LOAN BILL 2017

Consideration in Detail

Clause 1: Short title —

Dr M.D. NAHAN: We had a long debate on this legislation. I will not pre-empt the Treasurer's response, but, as we understand it, the government is asking for $11 billion based on Treasury's *Pre-election Financial Projections Statement*—that is, the policies embedded in that statement by the previous government. On that basis, is the government committing to all the expenditure in that pre-election statement? Is the government's request for debt based on the forward estimates of that pre-election statement? What expenses and revenues will the government alter?

The SPEAKER: Leader of the Opposition, can you face the Chair, please?

Dr M.D. NAHAN: Thank you, yes I will.

Mr B.S. WYATT: The Leader of the Opposition is quite correct. We are basing the request on the projections of expected borrowing requirement of the PFPS with an allowance for 2020–21. The member asked whether we are committed to all the expenditure in the PFPS. No, we are not. We are going through a process now that we will all see at budget time when we outline those that we are committed to, others that we are embarking upon and those that will simply become part of the savings of the budget process.

The SPEAKER: Members, I advise that this discussion is on just the short title, not the actual bill.

Dr M.D. NAHAN: Just to clarify, the government is taking the borrowing envelope, if you wish, from that, and the borrowing is for a purpose. The purpose is to expend money as indicated by the revenue. I would like to know about some matters. That budget contains $11.7 million for the third stage of Willetton Senior High School. It has been there for quite a while. The expansion of the school has been supported by all parties—of course, it is in my electorate. Is the government committing to that expenditure? If not, why is the government borrowing for it?

Mr B.S. WYATT: As I pointed out last night in my reply to the second reading debate on this bill, this is effectively an administrative bill, as the Leader of the Opposition knows. It will give the government the authority to borrow; it does not actually mean we borrow as of now. It gives us the authority to borrow over the coming four-year period. In terms of individual items that are currently in the budget, ultimately if we remain committed to those, members will see them at budget time.

Mr D.C. NALDER: On the basis of the comments that the Treasurer has not decided on expenditure, what is the basis of determining that $11 billion is an appropriate amount to borrow?

The SPEAKER: Members, can I just advise that this debate is on the short title of the bill. It is not about the bill itself; we are debating the short title. This is the Loan Bill 2017. Answer that question, Treasurer, but if we can get back to the point please.

Mr B.S. WYATT: On the basis that I made the commitment to hopefully do no harm to the finances the government inherited as at the *Pre-election Financial Projections Statement*—hence we are seeking the authority required as at the PFPS—I have made the point both in this place and outside that hopefully in the end we do not need all of that authority, but we are seeking it because that is certainly the direction of the finances as at the election time.

Dr M.D. NAHAN: We all agree that the government needs a loan bill—the question is the quantum—and it needs one now. That is why the Opposition is supporting this bill. However, the Treasurer indicated that he really does not know how much is needed. The starting point is the PFPS. Why does the government not take a smaller sum and then set itself a target to go below $11 billion, and take how much it thinks it needs now and then come back if it needs more?

Mr B.S. WYATT: The Leader of the Opposition is right: ultimately forecasting forward four years is problematic, as he knows. Standing still, for 2017–18 and 2018–19 the state will need around $9 billion. I think the Leader of the Opposition said that we do not know how much we need; that is right. The previous government had a similar problem with two loan bills that were introduced; I went through this last night. The 2009 bill needed a top-up in 2012 and the 2015 bill needed the 2016 top-up. In respect of 2009, in particular, that was obviously because spending was particularly problematic and in 2016, to be fair to the Leader of the Opposition, it was revenue that was particularly problematic, so another loan bill was required. It is right that there are a lot of unknowables in what happens between now and 2020–21, but straightaway, even though I am basing this on the PFPS—I think is has been well reported—we have had significant revenue write-downs since the PFPS, so I could have actually suggested that we add that to the borrowing authorisation of $11 billion. I have not; I have simply put that on the government to try to react to those write-downs over the next four years, as governments are required to do, and to simply stick with the authorisations projected as at the PFPS.

Dr M.D. NAHAN: Does the government plan to have another loan bill in its next one or two budgets?

Mr B.S. WYATT: Do I plan to? No, I am not planning to; I am certainly hoping not. I sat there and caused similar trouble as the Leader of the Opposition is causing for me right now over having to introduce a loan bill—so no. But, as we know and as I pointed out with the 2012 and 2016 top-ups, there are things outside of our control and I need to control what I can.

Mr D.C. NALDER: Clearly, this is the Loan Bill 2017. Last night the Treasurer stated that it was not unusual and yet the opposition highlighted that it is unusual because we find no record ever of Parliament witnessing a loan bill when there is not a budget accompanying it. I want to clarify that the Treasurer still believes that it is not unusual that he is requesting $11 billion—the largest amount that has ever been requested in the state—without a budget or a plan as to what the government is going to utilise those funds for, and expect us just to willingly accept that. Does the Treasurer not consider it unusual that there is not —

The SPEAKER: Member, we are talking about the title of the bill.

Mr D.C. NALDER: Exactly, and I am arguing as to why we have the title of the Loan Bill 2017 when in fact there is no plan or budget, and why we are at this point. I would like clarification from the Treasurer on that.

Mr B.S. WYATT: I made the point in my response last night around the four previous loan bills. Of course, the Loan Bill 2015 was introduced a week before the budget on 22 April 2015 and the debate started on 5 May, but the 2015–16 budget was not presented until 14 May. It was very close to the budget, but that loan bill was introduced prior to the budget. Historically, although not unprecedented—the 2015 example highlights that—it is probably unusual; I accept that. However, loan bills have been introduced before budgets in the past.

Dr M.D. NAHAN: If we go back to loan act authorisations in the past, since 1987–88, a number of loan acts have been passed. Most in recent times have been for additional borrowing for general government purposes. There also has been financial agreement debt redemption; that is, paying back debt. Given that the government went through the election campaign and swore on its heart that it would treat debt like a mortgage—that is, it would pay both capital and interest payments—will it agree to a financial agreement debt redemption program of paying back debt over the next period of four years? Back in the early 1990s and beyond, especially the early nineties, not only did the government of the day from 1991 to 1993 borrow money, but it paid it back. It had both an increase in borrowings—I assume a borrowing limit; I think this is in material provided by Treasury—and it also had financial agreement debt redemptions of a smaller amount. Given that the government's commitment in the election was to treat the debt issue like a mortgage—we assume logically from that that there will be an interest payment, which will be in the budget, and a principal payment—will the Treasurer agree to a financial agreement payment? Will he agree in the Parliament to having a program of principal repayment over the next four years?

