

BARNETT GOVERNMENT — PERFORMANCE

Matter of Public Interest

THE SPEAKER (Mr G.A. Woodhams): Members, today I received within the prescribed time a letter from the Leader of the Opposition in the following terms —

Dear Mr Speaker,

Matter of Public Interest

I wish to raise the following as a matter of public interest today, Thursday December 4, 2008.

“That the House condemns the Barnett Government for its failures, in particular its admission that the State Budget may go into deficit.”

The letter is signed by the Leader of the Opposition. The matter appears to be in order to me, and at least five members will need to stand in support of the matter being discussed.

[At least five members rose in their places.]

The SPEAKER: The matter can proceed.

MR E.S. RIPPER (Belmont — Leader of the Opposition) [2.52 pm]: I move —

That the house condemns the Barnett government for its failures, in particular its admission that the state budget may go into deficit.

I was quite surprised, given the record of five budget deficits out of eight budgets when the Premier was last a member of an expenditure review committee in government, that after only 72 days in government, the Premier would once again publicly contemplate the prospect that the budget would go into deficit. I was even more appalled in question time when the Treasurer, who should be the guardian of fiscal rectitude, contemplated it being appropriate to borrow to pay for wages, pens and paper and presumably water and electricity bills as well—to borrow from our children’s future to pay for those basic operating costs for the delivery of services to people today. That is what the Treasurer thought was appropriate. That is what the Treasurer understood would be the consequence of going into deficit.

There will be, of course, a temptation for the Treasurer and the Premier to make reference to the federal budget. However, it is a different set of circumstances. The federal budget has automatic stabilisers that are not in state budgets. The federal budget also includes grants to the states for infrastructure that form part of the overall balance. Therefore, if the federal budget goes into deficit, part of the deficit is for investment in infrastructure, whereas our headline balance is an operating balance. If Western Australia goes into deficit, it is not going into deficit for infrastructure; it is going into deficit to pay for wages, pens, paper, water bills—all those other consumables.

In their defence, the Treasurer and the Premier might say, “Well, look at the position in Queensland and in other states.” Again, Mr Speaker, the positions are not directly comparable. In Queensland, the returns on financial assets are part of the general government sector. Consequently, a bad experience in the financial markets, which most people who have invested recently have had, will show up as a decline and, in certain circumstances, as a deficit in Queensland’s operating balance.

In Western Australia, the financial assets held by the Insurance Commission and by the Government Employees Superannuation Board are outside the calculation of the operating balance, making it unsatisfactory for either the Premier or the Treasurer to refer to the position of either the federal government or the Queensland government. By the way, it would be interesting for the Treasurer to advise the house about the decline in assets since 30 June of the Insurance Commission and GESB. I think that figure would be quite surprising, and it is important to make that information available to the public. It is not acceptable for this government to go into deficit. To do so would be to borrow funds from our children’s future to meet the needs of today, and that is neither fair, nor equitable nor conscionable, and it is the very opposite of sustainability.

The Treasurer has made much of his so-called inheritance. Interestingly, he refers to the previous budget, but things happened after that budget was brought down up until the election. The incoming government’s inheritance is not the set of figures in the previous budget, but the set of figures in the *Pre-election Financial Projections Statement*. If members examine that statement, they will see the following forecast surpluses: \$1.93 billion in 2008-09; \$2.116 billion in 2009-10; \$1.73 billion in 2010-11; and, \$995 billion in 2011-12. This Treasurer comes in here and tells the people that the previous government was forecasting an erosion of the surplus—virtually a disappearance of the surplus. The *Pre-election Financial Projections Statement* shows that the surplus forecast for 2011-12, which is the lowest surplus forecast, is almost \$1 billion. This guy just does not

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have any credibility. He describes big surpluses as obscene when he is in opposition and then when in government he tries to pretend that a surplus of nearly \$1 billion is a surplus that is virtually evaporating. It is not a credible response.

I will now examine some of the premises on which the surplus forecast was built and on which the Treasurer needs to deliver. For example, the previous Premier, the member for Willagee, negotiated the end of concessional iron ore royalties under state agreement acts for new projects. That is worth \$539 million over the forward estimates. Before that can be incorporated in the estimates figures, the government needs to conclude the negotiations, formally sign the agreements with the companies and bring the bill to the house. We have neither seen that bill nor had an indication from the government that it is pursuing a matter that, on the evidence of the *Pre-election Financial Projections Statement*, is worth \$539 million over four years. The Treasurer must effectively and efficiently deliver the three per cent efficiency dividend. He goes on and on about expense growth and the alleged expense growth that he inherited. If it is so easy to deal with expense growth and if it were such a failing of the previous government, it should be easy for the Treasurer to implement the three per cent efficiency dividend.

I want to clarify what is the government's real inheritance. The Labor Party is not responsible for anything other than the in-built expense growth in the forward estimates: namely, four per cent in 2009-10; 3.9 per cent in 2010-11; and 4.8 per cent in 2011-12. That is the expense growth built into the forward estimates in the *Pre-election Financial Projections Statement*. The Treasurer and the government are responsible for any expense growth beyond those figures. The only thing they have inherited is a forecast of four per cent expense growth in 2009-10; 3.9 per cent expense growth in 2010-11; and 4.8 per cent expense growth in 2011-12. The member for Riverton calls it a fiction. These forecasts are under the signature of the Under Treasurer. It was a document produced independently by the Under Treasurer for the information of the electorate. Therefore, we will hold the government accountable for every single percentage point above that four per cent, 3.9 per cent and 4.8 per cent that is forecast in the forward estimates, as per the *Pre-election Financial Projections Statement*. The government has to take responsibility for any expense growth beyond that.

