Feds do come good with 80 per cent of the cost, the government needs \$200 million or thereabouts to meet the 20 per cent of the state-funded component. That \$200 million is not in the budget either. If the government wants to commence construction of the Ellenbrook rail line by 2019, \$200 million is not there—another black hole. That is a problem this government has. It over-promised and now it is breaking election commitment after election commitment.

MR M. MCGOWAN (Rockingham — Premier) [3.59 pm]: As members know, the budget papers are very instructive. At page 3 of budget paper No 3, members will see a range of measures that show not only what the government is confronted with, but also what is predicted to be achieved. The first point is a prediction by Treasury of three per cent economic growth in this state. That will significantly improve job prospects in Western Australia. The second point is a \$5 billion writedown in revenue. The government has not just plucked those figures out of the air. These figures were provided to us by the Under Treasurer, Michael Barnes, and the Treasury officers, who worked for the opposition, too, when in government. These figures are signed off by Michael Barnes. These figures are based on predicted GST revenue, royalty revenue, loss of commonwealth grants, and a range of softness in revenue from taxes. The budget papers indicate also that the Labor Party's \$3.7 billion worth of election commitments has had an impact on the budget of only \$603 million. That is because we have used unallocated money, and also because we have substituted our election commitments for commitments made by the former government that we were not committed to, which is what a new government has the right to do.

The key point is the \$5 billion writedown in revenue since we were elected. Some members opposite will have been on the Economic and Expenditure Reform Committee and will know that every week the Under Treasurer will come in and tell the government what has occurred in the economy. The Under Treasurer said about six weeks ago that, based on population growth figures from the Australian Bureau of Statistics, this state will lose \$2 billion in GST revenue. The government has had to confront that, as members opposite would have had to do had they

Extract from Hansard

[ASSEMBLY — Tuesday, 12 September 2017]

p3762e-3772a

Speaker; Dr Mike Nahan; Mr Dean Nalder; Mr Terry Redman; Mr Peter Rundle; Mr Ben Wyatt; Ms Rita Saffioti; Mrs Liza Harvey; Mr Bill Marmion; Mr Mark McGowan

won the election. That is not an easy thing to do. We have done our utmost to get the balance right between budget repair and creating jobs. In question time today, I announced a range of initiatives that we have taken to broaden the Western Australian economy, create jobs and maintain services. We cannot burn the place down in our effort to make savings. We need to take sensible and reasonable measures to make savings across the budget. Two of those measures are in relation to payroll tax and gold royalties. The opposition is fixated on those things. I think we explained those measures relatively well in question time. I urge the opposition to support those measures. Those two measures in themselves will not raise even \$1 billion. They are very modest compared with the revenue writedown of \$5 billion that this state has suffered. However, those measures are very important to ensure that the finances of this state remain as strong as they possibly can be.

I ask members opposite to remember this: economic commentators and the like always say that if we want to make budget savings, we need to make cuts inside the public sector. Half of the budget savings that we have made are within the public sector. They include the wages policy, the 3 000 voluntary redundancies that we have on offer, and the cuts within agencies. However, this will obviously be an ongoing exercise, because if our revenue writedowns continue and our GST share does not increase as predicted, we will need to bring in more difficult budgets in the future. That is the world we are in. That is the world we inherited. We did not choose this. It would have been nice to have come into office eight or nine years ago with a buoyant set of finances, with a huge surplus and low debt. However, that is not our lot. Our lot is the big debt and big deficit that we inherited. That is what we are trying to deal with. I urge the opposition to take a responsible approach to these measures. The feeling I get on the street is that the Western Australian public wants this Parliament to act responsibly to deal with the circumstances confronting our state. I urge the Liberal Party to act responsibly on these matters. The Liberal Party is a party of government. It is a party that wants to be the government. The Liberal Party has an obligation to this state, because it created the issue, broadly—bar the \$5 billion—that we are dealing with.

Division

Question put and a division taken, the Acting Speaker (Mr T.J. Healy) casting his vote with the noes, with the following result —

Ayes (16)

Mr C.J. Barnett	Mr P. Katsambanis	Mr R.S. Love	Mr D.C. Nalder
Mr I.C. Blayney	Mr Z.R.F. Kirkup	Mr W.R. Marmion	Mr D.T. Redman
Ms M.J. Davies	Mr A. Krsticevic	Mr J.E. McGrath	Mr P.J. Rundle
Mrs L.M. Harvey	Mr S.K. L'Estrange	Dr M.D. Nahan	Ms L. Mettam (<i>Teller</i>)

Noes (39)

Ms L.L. Baker	Mr M. Hughes	Mrs L.M. O'Malley	Mrs J.M.C. Stojkovski
Dr A.D. Buti	Mr W.J. Johnston	Mr P. Papalia	Mr C.J. Tallentire
Mr J.N. Carey	Mr D.J. Kelly	Mr S.J. Price	Mr D.A. Templeman
Mrs R.M.J. Clarke	Mr F.M. Logan	Mr D.T. Punch	Mr P.C. Tinley
Mr R.H. Cook	Mr M. McGowan	Ms M.M. Quirk	Mr B. Urban
Ms J. Farrer	Ms S.F. McGurk	Mrs M.H. Roberts	Mr R.R. Whitby
Mr M.J. Folkard	Mr K.J.J. Michel	Ms C.M. Rowe	Ms S.E. Winton
Ms J.M. Freeman	Mr S.A. Millman	Ms R. Saffioti	Mr B.S. Wyatt
Ms E. Hamilton	Mr Y. Mubarakai	Ms A. Sanderson	Mr D.R. Michael (<i>Teller</i>)
Mr T.J. Healy	Mr M.P. Murray	Ms J.J. Shaw	

Pair

Mr K. O'Donnell

Mr J.R. Quigley

Question thus negatived.