Mr B.S. WYATT: I would love to, but I cannot, particularly while the state is still operating under a cash deficit, which it has had now since 2007. I note that the Leader of the Opposition went through the loan act history and highlighted the financial agreement debt redemption amounts from 1991 through to 1999. I can only assume that that was on the basis that they were running cash surpluses at the time and so were able to do it. Obviously it was a different accounting method then, but I can only assume that they were operating under cash surpluses. As the member knows, the reason debt has run up so considerably since 2007 is because the last cash surplus was in 2007, so until we get to a position in which the state is running cash surpluses, we are repaying debt and the financial agreement debt redemption becomes very difficult.

Dr M.D. NAHAN: The basis of this loan is in fact the pre-election financial statement. The Treasurer knew exactly what it was. It was published by Treasury during the campaign. During the campaign the government promised Western Australians to treat the debt like a mortgage and pay it back. There is no surprise in the forecast now; the government is using a pre-election financial statement—let us take that as is—put out by Treasury and that is very accurate. But, at that same time, the Labor Party went to the public and said, "We have a debt reduction program; we will pay it off over time." The time was not determined, but all we are dealing with is the next four years—the period of this government. Is there not something inconsistent with the government's commitment to pay off debt over time and its statement now that the government cannot do it because we are in cash deficits? But the Treasurer knew that. He had the statement in front of him and these are inconsistent. Could the Treasurer explain the inconsistencies with his commitment and the *Pre-election Financial Projections Statement*, which is his starting point for requesting money?

Mr B.S. WYATT: That is a good question. There is nothing inconsistent because I also said that, ultimately, to plateau debt, we would have to peak it and commence its decline. That has become problematic in the past as well; both Christian Porter and the Leader of the Opposition predicted across forward estimates periods in budgets that debt would peak and commence its decline. At the moment, we do not know when debt is peaking, but once we do, we will hopefully get to a position where we can start seeing the decline of debt. We might see it in the budget in the forward estimates—we might not. But we will see that come September.

The ACTING SPEAKER (Mr S.J. Price): Members, I remind you that we are still talking about the short title and to confine your comments to that. Some of the other extended conversation that is going on might be better off saved for clause 3.

Dr M.D. NAHAN: Yes, okay. We will go to clause 3 shortly. I just want to finish this line of discussion. The reason I am doing this is that this is the only time I can interrogate, if you wish, the minister.

Mr B.S. Wyatt: And the budget.

Dr M.D. NAHAN: No, in the context of the Loan Bill 2017, because once we decide on this, the government is basically saying that this is it for the term; there will be no more loan bills, it hopes—and I hope. You never know in this world, though. The debt level was a crucial issue. The government had the *Pre-election Financial Projections Statement* in front of it, which was objectively and accurately determined. It said, "We have a debt plan. We will pay it off like a mortgage." That was good rhetoric to the public, because most people have mortgages, although, I might add, 40 per cent of them have interest-only mortgages. But the Treasurer implied that he had a debt reduction strategy. I looked and I cannot find any discussion about capping. What I could find was, "We will pay debt off like a mortgage with principal payments." One of the first statements or exercises here—I think the first one really—is a Loan Bill that is interpreted as no attempt to even cap debt, let alone pay off the principal. Is that true?

Mr B.S. WYATT: For the benefit of members, I point out that the *Pre-election Financial Projections Statement*, which is also covered by this Loan Bill, has a projected deficit position and these are now changed—of course, it is the PFPS—for the worse. There is a projected deficit for 2017–18 of nearly $1.5 billion, a deficit for 2018–19 of $860 million and a deficit for 2019–20 of $535 million. As we in this place know, as the Leader of the Opposition knows, until we get to a point at which we are running a surplus position, it is very difficult to start reducing debt. I have made that point time and again and that is before I get to the point I made previously that there is a cash deficit still across the forward estimates—I dare say it will stay there for a while yet—and since 2007 we have had a cash deficit. That is highlighted by the loan act history document that the Leader of the Opposition was referring to earlier. I get the point the member is making, and I hope it is the only loan bill; I do not want to do another loan bill. Hopefully, the budget will articulate, with a bit more of the clarity that the Leader of the Opposition might seek, what the debt glide path will be and the size of those cash deficits, but we are dealing with a significant operating deficit position across the forward estimates, as at the PFPS stage, that this Loan Bill seeks to cover.

Dr M.D. NAHAN: My point is that the starting point is the PFPS, but the government can do something about it; it could come in with a budget and alter that. Those numbers existed before the election and they are the trajectory that the previous government was on. Of course, we had an election. We knew that debt was an issue and that we were in structural deficit and it was going to be a struggle, but the government could come up with policies to rectify that. The Treasurer is saying that we do not know whether we have policies to reduce debt. We heard, particularly from the member for Dawesville, how aggressive the Labor Party was with small and large programs all around Dawesville, except in Dawesville, but my point is that the government is asking for a loan based on a previous government that does not exist now. The Labor Party campaigned hard on the issue of debt. It had a policy to cap and pay down debt, but what it presented to us is that it had no intention or effort to put actions where its words were and do something about debt. It is up to members opposite now; they are in government. They are asking us for a cap based on doing nothing on reducing debt.

Mr B.S. WYATT: I am not asking for a cap as such; I am asking for an authorisation of $11 billion, the vast amount of which is required in the next two years. Now, the challenge for the government will be, in light of the revenue writedowns that we have had since the PFPS, to ensure that that entire $11 billion, the authority that is contained in the Loan Bill, is not called upon. That is the challenge for the government. As I said, I could have quite as easily changed the $11 billion to $13 billion to deal with what has happened in the last couple of months, but I have not. I have simply kept it as the projection was at election time, to be a fair decision. As the Leader of the Opposition and the former government knows, both of its Loan Bills were for extended periods. The Loan Bill 2009 was for a four-year period and the Loan Bill 2015 was for a three-year period. They were for extended periods, I assume for the same reason that I am seeking an extended period of four years—that is, hopefully the decisions made by government over that time would ensure that the government does not need to take on that entire authority. But the point I make is that the majority of that loan is required in the next two years. That is why I am seeking the authority for the entire $11 billion.