Already we are seeing huge risks to the budget on the expense side. There are two big risks. One is the risk posed by the Leader of the Liberal Party; the other is the risk posed by the Leader of the National Party. Let us look at what the Leader of the Liberal Party, the Premier, does. He wants to spend \$300 million of taxpayers' money on Oakajee port, when the private sector is prepared to build it without any taxpayer support at all. He announced—I hope after some consultation with the Treasurer—\$120 million for the Esperance port. He has boasted about a wages settlement with teachers, which is good for teachers but which will pose immense precedent difficulties for the government as it seeks to deal with police officers. Is the teachers' wages settlement going to be the rule that will apply to police officers, to nurses and to public servants? If it will not be the rule, maybe the rule should be that which the government has allowed to occur in the Water Corporation. Will the Water Corporation wage increases, which I understand went as high as 30 per cent, be the standard for police officers, for nurses and for public servants? It could be that the rule will be the rule that was applied to bus drivers. This was not given very much attention. There was a \$45 million settlement of bus drivers' wages, and that equates to an 11 to 12 per cent per annum adjustment for three years for bus drivers. Is that going to be the rule that applies to wages for police officers, wages for nurses, wages for public servants, wages for doctors and wages for hospital administrators? On the one hand, the Treasurer is misleading the public about expense growth that he has inherited and, on the other hand, the Premier and the Minister for Regional Development are out there, beating up expectations and building up expense growth that the Treasurer tries to pin on the previous government—but fails to do, in my view.

The global financial crisis will be the great alibi, the great excuse, of this government. For everything that it does not deliver and for every promise that it is exposed as having broken, it will say, "Global financial crisis; global financial crisis; global financial crisis." That is what the government believes is its rolled-gold excuse for failing to deliver to the people of Western Australia. Already, the government has complained about an alleged decline in property taxes. If the government is worried about a decline in property tax revenue, why, in one of its first pieces of legislation, did it cut property tax revenue? It cannot have it both ways. It cannot complain about a decline and then come into this place and say that the rates that people might complain about are the responsibility of the previous government. The government has now amended the land tax legislation; it has to take responsibility for the rates. The government could have, if it had wanted to, if it really believed land tax was too high, brought in the bill and cut them. Instead, it has signed up to a 30 per cent increase in land tax revenue this year and a 10 per cent increase in land tax revenue for each of the forward estimates. The government's land tax rates are based on Treasury forecasts of a 30 per cent, 10 per cent, 10 per cent and 10 per cent increase in land tax revenue. That is what the government has signed up to do and that is certainly what we were told when we were briefed. Although I would like to say plenty more about that, I will certainly say that the Treasurer was absolutely wrong on the question of household fees and charges and the reference rate of inflation. Anyone who

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refers to the *Hansard* or the media clippings of the time will see that the Treasurer has once again not told the truth to the public of Western Australia. However, I will leave that aside because I want to say this: we will not accept a deficit in the state budget; we will take that as evidence of gross incompetence on the other side if that is what the government delivers. There is no excuse for robbing from our children to pay for the operating expenses to deliver current services.

MR B.S. WYATT (Victoria Park) [3.05 pm]: I, too, rise to speak to this matter of public interest; namely —

That the house condemns the Barnett government for its failures —

Mr C.J. Barnett: You don't mean it.

Mr B.S. WYATT: Come on, Premier, at least let me finish the first sentence. It states —

That the house condemns the Barnett government for its failures, in particular its admission that the state budget may go into deficit.

I rise to support the comments of the Leader of the Opposition and I will start my short contribution this afternoon by quoting the now Treasurer. I like to do that; every now and then he comes up with a good quote. This is a quote I threw at him in question time the other day. On 16 May 2006 the, I assume, then shadow Treasurer said —

... when the day comes that revenue growth starts to slow, and the government must still pump \$1.5 billion to \$2 billion into recurrent expenditure, a gap will very quickly arise, and there will only be three choices for the government—running a deficit, which no-one would rationally suggest, increasing taxes or making draconian cuts in government expenditure.

It is clear that the Treasurer has identified expenditure. He has been talking about expenditure for the better part of certainly my time in this place—almost three years. The Leader of the Opposition has identified that, if it is that easy, the Treasurer has no excuse but to make the three per cent efficiency dividend, have his economic audit committee define the avenues by which to make cuts, and continue with his rolling expenditure efficiency reviews—his three rounds. He has no excuse to not make those three rounds of efficiency gains that he sold to us all with great fanfare.

Nobody denies that the global financial crisis is having a dramatic economic impact around the world and in Australia and Western Australia. However, that is not an excuse to throw our hands in the air and give up any form of disciplined financial management and say that, because of the global financial crisis, everything said in the past no longer applies. The comments by the then shadow Treasurer mean exactly what he said; namely, that revenue growth will slow. There is no doubt about that. When revenue growth slows, we find ourselves, as all state governments find themselves, in a position in which they must cut expenditure. There is no doubt about that; we must balance the budget.

I will come to the Premier's comments on debt shortly. However, there has been much commentary and some interjections across the chamber today regarding the federal government. The Leader of the Opposition has already addressed this issue but it is worth noting for the record that, at a state level, in 2007-08 the state controlled 33 per cent of its own revenue base—that is, its own taxes. The current budget anticipates again 33 per cent of our revenue base going forward, but obviously there will be small fluctuations to that. That means that we control only a third of the government's revenue source, which is earned mainly through payroll and property tax. This means—I have been banging on about this to the media—that we do not have the large revenue base to go in and out of budget surpluses and deficits that the commonwealth government enjoys. The Leader of the Opposition has already indicated that when we talk about deficits and surpluses they mean different things at a commonwealth level from those at a state level. When the Premier says that we are going into deficit, he means that we will have to borrow to pay for the pens, papers and wages. When I put that to the Treasurer on Tuesday, he did not deny that was what would happen in the event the budget went into deficit. In measuring the commonwealth's deficit or surplus position, its budget includes capital expenditure, which the Leader of the National Party no doubt knows includes things such as roads.

I know that the Leader of the Opposition referred to this, but it is worth noting again the Queensland position. I thank the Treasurer for, in conversation around the place, bringing to my attention what the Queensland government has been doing. It recently announced that its expected 2008-09 budget surplus of \$809 million looks as though it is going into what it calls a skinny deficit. Interestingly, if members go online and look at the Queensland state budget for 2008-09, it too has a very different way of measuring budget deficits and surpluses. Effectively, it has two measures—the net operating position and the underlying operating result. The underlying operating result is what we can compare with this state's position when we talk about deficits and surpluses.

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The Leader of the Opposition has already identified that the equivalent of this state's Government Employees Superannuation Board at the Queensland level is included in that government's net operation position. Of course, the rapid decline in the share market will have an impact on the surplus or deficit position.

The Queensland government has said that its net operating surplus for 2008-09 of \$809 million is now projected to go into deficit. It is worth noting what its net operating surplus was for the last financial year; it was a deficit of \$995 million—nearly \$1 billion. The Queensland government was expecting, when it incorporated its equivalent of GESB, QSuper, into its budgetary position, a turnaround of nearly \$2 billion, which, I dare say, at the time was bold at the very least. However, the underlying operating result in Queensland for 2007-08—that is, the position we can compare with Western Australia—was a surplus of \$272 million. We left this government with a surplus of \$2.6 billion and the latest quarterly report that came down from Treasury looked as though it was still on track as it was just shy of an operating budget surplus of \$1.9 billion. We left the government in a very strong financial position to respond to the stresses. I accept that there are stresses and that the Treasurer will find it very difficult to manage the next four years as he puts together his budget going forward, taking into account, as the Leader of the Opposition said, the growth in expenditure. It is not easy.

What happens when the state goes into deficit is that it is forced to borrow. I refer members to page 36 of the *Economic and Fiscal Outlook* for 2008-09. It states —

Were the Government to plan to deliver the same Capital Works Program —

Which, obviously, this government has abandoned —

with significantly lower surplus projections, the net debt to revenue ratio would be significantly higher.

For example, if the general government operating surplus was around \$200 million per year in 2008-09 and beyond, net debt would be around \$15.5 billion by 30 June 2012, and the net debt to revenue ratio would rapidly rise to around 57.4%, well above the financial target limit. This illustrates the importance of operating surpluses in containing debt to manageable levels.

I inform the government backbenchers that that means that the surpluses are paying for the things they want in their electorates. That is where the surplus was going. Debt was reduced and kept at a record low—\$900 million less than when Geoff Gallop was elected in 2001. The budget figures identify that that equates to \$250 million a year in interest savings. This is the benefit of low debt.

I know that the Premier, when he was Leader of the Opposition in the first term that the Labor government was in office, in almost every single speech railed against the then government about the debt levels and the evils of debt. I refer members to the following question that he posed to the then Treasurer on 6 May 2003 —

... will the Treasurer undertake to reverse this trend —

This is the trend he was alleging of increased debt —

so that the servicing of state debt does not continue to burden this generation and future generations of Western Australians?

This is where we are at when we talk about deficits in Western Australia. We are not talking about what the commonwealth talks about—we are not talking about a large revenue base that we can control to a large extent; we are talking about a state government with limited financial capacity beyond a third of its revenue base to raise its own revenue. No doubt, the Premier and the Treasurer will not be listening to me. This is not something I have made up as I have gone along. A number of economic commentators have addressed this issue. In my speech on the Address-in-Reply debate, I referred to an article written by Imre Salusinszky in *The Weekend Australian* of 8 November 2008. He looked at this issue and identified that the states will have to wear the pointy end of the current economic crisis. His article states —

The limited fiscal wriggle room enjoyed by the states is another way of saying our federal system misaligns revenue-raising capacities and spending responsibilities: the states raise 16 per cent of national taxes but are responsible for 40 per cent of public spending. The term the pointy heads use for this is vertical fiscal imbalance.

This is something the states have known for decades. We know that we operate in a fiscal confine that the commonwealth government does not have, which is why it is important that we, at a state level, maintain a budget surplus or, at the very least, a balanced budget. The reason for that is that the states find it very difficult to remove themselves from the red when they find themselves in it.

I will also quote the comments of Saul Eslake, as reported in an article in *The Australian Financial Review* of 28 November 2008. He was responding to John Brumby, the Premier of Victoria, who stood by his commitment

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that he would maintain the Victorian budget in surplus at one per cent of government revenue. I was in Victoria a couple of weeks ago, and the public servants there are not terribly happy about that; there is a lot of angst. There is a lot of pressure on this commitment, but the Premier of Victoria has made that commitment and he knows that it will be hard to deliver, particularly in an economy which is largely manufacturing based and which has been decimated by the low Australian dollar. There is an interesting reference in this article to the states and deficits. It reads —

Australia and New Zealand Banking Group's chief economist Saul Eslake, who supports the running of a federal budget deficit in difficult economic conditions, backed Mr Brumby's stance on the maintenance of state operating budget surpluses.

“It is not their job to run counter-cyclical fiscal policy,” he said.

Mr Eslake said states did not have the same stimulatory capacity due to their smaller footprint in the economy. The narrow and inflexible nature of state revenue streams also meant it was more difficult for them to return to the black once they fell into deficit.