Dr M.D. NAHAN: The Treasurer made a statement that there has been revenue deterioration since the Labor Party came into government. We have no record of that. There was an unofficial statement by Treasury, which was a parameter adjustment. It is not an official Treasury statement. The government made these claims, but we do not know them and that is one of the reasons—which we will deal with in a few minutes—that it is better to have an authorisation after a budget is brought down when we have accurate statements of the actual revenue forecast. We know that the Labor Party has come on board and has about a billion dollars of hollow logs from foreign assets and liabilities, a top-up of GST and the commonwealth giving the government underspends on various capital projects—all up, maybe $900 million. What is the government doing with those? Is it paying off debt with that money or is it spending it? Those are the questions that the Treasurer will hopefully address in the budget, but he is asking us to basically give the government, on behalf of the people of Western Australia, money that does not exist and as if it has no policy to pay down debt, which it went to the election committed to do.

Mr B.S. WYATT: The Leader of the Opposition is right. The last officially approved financial document was the PFPS. There has not been another Treasury or government-approved official financial document and maybe that is something that we need to look at for the future, post-election. Leader of the Opposition, maybe that is something we need to look at in the future. As the Leader of the Opposition knows, the next official financial update will be the budget and that is what we are working towards. The comments I made about the various revenue writedowns are from published data, whether that comes from the Commonwealth Grants Commission—we have seen that—or is a result of updated information that comes into government, from the Valuer-General, for example, showing some negative impacts on land tax expectations for the coming year. Data collected by Treasury from various approved and published places is having an impact on those revenue projections and the Leader of the Opposition will see that, officially, in the Treasury document that will be the budget.

Dr M.D. NAHAN: To follow up on that, because it is an important point, we changed to fixed four-year terms a few years back—I think it was to the second Saturday of March. That is when Treasury is in full swing for the budget. Treasury comes down with its parameter adjustments upon which governments make decisions. Therefore, by definition, the budget has to be late for the new government, whether it is a returning government or otherwise. We, collectively, must deal with this because our budget periods and reporting periods predate the move to fixed four-year terms. We should perhaps get the Public Accounts Committee or someone else to look at this because we need to address this very important issue.

Mr B.S. WYATT: The Leader of the Opposition is right. The big change was when the former government introduced fixed terms—absolutely. That had a range of impacts that I think we are still trying to adjust to. Although I made the point that the budget has more negative revenue projections, one of the reasons I did not change the authorisation from $11 billion was that, as the Leader of the Opposition knows, over four years there could also be positive revenue changes. There are positives and negatives. I can only hope there are more positives coming forward—let me tell members—but I have kept it at the $11 billion in the *Pre-election Financial Projections Statement* and not simply topped it up to account for what has really been only a two-month change across a four-year period.

Dr M.D. NAHAN: There were some positive revenue changes, particularly in iron ore prices —

Mr B.S. Wyatt: That was since the budget, not since PFPS.

Dr M.D. NAHAN: Not since PFPS? Yes.

Mr B.S. Wyatt: We have lost a third since PFPS.

Dr M.D. NAHAN: Yes. Also, of course, there was the $226 million GST top-up.

Mr B.S. Wyatt: Swings and roundabouts—that is right.

Mr A. KRSTICEVIC: In his response earlier, the Treasurer indicated that most of the spending would be in the first two years. Can the Treasurer be more specific and tell us, over the term of the bill, but specifically in the next two years, how much will be spent on which components, and how has the Treasurer come to that figure?

Mr B.S. WYATT: I thank the member for the question—a good question. Again, as at the PFPS, the consolidated account borrowings are expected to be $5.1 billion in 2016–17, $4.4 billion in 2017–18, $4.175 billion in 2018–19 and $2.325 billion in 2019–20, and for 2020–21, which, of course, are estimated requirements at this point, it is $1.125 billion.

The ACTING SPEAKER (Mr S.J. Price): Can I remind members once again that we are debating the words "Loan Act 2017." Members' comments are certainly worthwhile and constructive but if we can confine the debate to the short title, it would be much appreciated.

Dr M.D. Nahan: For the record—this is very important—the sums of borrowing that the Treasurer listed really relate only to the total public sector debt.

Mr B.S. Wyatt: No, they are the consolidated account borrowings.

Dr M.D. Nahan: They are the consolidated account borrowings; they are the ones that are relevant to the loan fund.

Mr B.S. Wyatt: Yes.

Dr M.D. Nahan: Yes; good.

Mr B.S. Wyatt: Sorry if I did not clarify that, but that is right.

Mr A. KRSTICEVIC: The figures that the Treasurer just read out are the *Pre-election Financial Projections Statement* figures but they are not the Treasurer's figures for his plans through to 2020–21. The figures will change, obviously, with increases in fees and charges and the introduction of new taxes. That will put more revenue into the state government's coffers. The Treasurer is asking for an amount of money at the extreme end of the situation we are in. How can the Treasurer ask for that much money without having a plan and without being able to tell us where the money will be spent, other than saying that the government is following the pre-election documents and it is not the government's agenda and is not where the government is heading? The government wants to be given an open chequebook for that amount money and then it will decide where the money will be spent along the way. Can the Treasurer be more specific about the government's spending patterns over the next four years and, specifically, how much spending does the Treasurer see? Alternatively, will the government spend exactly what was put in the prior government's agenda to spend money on?

Mr B.S. WYATT: The ship of state is a big one, and often difficult to turn, or we have to turn it over a long period. The issue of the open chequebook is just the authorisation. Of course, this bill does not allow me to run down the street and grab $11 billion out of the closest bank. The bill will authorise the government, through the WA Treasury Corporation, to go off and borrow as required, and I gave members opposite the cash glide path a minute ago. I think the member is interested in specifically which agencies the money will go to. At this point, that is really as outlined in the 2016–17 budget, with an updated *Government Mid-year Financial Projections Statement* and the PFPS. Over the next four years, will the government simply adopt the spend profile as we inherited it? No, of course it will not, but I think the member said that the government was seeking the extreme end of the situation. Actually, I am putting a bit of pressure on the government to ensure that we do not have to come back to this place for another loan bill because, as I said, revenue has deteriorated. I made the point to the Leader of the Opposition that that is a two-month period out of four years. Lots of things happen over a four-year period. At budget time in September, the member will see by agency specifically what the following profile is in each agency from the consolidated account. I will conclude on this point how I started: this ship of state is big. For example, 40 per cent of the spend is wages. The actual discretionary spend of government is not huge. Over a period, we have to readjust. Will the member see a dramatic change? He will probably not, but he will see some changes.