One thing that this government has managed to do in its first 100 days is to abandon the idea that disciplined fiscal management will result in surpluses in the future, as committed to by the Premier less than a month ago. We certainly got the idea that the Premier does not have confidence in the Treasurer's three rounds of expenditure cuts and three per cent efficiency dividend. He clearly has no confidence that that will keep our budget in surplus. This government is showing a great propensity to spend money, particularly on recurrent expenditure. The rhetoric is not being matched with reality. If we do not apply to this government the tough economic parameters that the previous government applied to itself, we will find that our children will have to pay off the debt incurred by this government. I dare say that household fees and charges will go up in the very near future to pay for what will come from this government.

MR T.R. BUSWELL (Vasse — Treasurer) [3.18 pm]: Firstly, I will make a couple of comments on the broader issue, and, secondly, I will deal with some of the specific issues that have been raised. It may well be the case, as the Premier and I have indicated publicly, that the state's budget will slip into deficit, albeit on a temporary basis, at some stage over the four years of the forward estimates.

Mr E.S. Ripper: What year are you worried about it?

Mr T.R. BUSWELL: Let me put it this way: I understand that the federal government is worried about 2009-10 and 2010-11. Our concerns are with the back end of the forward estimates, which, in a way, is reflective of the way the Western Australian economy often follows with a lag, but we can talk about that later. That is the case, and I am glad that the member for Victoria Park has acknowledged that the changes that are occurring around the world have impacted on the Western Australian economy. They have particularly impacted on our revenue base. The informal advice we received from other states and the commonwealth when these issues were discussed last week in Canberra was that the main pressure on surpluses came from revenue erosion. It is a common issue across all state jurisdictions and it also confronts the commonwealth government. The surplus forecast by the Leader of the Opposition in the 2008-09 budget was —

Mr E.S. Ripper: Why don't you go to the pre-election financial statement?

Mr T.R. BUSWELL: The pre-election financial statement forecast was approximately \$1.9 billion. When the Leader of the Opposition uses that measure, he always neglects to explain that embedded in the pre-election financial statement was \$1.5 billion of expense cuts, which both political parties spent during the election campaign. The Leader of the Opposition cannot use that as an accurate picture of the financial legacy that his government left the people of Western Australia. It is my view —

Mr E.S. Ripper: So what you're saying is that your election commitments should somehow not be counted?

Mr T.R. BUSWELL: I am not saying that at all. I am saying that the Leader of the Opposition should use the measure that he used when he handed down his budget of 2008-09. The latest information I have indicates that the estimated budget for this year, whether it is \$1.93 billion or \$1.8 billion, is under significant pressure. I expect that it will be a lot lower than that. I suspect —

Mr E.S. Ripper: You have to take responsibility for your election promises.

Mr T.R. BUSWELL: We will take responsibility. My expectation is that it will be south of \$1.5 billion. We face challenges. They are challenges that all states are facing, but we will not hide from those challenges. We will produce the midyear review this year. The Department of Treasury and Finance has told me that the earliest it can produce the midyear review is 18 December. We will release the review on that day. We will not hide, as

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some governments may have hidden in the past, by bringing out the midyear review the day after Boxing Day, which is what happened last year. We will not do that while everyone is on holidays, lounging around in summer mode; we will do it as early as is practically possible because we want the public of Western Australia to understand the picture that confronts us. We have to work hard on delivering remedies, and those remedies will be encapsulated in the budget that we hand down next year. Those are the facts, and I can deal only with the facts. The member for Victoria Park is right; it is challenging.

What have we done to help deliver remedies? We have set up the economic audit committee. The economic audit committee will provide a report to me early in the new year that will assist us in framing the budget. I have also asked the committee to look into some wider ranging issues associated with government finance and government service delivery.

Mr E.S. Ripper: Such as?

Mr T.R. BUSWELL: The Leader of the Opposition will see when the report is handed down. The committee will be doing the hard work that his government shied away from for eight years. For eight years the previous government surfed on massive surpluses and let inefficiencies multiply throughout the public sector in Western Australia. We will try to fix that, but it will not be easy. We have also established the capital works audit. Again, we have not hidden from the fact that we are looking at every capital project on the government's books with a value of greater than \$20 billion —

Mr E.S. Ripper: How much will you cut out of the program? What is your target?

Mr T.R. BUSWELL: We will let the Leader of the Opposition know. Come next year, the opposition will see. We have embarked on some difficult programs —

Mr F.M. Logan: Does that audit also include utilities such as electricity?

Mr T.R. BUSWELL: It is right across government, because at the end of the day, every cent spent across government impacts on our position in some way or another. I want to spend some time looking at the financial position —

Mr E.S. Ripper: You won't rule out reducing investment in the electricity network? You won't rule that out?

Mr T.R. BUSWELL: We are not ruling anything in; we are not ruling anything out. Any capital works project with a value of more than \$20 billion for which a contract has not been —

Mr E.S. Ripper interjected.

Mr T.R. BUSWELL: I think the word "any" encapsulates that. I know the Leader of the Opposition becomes fixated on words, but the word "any" is reasonably clear, in my view. Any such capital works projects will be reviewed.

Mr T.G. Stephens: Does that include regional projects?

Mr T.R. BUSWELL: It is across Western Australia. That is where we are at. I want to explain what the previous government left us with, because it is very important that we place it on the public record. Members on this side of the house understand it clearly. It left us with a situation, encapsulated in the May budget, whereby in 2011-12 the net operating balance will be \$203 million. That was the surplus.

Mr E.S. Ripper: We left you with a pre-election financial statement —

Mr T.R. BUSWELL: That is a fallacy. I will apply something to that \$203 million. Let us assume *ceteris paribus* that the federal government's change to the goods and services tax revenues, which are encapsulated in its midyear review, had impacted. I think the figure is around \$600 million to \$700 million. If that change had occurred *ceteris paribus*—in other words, with nothing else changing—in four years the previous government would have been in deficit. Those are the facts. The previous government left us on a knife edge. That \$203 million, in the context of the state's budget, is a knife edge.