Mr A. KRSTICEVIC: Does the $11 billion that the Treasurer is asking for cover the $5 billion of election promises that the government made?

Mr B.S. WYATT: At the moment, it covers everything in the *Pre-election Financial Projections Statement*. I effectively committed to do no harm to the finances as inherited in the PFPS. That is why I adopted that; I have not sought a larger amount. Within that constraint, the new Labor government will have to deliver on its election commitments.

The ACTING SPEAKER: Can I once again remind members that we are discussing the short title of the bill and some of these comments would be best saved for clause 3.

Mr V.A. CATANIA: The Treasurer said the revenue of the state is down. Has the Treasurer or his department looked at alternative revenue sources instead of asking for an $11 billion loan? Has the Treasurer looked at a 25c lease rental? Has the Treasurer looked at the option of increasing that through the consumer price index? Has the Treasurer looked at a $1, $2 or $5 increase to assist in not having to have an $11 billion Loan Bill? Has the Treasurer looked at or had discussions with any of the companies that pay the lease rental fee about having a cash out to be able to give the state the injection it needs to get through this hurdle of the unprecedented collapse in the goods and services tax for Western Australia? Has the Treasurer had any conversations with any companies? Given that the Treasurer has said that revenue is down and we need to find a new revenue source for the state, has the Treasurer looked at any new revenue sources? Has the Treasurer looked at those options; and, if so, what options has he looked at?

Mr B.S. WYATT: I thank the member for the question. I will not go through whom I have met with et cetera, but I am looking at as many alternative revenue sources as I possibly can—the member would be surprised how few there are, I must admit—as opposed to the alternative beyond the state's current revenue base, which includes the lease rental fee. It is a small part of the revenue base, but it is part of the state's revenue base. I think I can get to the point that the member is trying to make—we had this conversation last night. Will I adopt the National Party's policy on the lease rental fee? No.

Mr V.A. CATANIA: When I asked the Treasurer whether he has looked at any new revenue sources, he said he had looked at a few. What are they? Is there an alternative arrangement other than borrowing $11 billion? Can the Treasurer outline what he has looked at? Has the Treasurer or his department done any modelling based on the 25c lease rental and what benefit it would bring Western Australia if the government were to align that 25c with the CPI, given the fact that 50 years of benefit was given to those companies without changing a 1960s agreement? Has the Treasurer or his department looked at increasing that lease rental from 25c to $1? If so, how much windfall would this new revenue source bring to the state?

Mr B.S. WYATT: The member will have to cost and work out different iterations of Nationals policy himself. I am looking at a range of different areas, options and opportunities. I have asked Treasury to be very creative. The member needs to be interested in what I adopt and he will see that at budget time.

Mr V.A. CATANIA: I asked a specific question on looking at new revenue sources. Of course, we and the whole of Western Australia will have to adopt this $11 billion loan, but, as I said, has the Treasurer looked at new revenue sources? If so, which he has said he has—he is looking at many—which ones is he looking at, and has Treasury looked at increasing the 25c lease rental on BHP and Rio, whether it be last month, six months ago or a year ago, as an option for a new revenue source for the state to help with the projected repair of which the Treasurer has said everyone has to pay their fair share.

Mr B.S. WYATT: The member should know what Treasury advised the previous government because he was part of it. I assume he knows what Treasury advised the previous government. I have not tried to trawl through what the advice to the previous government was, but I dare say that since the National Party did not mention this policy until election time, it probably did not seek advice on it from Treasury; the National Party did not know anything about it, apparently. All I can tell the member is that I have sought advice, and he will see at budget time what I adopt and implement in the budget.

Mr D.T. REDMAN: I apologise for not being here for the first 15 minutes and I hope that this question has not been asked. The government is basing the Loan Bill 2017 for $11 billion on the parameters of the *Pre-election Financial Projections Statement*, which includes the exchange rates and the prediction of iron ore prices. I think the Treasurer mentioned in response to a question from the Leader of the Opposition that there has been some parameter shift since that time and some revenue writedowns. Is the Treasurer able to indicate the changes in parameters and the sensitivity impact that they will have on the forward estimates post the PFPS, which is the basis for the government bringing a loan bill seeking the support of this house for $11 billion?

Mr B.S. WYATT: This is a conversation that I had with the Leader of the Opposition a while ago, but that is okay. Perhaps there is an opportunity because since the shift to fixed terms, we have not shifted anything else around in terms of reporting requirements and official financial documents. The last official financial document was the PFPS, which is based on the budget of the year of the PFPS. There has not been an official update. Treasury has looked at the published data. That includes the Commonwealth Grants Commission and its update on the relativities for GST and information that comes into Treasury from, for example, the Valuer-General that is showing some of the problems that we are facing with projections around land tax assessments. We know what the property data is showing; we read it every day. That is having a downward impact as well. The sensitivities are all there on page 25. The member will know the sensitivities, particularly around iron ore. Since the budget, there was an increase, but since the release of the PFPS we have seen iron ore come off by about a third—quite a big decline—since election day. Overall, we will work out fairly shortly whether it lands as the budget of 2016-17 predicted as the average over that year. We are getting pretty close to the end of the financial year. The member is right; there has not been an official update. If I were, for example, to simply react to the last two months, I could have said that because we have lost $2 billion in revenue over that two-month period, so we should jack up the Loan Bill amount from $11 billion to $13 billion. I do not think that would have been the sensible approach because it is two months over four years. As the member knows—he sat in cabinet for a long time—revenues come and go; they increase and they decrease. I want to put the challenge to the government not to simply top that up at the first opportunity we get, and that we apply what was expected in the PFPS. We should rely on the ability of government to react over the four years to ensure that we do not need another loan bill. Along the way, with a sprinkle of fairy dust, we might get some higher revenue.

Mr D.T. REDMAN: I cannot remember if the point was made by the Treasurer or by someone else in the second reading debate. When the Nationals prosecuted an argument about a new revenue source, it was asked, "What's the point, because it all gets washed out to the federal government?", yet the tenor of the Treasurer's points in response to my question is that there are shifts in the budget position on the basis of some parameters, for example, the iron ore exchange rate and volumes. Surely, on the basis of the argument the Treasurer has just put, a new revenue source will not get washed out, but will actually have a positive impact, irrespective of the GST arrangements that we have.

Mr B.S. WYATT: In the short term, the member is right. The issue is whether we allocate that revenue to a permanent spend. The National Party expected its policy to raise $7 billion over the forward estimates period. If the government grabbed that and put it entirely into debt reduction, it would still have the fundamental problem: it would have lower GST in the out years because the Commonwealth Grants Commission does not care what GST is spent on; it is still going to redistribute the captured wealth. If the government chose not to put it into debt reduction and used it for payroll tax cuts et cetera, it would be locking in a permanent spend, which would exacerbate the debt problem further down the track. If that approach that I have referred to as "jam jar economics"—a phrase that I ripped off from Eric Ripper, the former Treasurer—of just looking at revenue generated by the mining sector, it would increase by that amount. But we need to have a more wholesome view of what it does to the entire revenue base over a longer period. Of course, we are familiar with the redistribution.

Mr D.T. REDMAN: It would be interesting to consider one of the other options that has been prosecuted by the Nationals, although it was not our policy position. That is an arrangement for washing out the 25c clause in the agreements. If the government were to wash it out —

Mr B.S. Wyatt: How do you mean?

Mr D.T. REDMAN: I mean that the government could go to the mining companies and say that it would take the 25c clause and buy it out.

Mr B.S. Wyatt: Buy it out?

Mr D.T. REDMAN: The 25c clause would be taken out of the agreements and the companies would pay the government a one-off fee to have that settled out.

Mr B.S. Wyatt: Basically to cash it out?

Mr D.T. REDMAN: Cash it out—yes. That is better terminology. My apologies for the words. The companies will get a benefit. It makes it a little bit easier to have that discussion without the notion of sovereign risk or of having a one-way agreement. A single revenue would come into the state, whatever the figure. I am told that that figure might be calculated at $3 billion to $4 billion. The state is in the situation now in which it has a deficit issue in the short term until the GST comes back into play. Therefore, we have an opportunity to tackle a source of revenue with mutual agreement from companies that will get a benefit from the outcome. It would fill a hole in the state budget for the next couple of years until the GST comes back in to meet all the things that the government talks about when it sits on the government side of the house to make these arguments. The state government could also go to the federal government and say that although that could be seen as a revenue source that would have an impact on GST, the impact of it being kept out of the grants commission process would mean that there is no detriment to other states. Someone else will not lose. That has always been the barrier to getting a negotiated position. The government would be in a strong position. It could seek to cash it out with these companies. Companies would get mutual benefit, which is something that should be palatable to them in today's dollars. I am sure there is a number that the government could come to. The state government could say to the federal government, "Keep us out of the grants commission process." Here is a way for the government to sort out Western Australia's GST shortfall. We know the challenge and the Treasurer has articulated it very well. As soon as we walk into a door in Canberra to try to get a change, it is extremely difficult. We know there will be some play out of that in the federal election. There is an opportunity that would deal with the government's challenge. It is not entirely in agreement with National Party policy so the government probably would not be breaking a commitment it had made to not hit up the mining companies to pay a fair share, but to use a clause change as a benefit to the companies as well as to the government.

Mr B.S. WYATT: You are right. To be frank, the environment is ripe for the commonwealth government to agree to exempt, because it would be caught. My view is that if it were cashed out, it would be caught and the Commonwealth Grants Commission would then redistribute it. The environment is ripe for the Treasurer to quite happily give an instruction to the Commonwealth Grants Commission, because the key point the member has made is it is effectively a new revenue source that is not coming out of other states' budgets —

Dr M.D. Nahan: Yes, it is.

Mr B.S. WYATT: Not in their current budgets; but I see what the Leader of the Opposition means. The $130 million will have a very minor impact.

Dr M.D. Nahan: I will comment on this.

Mr B.S. WYATT: I will be interested in the former Treasurer's comments because this was something that —

Dr M.D. Nahan: We prosecuted this.

Mr B.S. WYATT: That is right. The former Premier, or maybe the Leader of the Opposition, prosecuted this late last year.

Mr D.T. Redman: And the National Party.

Mr B.S. WYATT: And the National Party, sorry. People prosecuted this. I like it. I will be frank with members: I sought some advice on it. Clearly, it would have to be subject to a Commonwealth Grants Commission instruction from the federal Treasurer. I do not know, because I simply do not know yet, what the difference of opinion would be about the value of cashing it out.

Dr M.D. Nahan: It is a discount rate.

Mr B.S. WYATT: The discount rate.

Mr D.T. REDMAN: The Treasurer mentioned that he is seeking some advice on this. There are not too many bipartisan positions in this chamber that we can play through—GST arrangements is probably one. We welcome the government giving genuine, serious consideration to this cash-out option. From the mining companies' perspective, it gets the monkey off their back because the last thing they want is all this commentary. From the federal government's perspective, it gets the Western Australian monkey off its back, at least for the short term, because it might be a strategy it could use to support Western Australia without taking a detrimental position to the other states. Of course the Treasurer has a budget challenge, come September, to make it work. Whatever the number is—$2 billion, $3 billion or $4 billion—it would make one hell of a difference to that. Would the Treasurer be prepared to table, or at least make available to opposition parties or the public, the sort of numbers that might come out of that advice? If we are running on the same page, it would be a good outcome for Western Australia.

Dr M.D. NAHAN: As we know, the former government did a lot of work on this. The opposition—both the Liberal Party and, I assume, the National Party—would be willing to work with the Treasurer on this. The Treasurer can do the numbers and I can give him a private briefing about my discussion with the mineral sector—the people who are paying these. If the Treasurer has not had discussions, I have had in-depth discussions with them that were fruitful. I have forgotten the exact numbers. It is included in the GST but over a period of time. The issue relates to agreeing on the discount rate. The hurdle rate that BHP Billiton and Rio Tinto have is different from our discount rate; so that is all debatable. The argument is that this levy is treated by the Australian Bureau of Statistics as a royalty. That is the problem. We tried to get the ABS to change the definition but we were unsuccessful. It is actually a levy on land use, but nonetheless. The Commonwealth Grants Commission has a long history of treating all recurrent revenue flows as redistribution but if the asset is sold, the capital transfer is exempted. For a revenue-earning business that provides general government revenue—Western Power as an example—that revenue is sometimes included, not always; but it is included, let us say, for the Public Transport Authority. The sale of an asset is exempted from GST. The Treasurer could argue that the state is getting rid of a flow but exempting a capital transaction. New South Wales does this all the time—it has sold a range of assets.