Mr J.E. McGrath: On the edge of a precipice.

Mr T.R. BUSWELL: I thank the member for South Perth. That is the challenge. Had the federal government made that announcement, the former government would have been in deficit. The point I am trying to make is that we must deal with certain realities, one of which is driven by the global financial crisis and one of which is driven by the state of the state's finances that the former government left us with.

I want to touch on a couple of other issues and to draw out some of the points that members opposite raised in the debate. The first was the Leader of the Opposition's assertion that inbuilt in the budget were forward estimate amounts for increased expenditure growth. When we examine his performance in government we must look at

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what he promised as being embedded into the forward estimates versus what he delivered. We find when we look back over each year a thing called a large gap between the expenditure growth he promised and what actually happened.

Mr E.S. Ripper: It is due to decisions.

Mr T.R. BUSWELL: It was due to sloppy management.

Mr E.S. Ripper: You will have to make decisions.

Mr T.R. BUSWELL: Yes, we will have to make decisions, because we will have to fix it up. The former government left us with this recurrent spending beast that we must feed, and it is a great challenge for us. Let me give some examples. In 2007-08, last year, the former government forecast expense growth to be 4.6 per cent but it delivered 10.3 per cent. In 2005-06 it forecast expenditure growth at 4.1 per cent but it delivered seven per cent. In 2004-05 it forecast expenditure growth at 3.5 per cent but it delivered nine per cent. In 2002-03 it forecast expenditure growth at 1.8 per cent but it delivered 6.3 per cent. Therein lies one of the fundamental issues. The former government never delivered on the embedded commitments contained in the forward estimates. That is an issue that we now have to deal with, and we will.

Another issue relates to wages. The Premier raised this matter before. There is probably a degree of jealousy perhaps, especially among former members of the State School Teachers' Union who sit opposite, whoever they may be, because in a very short period, with no industrial action and in a very cooperative way, this government was able to resolve the teachers' dispute and some other outstanding wages disputes. One of the fundamental issues of the former government's management of the public sector wages bill was its inability to control the rate of growth of full-time equivalent public service employees. The big challenge was that for two years no-one in government could tell us how many people worked in the public service in Western Australia. That is how well it managed the economy! We asked it how many people were employed in the public service. It could not tell us. Do members know what the excuse was? It was that it was working on a new computer system. To make the point, last year it employed 5 000 additional FTE public sector workers, which is 100 extra employees a week, or 20 extra employees every weekday. Where on earth are they? Bring them down. No-one can tell us where they are. Yes, there have been some increases in certain areas of front-line delivery, but not 20 a day, not by a long shot. That is where our focus will be. That is one of the challenges we face. We will deliver on that.

I want to conclude because some of my colleagues want to participate in the debate. The member for Victoria Park said that the former government had tough financial management regimes and targets. I asked him what they were and he could not tell me. I will share a couple with members and we will see how tough they are. The best place to find out what its targets were is the document the Labor Party produced at the 2001 election, which outlined its tough financial management targets. There is one in big print but I still get confused by it. It states —

Maintain or increase our taxation competitiveness as measured by taxation revenue per capita.

That was the former government's tough financial target. What did the former government do? It blew it to the extent that Western Australia went from being the third lowest taxing state in Australia to the highest taxing state in Australia. What did it do? Did it cut taxes? No, it changed the measure. That was the opposition's approach in government.

Mr E.S. Ripper: It went back to Richard Court when he was in government.

Mr T.R. BUSWELL: I do not care. That was the measure set by the former government, and it failed to deliver. It was one of its so-called tough financial targets. What was the former government's other tough financial target? It was that spending growth would not exceed a real per capita cap in any year. For new members, that means we add up the rate of inflation and the rate of population growth to arrive at the target. I have looked back, but I cannot find a time when the former government ever met that target. Members of the opposition talk about tough financial management. It was a complete and absolute joke. One of the reasons we are in this position is the inappropriate management of a once-in-a-century fiscal opportunity in this state. There are challenges, and we will deal with them.

DR M.D. NAHAN (Riverton) [3.32 pm]: We face the greatest global financial crisis in a generation. It is a reality. Members opposite might not realise it but the people in my electorate do. They say, "Thank God the Liberals are back in power." They know that we can manage. We face a serious crisis.

Several members interjected.

Dr M.D. NAHAN: They are not delusional. My constituents know that we face a serious crisis and that the Liberals can manage it. Putting that aside —

Mr D.A. Templeman interjected.

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The DEPUTY SPEAKER: Member for Mandurah, let the member for Riverton speak please.

Dr M.D. NAHAN: Putting that aside, even if we do not face a global financial crisis, we face a local financial crisis for the reasons the Treasurer outlined. Our revenue had been growing extremely rapidly for seven or eight years, based on a bubble and expenditure growth —

Mr M.P. Whitely interjected.

Dr M.D. NAHAN: I ask the member to please excuse me.

The DEPUTY SPEAKER: Member for Bassendean, would you let the member finish his speech, and then you can have a chance if you need.

Dr M.D. NAHAN: Even without a global financial crisis, we were going to face a fiscal crisis. As the Treasurer outlined, expenditure had been growing at about 10 per cent a year in recent years, all in non-core areas. Members of the opposition talk about teachers and additional police. They put some on when they were in government, but most of the growth was in non-core areas. The former government's expenditure policy was like a seeding machine; it put the money in and spread it everywhere. That is what happened. The new Liberal-National government has to address this issue. The real problem lies not necessarily just on the expenditure side; it lies in how we got there. The former government basically went out and created, lived off and extracted revenue from a housing bubble. The former government jacked up taxes on and restricted the supply of land, forced up land prices and extracted \$2 billion a year of additional revenue from the housing market. That is the former government's surplus. It is a claimed surplus. Even without the global financial crisis that bubble was going to burst, and that is what is happening now. Look at the data. What are the forces driving down the Western Australian economy?