When the time is right—I forget the sum but it is multiple billions of dollars—if the Treasurer went to them and said, "Just exempt it from GST, we will do away with it", they would be open to it, though the other Australian states fight any change that diminishes any money from them at all. They will man the barricades on this, especially Tasmania and South Australia. They will not take anything lightly, but this has potential to work. The Liberal Party will provide the government every hand on this one, if the Treasurer wishes, or any variation of it he wants. All I can say is that the mining sector repeatedly said no. We did not even get to an in-depth discussion. We talked at the highest level, but we did not even get to discussions about a discount rate. It was a different contest when the National Party was giving them real curry. Maybe they have calmed down a bit since then. I think it is fruitful. Treasury knows all the numbers and the arguments, but if the Treasurer needs our help to assist him, especially if the Treasurer wants to pay off debt, we are more than willing to support that.

Mr D.T. REDMAN: I support the comments made by the Leader of the Opposition. The National Party took the issues up with the mining companies. I am pretty certain the mining companies took a bet the Labor Party would win the election. They made a pretty good bet. That probably limited our capacity to keep some pressure on that. The issues the Treasurer is facing are not any different from the issues we were facing sitting around the table to make the budget work. There is an opportunity in this space that does not breach the integrity of the Labor Party's election campaign and I think would also get the ear of the federal government. It might be something worth thinking about. If the Treasurer is open to talk to the National Party—I would have to talk to the Leader of the National Party of course—I am sure our leader will be supportive of us prosecuting an argument along those lines.

Mr B.S. WYATT: We are in glorious agreement. The Leader of the Opposition has probably articulated the position very well; I do not think I have much more to add. The Leader of the Opposition went through this process not that long ago. I will just add, the Leader of the Opposition is right: I have learnt very quickly that other states will be reluctant to provide any break whatsoever. About a week after I was sworn in, I had the pleasure of going to Canberra for my first Treasurers' meeting. No doubt I sat in exactly the same place as the member for Riverton and various Treasurers before him, and the ninth item on the agenda was GST. Scott Morrison said "GST" and all faces swung and looked at me! I said my piece to these glazed eyes and, to be frank, it was a perfunctory response, if I was to be kind.

Dr M.D. Nahan: Even New South Wales did not help you, did they?

Mr B.S. WYATT: To Mr Perrottet's credit, at least he is watching what is currently happening. He likes the idea of a per capita floor. The horrendous level of 88c in the dollar is driving him nuts.

Mr P.A. Katsambanis: He also gets it.

Mr B.S. WYATT: In respect of the Leader of the Opposition's question about making any advice public et cetera, probably in due course. I am not trying to be obstinate; I am just making the point that it is still very early. These things are inherently complicated. Agreements are needed not just with miners, for example, but with the commonwealth et cetera. There might be an opportunity here. We all seem to be in agreement, which is good. Of course it does not impact on the Loan Bill I need now. One final point: the member for Hillarys is right—I found the New South Wales Treasurer very engaging.

Clause put and passed.

Clause 2: Commencement —

Mr D.C. NALDER: I have one simple question. I heard the Treasurer say before that he is looking at the *Pre-election Financial Projections Statement* to determine when the spend would be required. Given that the commencement day will be immediately after this bill achieves royal assent, that will give the Treasurer access to $11 billion. It is quite a few months before there is any scrutiny of the budget. I would like to get an understanding about this: between now and the opposition's ability to scrutinise the budget, what level of funds does the government plan to utilise?

Mr B.S. WYATT: Thank you; that is a good question. The buffer that exists in the current authorisation is expected to be exhausted in July. That really drove the urgency, because of course we do not sit in July, but July is when the current buffer is expected to be exhausted.

Mr D.C. NALDER: Further to that, I understand that the buffer will expire in July, and that is the $1.2 billion, but the budget will not be handed down until 7 September. It will then be some period after that before we have estimates to allow us to scrutinise the budget. Between the current buffer expiring—the $1.2 billion—and our ability to scrutinise the budget in estimates, how much does the government anticipate requiring during that period?

Mr B.S. WYATT: Shortly we will debate the Supply Bill, which, under the Financial Management Act, effectively ties that to the previous budget—the 2016-17 budget. Until that budget is passed, which I suspect will be in, what, late September–early October, we will be operating under the authorisation under the Financial Management Act that links it to the previous budget of 2016-17.

Dr M.D. NAHAN: I think the question was: Between running out of the buffer from the existing Loan Bill of $1.2 billion, which will be sometime in July, until the budget is passed sometime in September, what will the Treasurer's borrowing be? What are the additional borrowings?

Mr B.S. WYATT: I will give members opposite the honest answer: we just do not know at this point. That will depend upon cash flow, spending, revenue; all those things that go into, effectively, what makes the budget will dictate that borrowing, so, basically, between the end of July and whenever the budget is passed. I will have a better idea probably when we come back after winter recess, but at this point there are probably too many moving parts to give a precise answer.

Mr D.C. NALDER: My concern is that the moment this bill receives royal assent, we give the Treasurer access to $11 billion. We talk about the need to have a budget and for the government to scrutinise the spend, yet the Treasurer cannot provide any guidance to this house. The Treasurer is telling us we have to wait until budget estimates in late September or October.

Mr W.J. Johnston interjected.

The ACTING SPEAKER (Ms S.E. Winton): Member for Cannington, please.

Mr D.C. NALDER: My queries are directed to the Treasurer; the Treasurer can clarify the points I am raising. We will be approving an $11 billion loan, the government will have access to it and we will not get a budget to scrutinise until September–October. I think it is appropriate and would be nice to understand, if the current funding runs out in July, what will be required between that money running out and when we can actually scrutinise the budget.

Mr B.S. WYATT: I think I made the point a while ago to the member for Carine that we are expecting consolidated account borrowings for 2017–18 at $4.4 billion. How does that roll out over the course of 2017–18, particularly in—I think this is the member for Bateman's concern—July, August and September? I doubt it will be simply one-quarter of that because it will be, generally, a lumpy borrowing program as revenue comes in in lumps. If we assume, therefore, that the $4.4 billion is borrowed in equal instalments, in equal capacity across a 12-month period, we would expect about $1.1 billion in that period. But it is lumpy.

Mr D.C. NALDER: I accept that. I just wanted to clarify that there are no special programs that the Treasurer plans to run out; he is just following the books as there are —

Mr B.S. Wyatt: Yes.

Mr D.C. NALDER: — no special investment programs that the Treasurer is planning to make before the budget?

Mr B.S. WYATT: No.

Mr W.R. MARMION: If he knows, can the Treasurer outline how much of that $4.4 billion for the first year will be required for establishing a new railway workshop yard, or will that come out of separate borrowings?

Mr B.S. WYATT: I cannot answer that question. I can tell the member that as at the *Pre-election Financial Projections Statement*, $1.5 billion of it will be for the deficit position standing still, because that is what the PFPS showed. I understand the member's question; a similar question was put to me by the Leader of the Opposition about a very important project in his electorate. In terms of how specific projects will impact on the borrowing program, I cannot tell the member.

Mrs L.M. HARVEY: I am going to a previous answer, Treasurer. A number of Liberal Party commitments make up that $1.579 billion, I think it was —

Mr B.S. Wyatt: Sorry, $1.5 billion?

Mrs L.M. HARVEY: The $1.5 billion of deficit the Treasurer was talking about.

Mr B.S. Wyatt: Sorry, yes.

Mrs L.M. HARVEY: A number of commitments were funded under that that were not agreed to by the Labor Party in opposition, and obviously now in government, that could provide considerable savings. For example, for the meth strategy, the Treasury costing on the impact on net debt was $162 million; the funding of WA Girls Academy, $7.8 million; and the seniors downsizing program, around $50 million. The Treasurer can understand our frustration about the government asking for a Loan Bill of $11 billion, while a significant number of items in the *Pre-election Financial Projections Statement* that were not commitments of this now government are savings that can be harvested. When the Treasurer hands down his budget, which will no doubt have these items that we committed to removed, and the significant—$5 billion or so worth of—commitments that the Labor Party made presumably being seen in the budget, we will be able to have more appropriate scrutiny of it. In requesting this extension of the loan facility to $11 billion, has any consideration been given to the removal from the *Pre-election Financial Projections Statement* of those commitments that the Labor Party did not meet that were made by the then state government?

Mr B.S. WYATT: Globally in respect of the Loan Bill, no, just because it is based on those parameters. Clearly, the spending profile as at the *Pre-election Financial Projections Statement* and based on the 2016–17 budget will be changed by the new government. I made the point to, I think, the member for Carine or somebody earlier that ultimately the big spending beast that is government, as the member knows, involved lots of salaries and bits and pieces; there is not a huge amount of discretionary spend, sadly. It is a big ship that takes time to move. I think our budget will have things that the current opposition committed to that will not be there anymore—I tell the member that right now. There will also be things that we have committed to that will make up some of the space, we will add extra spending and there will be some decisions around savings et cetera. But in terms of this Loan Bill, it is simply based on the authorisation required as at February 2017.

Mrs L.M. HARVEY: That brings me back to the premise of our concern about this Loan Bill coming through and not being attached to a budget. The Treasurer had a look at the *Pre-election Financial Projections Statement* costings, and we know that on 7 September this year the Treasurer will hand down his budget. At that time all the clarity around the projects that are in and out—the items that were in the *Pre-election Financial Projections Statement* costings versus the items not costed by Treasury that the Labor Party committed to—will all be transparently available for us to scrutinise. Our concern is that having this Loan Bill debate requesting $11 billion as a facility at this point in the cycle is not in the interests of transparency. With the budget deliberations on 7 September, when all those commitments of ours we made during the election campaign are removed and the Labor Party's $5 billion or so worth of commitments are in, will the Treasurer then bring to this Parliament a renegotiated loan bill with a sum that accurately reflects the savings the Treasurer said he had made—the $750 million or so savings from the public sector and projects that have been eliminated—plus the full cost of the government's Metronet commitment?

Mr B.S. WYATT: Obviously, the *Pre-election Financial Projections Statement* does not have the election commitments in it. That would have driven a different agenda for the next budget as well.

Mrs L.M. Harvey: But in an election cycle, realistically, there are election commitments.

Mr B.S. WYATT: Yes, but the point I make is that the election commitments were not in this document as such. If the former government had won the election, it would have formed part of its budget for 2017–18. The member is right; it has not been attached to the budget. The budget will outline in some detail, as all budgets do, agency spend, borrowings, revenue et cetera. We see all that in the budget. Like the Loan Bill 2015 that came down a week or two before the budget, we deal with these things as they come along. Ultimately, if there had been a bit more of a buffer in the previous Loan Bill, maybe we could have waited until after the budget. The reality is that because the borrowing buffer from the previous Loan Bill will be exhausted in July—that is what we know—I need this Loan Bill to go through now to allow us to continue to do the things we want to do. Covering the deficit is perhaps the priority at the moment. I have exchanged with the shadow Treasurer how much is likely to be borrowed in that part of the two to three-month period between 30 June and the budget passing through Parliament. As the member for Hillarys pointed out last night, a loan bill is a very small document. Transparency comes around budget time when the spend and borrowings are allocated.

Mrs L.M. HARVEY: That brings me back to the premise of our objection to this Loan Bill. We accept that there is a $1.2 billion contingency, which Treasury advised us of in our briefing, that will see the government through to around the end of July. The Treasurer is handing down his first budget in September this year. If we look at the PFPS on which the government is basing its $11 billion projection, even if it went out to the end of 2017–18, which is to June 2018—10 months away from when the budget is handed down—it will require only about $4 billion just to keep the government running until its first budget, which could have a loan bill attached to it with the appropriate amount that the new government requires across the forward estimates. Will the Treasurer please explain why he is not taking that approach and why he has decided to ask for $11 billion now when we have listened to him acknowledge that there will be significant changes to spending in his first budget?

Mr B.S. WYATT: That is right. It is a good question. I dare say that the vast majority of the borrowing will be taken up in the first two years. That is the reality. We had a conversation around deteriorating revenue projections already, so I dare say that our cash flow profile, which I provided a little while ago, will probably be brought forward a bit. Hopefully, in the out years we will start seeing two things: first, any savings generated will start to deliver; and, second, hopefully some better economic growth, revenue et cetera—better than what we expect.

Why is the period four years as opposed to one or two years? I have simply adopted what previous governments did in 2009 and 2015. I made the point a couple of times that this will ensure that we have a time period in which we know our borrowing profile and authorisation. Another thing that has been alluded to is that it will also allow Western Australian Treasury Corporation to open up new markets for its borrowings. This started under the previous government. That is a process in itself, not just in Asia but in Europe. Over the coming years we have to borrow more offshore. That is something that is relatively newish to WA. We do not borrow offshore anywhere near as heavily as the other states of the commonwealth. That will allow Treasury Corporation to go through its program as well, which is just another issue beyond the issues I have already raised.

Mr W.R. MARMION: I am just exploring the impact of possible revenue sources.

Mr B.S. Wyatt: You got a tax on it.