Mr D.A. Templeman: You in government; that's what it is.

Dr M.D. NAHAN: It is the housing sector. The former government created a bubble economy that was going to burst, no matter what happened internationally. Revenue was collapsing and that is what we are going to have to live with. It is a really difficult issue.

Mr P. Papalia: Did we create it on the east coast as well at the same time?

Dr M.D. NAHAN: No. No state had a bubble like this state. Nowhere in history has any state had a bubble like this state. Members opposite know. They have benefited from it. They have sold houses. What happened to their house prices?

Several members interjected.

The DEPUTY SPEAKER: Order!

Dr M.D. NAHAN: The former government went out during the largest boom in this state's history and it augmented the boom by restricting land prices, land values shot up, and the government creamed it off with tax revenue. It was going to burst. Bubbles do burst. That is what happened and that is what we have.

We do face other difficulties here. The main difficulty we face is, first, coming to grips with what our fiscal outlook is. As the former Treasurer pointed out, in the past seven years he would look at the budget papers and say, "Oh, tax revenue is going to go up by 10 per cent", or, "Expenditure is going to go up by three per cent." The reality has been significantly different in every year. In part Treasuries around Australia had difficulty forecasting revenue growth. I am not blaming them. State and federal issues have always been the same. Therefore, we have commissioned an audit, like good governments do, to come to grips with the beast that we are dealing with and to show where the expenditure growths are, what the outlook is going to be, where the waste is, and how we can reorientate. That is what good governments do. They bring in excellent people from outside to make the assessments and they get the facts. That is what we are doing.

Mr A.P. O'Gorman: You mean Liberal hacks?

Dr M.D. NAHAN: John Langoulant is not a Liberal hack; that is abusive.

Mr A.P. O'Gorman: Abusive?

Dr M.D. NAHAN: Yes. It is abusive to say that the former Under Treasurer, John Langoulant, is a Liberal hack.

Mr R.F. Johnson: Yes; take that back, member for Joondalup. Shame on you. You should be ashamed of yourself.

Several members interjected.

Dr M.D. NAHAN: Is Peter Shergold a Liberal hack?

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I do not think anybody in their right mind would accuse the Liberal Party —

Mr D.A. Templeman interjected.

Dr M.D. NAHAN: I do not think anybody in their right mind could credibly argue —

Mr M.P. Whitely interjected.

The DEPUTY SPEAKER: Members, let the member for Riverton speak. Any member who wants to speak afterwards can speak then.

Dr M.D. NAHAN: I do not think that anybody could credibly argue that the Liberals are not committed, where possible, to achieving a budget surplus in their current accounts. We have always been the government of fiscal responsibility, and we will be. The challenges are fundamental.

Mr M.P. Whitely interjected.

The DEPUTY SPEAKER: If the member for Bassendean interjects again, I will call him.

Dr M.D. NAHAN: We are the government of real fiscal responsibility, and will be within the terms that we can —

Several members interjected.

Dr M.D. NAHAN: We also have the person in the Treasurer to achieve that.

MR J.M. FRANCIS (Jandakot) [3.38 pm]: As someone with a bit of commonsense, I obviously need to give the former Treasurer a basic lecture in economics. I have a newflash for him: I know he hates *The West Australian* but he cannot walk away from it because the truth hurts.

Several members interjected.

Mr J.M. FRANCIS: I know that the former Treasurer hates *The West* with a passion and he refuses to read it; however, I will just point out an article in thewest.com.au of 1 December headed “Deficit is not a dirty word in these times”. The article starts off by stating the obvious, which the former Treasurer obviously has not read —

Two-thirds of developed nations are in the red as they pump cash into their economies

Ms R. Saffioti: What are you guys doing?

Mr J.M. FRANCIS: I will get to that. The article then states, a little further down —

Below, repeated 50 times, was the line: “The Australian economy is on the edge of recession.”

Members opposite should listen to this very carefully, because the article then goes on to talk about the parallels between the pressures that we are facing in the Western Australian economy and the pressures that the cohorts of members opposite in Canberra are facing. The article states —

When Treasurer Wayne Swan released the mid-year Budget update a little over three weeks ago, he predicted —

Several members interjected.

Mr J.M. FRANCIS: Members opposite do not like this! Wayne Swan is from their party! It continues —

a \$5.4 billion surplus this financial year and a \$3.6 billion surplus in 2009-10. But in using the deficit word for the first time on November 26, Kevin Rudd pointed to the economic storm clouds that swept across the globe since Mr Swan’s update.

“If Australian economic growth slows further because of a further deepening of the global financial crisis, then it follows that the Australian Government revenues will reduce further,” the Prime Minister said.

“Under those circumstances, it would be responsible to draw further from the surplus and, if necessary, to use a temporary deficit to begin investing in our future infrastructure needs ...

Mr M.P. Whitely: Is there a point to all this?

Mr J.M. FRANCIS: Absolutely there is a point, because there are very serious parallels. This afternoon, all members opposite have done is lecture us about what we have not done in the past 73 days—and they are all wrong about that!

When the debate was adjourned last night, I had been talking about 2005. I now want to go back to that 2005 election campaign and to some of the promises that the Labor Party made but failed to deliver. The first promise concerns an issue that is close to my heart, because it is actually in my electorate. This issue should be close to

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the heart of every person who lives south of the river. During the 2005 election campaign, the Labor Party promised to complete in 2010, stage 1—600 beds—of the new major tertiary hospital at Murdoch. It promised that the new hospital stage 1 would cost \$420 million, and that construction of the new hospital would commence in 2007.

Mr M.P. Whitely interjected.

The DEPUTY SPEAKER: Order! Member for Bassendean, I call you once.

Mr J.M. FRANCIS: This is the most re-announced public project in the history of our state. All they did was park a bulldozer on a block of land, and they say construction is under way! The actual cost for completion in 2013 was \$1.76 billion. My maths might not be too flash, but \$1.76 billion, less \$420 million, is well over \$1 billion. That is how much it has blown out by. That is broken promise number one.

Another promise that the Labor Party made south of the river was that there would be no heavy vehicles on Leach Highway. In 2005, the Labor government promised to legislate—a bit like uranium mining before the election, but that is okay—that in 2006 there would be no heavy trucks on Leach Highway and South Street. The Labor government said it would do that by 2006, but it did not do it. That is broken promise number two. Broken promise number three is taxation competitiveness. In 2001, Labor promised to maintain or increase this state's tax competitiveness as measured by taxation revenue per capita. According to the independent Chamber of Commerce and Industry of Western Australia —

Several members interjected.

Mr J.M. FRANCIS: Members can challenge it about that! Go for it! The Chamber of Commerce and Industry has said that using the government's own measure of taxation revenue per capita, Western Australia has now become the highest taxing state in this country.

Broken promise number four is financial discipline. In 2001, Labor promised to overhaul the Treasurer's Advance Account and to halve the annual allocation from \$300 million to \$150 million. What has the Labor Party done with that promise? That is a great one! Members opposite should not make promises that they cannot keep! The Labor Party said when it made that promise that the financial discipline that will be required of ministers will significantly reduce the need for urgent funding injections. The Labor Party failed dismally on that promise. The annual allocation has not been significantly reduced. When we inherited government less than three months ago, it had blown out to \$750 million. The Labor Party did not halve it! It blew it out to \$750 million! I go now to another newspaper article. This one is dated 13 March 2008. It is headed "Ripper needs \$750 million for budget blow-out". I can keep going with quotes from the Leader of the Opposition, but I will move on to broken promise number five: housing strategy in Western Australia. This is a good one, too. In 2001, Labor promised to develop a state housing strategy in the next term of government. I do not know how long a term of government was back then, but I think it was somewhat less than four years.

Mr A.P. Jacob: Three and a half years.

Mr J.M. FRANCIS: Three and a half years they go for these days.

In April 2001, after winning government—they must have done this in those first 72 days—the then housing minister said that it would take two years to develop a strategy and he guaranteed that there would be no shortage of residential land in Western Australia. That was 2001; members opposite are kidding me! It is a river of deceit through the opposition benches. It just went on for seven and a half years. In 2005 the Labor government promised to finalise and implement the state housing strategy over the next four years. We only had three and a half years because the government went to the polls early. Seven and a half years later —

Mr D.A. Templeman interjected.

Mr J.M. FRANCIS: I know the member is leaving. He will run for the position of mayor of Mandurah in 12 months' time. Why not have a by-election now and take the rest of them?

Seven years, and still no housing strategy by the time we won government! That was number five. Number six is the Perth-Mandurah railway. In 2001 —

Mr D.A. Templeman interjected.

Mr J.M. FRANCIS: The member had the chance to speak.

The DEPUTY SPEAKER: Order! The member for Mandurah!

Mr J.M. FRANCIS: In 2001, Labor promised to have the Perth-Mandurah railway completed by the end of 2005. And the opposition wants to have a go at us for not meeting a deadline! What happened in 2005? In 2005,

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we were told it would be ready by the end of 2006. In 2006, the Labor government finally got it right—the end of 2007. The railway opened on 23 December last year. How many years overdue was it? It was a broken promise. It was a deceitful promise the Labor government could never meet.

Several members interjected.

The DEPUTY SPEAKER: Member for Jandakot, we are not getting anywhere. There is a constant slanging match going on. Will the member for Jandakot please continue, and would the member for Mandurah desist from interjecting. He has had his say.

Mr J.M. FRANCIS: Promise number seven was the Albany Regional Hospital. The member for Albany, my Collingwood-supporting buddy, is not here to defend himself, but this is great. In 2005, the Labor government promised to fast-track the hospital's redevelopment. The hospital, after redevelopment, would offer the most up-to-date facilities and would be in service by 2007. The Albany Regional Hospital upgrade was not fast-tracked, and it is up to the present government to initiate the fast-tracking of that project. This is deceit—deceit like I have never imagined in public office—from this side of the house for the past seven and a half years.

Withdrawal of Remark

Mr M. McGOWAN: In question time, the Speaker ruled that use of the term “deceit” was unparliamentary. I have now heard the member use it on four separate occasions. I ask him to withdraw it.

Mr J.M. FRANCIS: I withdraw, and insert the word “dishonest”.

Several members interjected.

The DEPUTY SPEAKER: Member for Jandakot, I understand that you withdrew those comments. Is that correct?

Mr J.M. FRANCIS: That is correct.

The DEPUTY SPEAKER: Okay, let us carry on.

Mr M. McGOWAN: It is understood under the standing orders that when a member withdraws a remark, he does so unconditionally. The member for Jandakot withdrew, and then said, “I insert the word dishonest.” That is not an unconditional withdrawal. He does not understand these things because he is new here. I ask him to withdraw unconditionally.

Mr J.M. FRANCIS: I withdraw, unconditionally.

Debate Resumed

Mr J.M. FRANCIS: I refer to the train station at Joondalup. In 2001, Labor promised to build a special events train station at the Arena in Joondalup. Can we see it? It is imaginary. In 2006, the government stated that a station would be delivered within the next two years. Nothing happened. It is invisible. What about the railway station at Stratton? In 2001 the Labor government promised an extension of the railway line—I am up to number nine; I have still got lots to go—from Bellevue to Stratton by 2008. There are still no train stations at Bellevue or Stratton. What about the promise to electrify the railway line to Byford? That was promised in 2001. In 2007 the member for Armadale, the then Minister for Planning and Infrastructure, said that extending the electrification to Byford was completely unrealistic within the next five years—she said that six years after she had promised she would do it.

I note the time, but I wish to point out the hypocrisy of the Leader of the Opposition in coming into this place and raising these issues. It is just alarming!

Amendment to Motion

Mr J.M. FRANCIS: I move —

To delete all words after “condemns” and insert —

the Leader of the Opposition and former Treasurer for misleading the people of Western Australia by his failure to disclose the true financial position of our state prior to the election, and for overseeing the over \$750 million blow-out in the Treasurer's advance account from extra government spending.

MR M. McGOWAN (Rockingham) [3.50 pm]: I note that the Premier has not decided to speak on this motion. This motion quite clearly condemns the Barnett government, and his failure to speak on this matter speaks

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volumes, considering that the government has freely admitted today, and over the past week or so, that it is going to burden future generations of Western Australians with debt derived from the ordinary expenditure of government. That the Premier is unwilling, or too cowardly, to stand in this Parliament and address this incredibly important issue for the future of Western Australia speaks volumes.

I find it incredibly disturbing that on the seventy-third day of this government it has not delivered on commitments on a number of occasions, but at the same time it has admitted to the people of Western Australia that one thing it will do is send this state into deficit. That shows an incredible weakness and an incredible capacity to surrender on an incredibly important issue. The government's policy on deficit is to put its hands up and surrender; not actually fight to retain the surplus or the state's AAA credit rating. That surrender will burden my children with the debt of the state Liberal Party. It reminds me of the Republican Party of the United States of America: it talks big on issues of government spending, and it acts small. What it did last time it was in office and what it will do this time in office is blow the good work of the former government and the former Treasurer, in retaining —

Several members interjected.

Mr M. McGOWAN: It talks big and acts small on this very important issue.

There is no doubt that it is hard to retain the surplus, and governments have to work hard to do that and examine government expenditures, not make irresponsible commitments. All these things the former Labor government did when it was in office have provided the Liberal Party with a \$2.6 billion surplus in the current financial year. I note that when the now Treasurer sat on this side of the house he was always going on about how outrageous and how obscene the surplus was: I never actually thought that meant that he supported deficits. However, today and yesterday we have learnt that his objection to a surplus means he supports deficits in the expenditure of the state government. There are threats to the state's AAA credit rating and financial position—they are the Premier, the Treasurer and the Minister for Regional Development. It appears that the way they will manage this issue is by changing the 47 per cent net debt-to-revenue ratio that the former government had in place to retain the AAA credit rating. When that happens, our interest payments will go up, and they will succeed in burdening my children—and everyone in this place's children—with more debt that future generations will have to pay off, because they have already surrendered. They have already given in. They do not have the capacity, the work ethic or the ability to maintain a budget surplus. That is something future generations will regret.

Ruling by Deputy Speaker

The DEPUTY SPEAKER (Mr M.W. Sutherland): The member for Jandakot moved an amendment to the motion. I have decided that the amendment does not fall within the parameters of the original matter of public interest so I therefore disallow the amendment and rule that it is out of order. The question is that the original motion be agreed to.

Motion Resumed

Question put and a division taken with the following result —

Ayes (26)

Ms L.L. Baker	Mr F.M. Logan	Mr P. Papalia	Mr A.J. Waddell
Mr A.J. Carpenter	Ms A.J.G. MacTiernan	Mr J.R. Quigley	Mr P.B. Watson
Mr V.A. Catania	Mr J.A. McGinty	Ms M.M. Quirk	Mr M.P. Whitely
Mr R.H. Cook	Mr M. McGowan	Mr E.S. Ripper	Mr B.S. Wyatt
Ms J.M. Freeman	Mrs C.A. Martin	Mrs M.H. Roberts	Mr D.A. Templeman (<i>Teller</i>)
Mr W.J. Johnston	Mr M.P. Murray	Ms R. Saffioti	
Mr J.C. Kobelke	Mr A.P. O'Gorman	Mr T.G. Stephens	

Noes (27)

Mr P. Abetz	Mr M.J. Cowper	Mr R.F. Johnson	Mr D.T. Redman
Mr F.A. Alban	Mr J.H.D. Day	Mr A. Krsticevic	Mr A.J. Simpson
Mr C.J. Barnett	Mr J.M. Francis	Mr W.R. Marmion	Mr M.W. Sutherland
Mr I.C. Blayney	Mr B.J. Grylls	Mr P.T. Miles	Mr T.K. Waldron
Mr I.M. Britza	Mrs L.M. Harvey	Ms A.R. Mitchell	Dr J.M. Woollard
Mr T.R. Buswell	Mr A.P. Jacob	Dr M.D. Nahan	Mr J.E. McGrath (<i>Teller</i>)
Mr G.M. Castrilli	Dr G.G. Jacobs	Mr C.C. Porter	

Extract from *Hansard*

[ASSEMBLY - Thursday, 4 December 2008]

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Mr Eric Ripper; Mr Ben Wyatt; Mr Troy Buswell; Dr Mike Nahan; Deputy Speaker; Mr Joe Francis; Mr Mark McGowan

Pairs

Mr J.N. Hyde
Mr C.J. Tallentire

Dr K.D. Hames
Dr E. Constable

Question thus negatived.