Mr W.R. MARMION: No, that is one of the government's. It could impact on the $11 billion that the government is seeking to borrow. During the election campaign, the Treasurer mentioned land sales of $667.1 million as being a revenue source to help fund rail infrastructure. I would like the Treasurer's comments on whether the government already has a program in place and what areas it is looking at in terms of sales.

Mr B.S. WYATT: The member is right. The government took a range of savings and revenue measures to the election. Hopefully, that will have a positive impact on the need to borrow over the forward estimates and I will not have to come back here asking everyone to kindly grant me permission to borrow more money. They are part of the many swings and roundabouts, and moving bits and pieces of the budget going forward that will hopefully have a positive impact on the need to take up all the authorisation contained in this bill.

Mr W.R. MARMION: Following on from that question, we went to our departments to find excess land and to try to do the same thing that the Treasurer is seeking to do. I think we were lucky to get about $250 million. The government has a definitive amount of $667.1 million, so it must have some idea of the specific land parcels that might be low-hanging fruit. Could the Treasurer provide us with those examples?

Mr B.S. WYATT: The member will not be surprised to hear that, like the member for Riverton's important project in his electorate and his own important project around the rail yards that I think he asked me about, ultimately, individual commitments around savings revenue—election commitments et cetera—are part of the big beast of government. In respect of how they impact on the borrowing program, I dare say they might impact only on timing of delivery of election commitments. With savings generation, I guarantee there is generally a spend associated there somewhere, so it probably will not have a dramatic impact on the authorisation required. What will impact on the authorisation of $11 billion will be the much bigger macro things such as GST, which may come in better and maybe the pool will increase due to better economic growth. Those sorts of things will have a bigger impact on these than individual election commitments.

Mr W.R. MARMION: I wish to explore the same thing with revenue generation because obviously it is something that would be very beneficial to the Treasurer as a source of revenue. Another area that he identified during the election campaign was value capture and developer contributions. He came up with another reasonably specific figure of $267.1 million as a source. There are lots of different ways to get value capture. Local authorities can increase their rates to pay for certain infrastructure. But to get money to the state government, what mechanisms would the Treasurer envisage, apart from a direct developer contribution?

Mr B.S. WYATT: That is a good question. It is an interesting area of policy development. It will not impact on this Loan Bill because, as I said, it is done at the time of the PFPS. Perhaps the Minister for Lands might want to elaborate on this, but I will make some broad comments on value capture. As the member quite rightly pointed out, there are a range of different methods. Indeed, I think the shadow Treasurer as transport minister looked at a form of value capture from toll roads, which was a form of capturing value from public investment. There are all sorts of different mechanisms. The federal government is very excited by it. It seems to be pushing it quite hard. I do not yet have an indication whether it has a particular preference; I think it is leaving it up to the states to develop their own. That is probably right. As the member knows, where we will land is where we will land.

Dr M.D. NAHAN: I guess I cannot ask this, but I will. I hope the Treasurer has talked to Treasury about its confidence in raising additional money on value capturing. As the Treasurer will probably know, we did a lot of work on this issue. The walls put up by the various departments were very fierce and very well defended. They used everything to defend it. Treasury will always say that it is a good concept, but getting any money from it is very difficult. For the record, I know that the Minister for Transport keeps saying that we were against value capture, but we were not. It mostly comes in the form of excess taxation, so the issue is with taxation. It was something that we, as a state, absolutely needed to do. I am pointing that out for the record as the Minister for Transport is not here right now. It is also extremely difficult to put that into effect in a positive sense to raise more revenue.

Mr B.S. WYATT: I accept those points; they are valid. New and inherently complicated concepts like these are difficult, and we have to push against, perhaps, a lack of experience in doing these things—I do not know what it is. A key part of the Minister for Transport's Metronet team is developing a deliverable value capture model.

Mr D.T. REDMAN: On the theme of land values and asset sales, I think the sum of $500 million rings a bell as what was predicted for sales of government-owned land.

Dr M.D. Nahan: It was $640 million.

Mr D.T. REDMAN: It was $640 million from government land sales. I know that some of the enterprises, such as LandCorp, had joint venture arrangements with a number of private companies for various developments in different suburbs. Is consideration being given to cashing out some of those joint venture arrangements; and, if so, can the Treasurer give me some indication of the process that is likely to be gone through to ensure that they do not see you coming, so to speak, and that the current depressed market, along with government budgetary challenges has set up a scenario in which the government could exit those joint venture arrangements at a significant discount of what it might otherwise get had it played out those developments?

Mr B.S. WYATT: The member is getting into some quite specific areas now. LandCorp joint ventures around the place are, to be frank, a problem for the Minister for Lands. The point the member raises is good; we want to make sure that we do not get discounted value or lose value et cetera, but for anything specific about that, the member will have to wait till budget time.

Clause put and passed.

Clause 3: Power to borrow for public purposes —

Dr M.D. NAHAN: I move —

> Page 2, line 11 — To delete "11 000 000 000" and substitute —
>
> 5 000 000 000

I flagged this amendment in my second reading contribution, and I will now go through the reasons for it. We have explored many of them already, but I will try to put it more succinctly. We support and recognise the need for a loan bill for a substantial amount. The question is the quantum and the basis for it. The second reading speech of this bill states —

> In opposition we were highly critical of the huge increase in borrowings incurred by the previous government.

They were, that is true, and also during the election campaign. The Labor Party won government in part on the basis of capping debt and paying it off like a mortgage. The second reading speech continues —

> We continue to be concerned with the direction and magnitude of the state's public sector borrowings. It is my intention as Treasurer, as we go through the process of formulating our first budget—to be presented to the house on 7 September 2017—that we will reduce the need to draw on the full authorisation sought in this bill.

In short, the second reading speech committed the government to not needing $11 billion. The present government, when in opposition and during the election campaign, committed to not borrowing as much, so why does it have to borrow $11 billion? The question is: what is the starting point? It goes back to the *Pre-election Financial Projections Statement*, which was the estimate by Treasury of the policies of the former government prior to the election. In the last week of the campaign, the government and the opposition did some assessments. The then opposition forecast debt of $39 billion. I cannot say what it was in the general government sector; it was very opaque. The Treasury financial estimate of the four-year impact of our budget and the debt started at $33.2 billion, which is where it is now, going to $37 billion in 2017–18, and then decreasing to $28.8 billion. In other words, we went into the campaign on the basis of reducing debt. That was the policy of the previous government. It has now been pushed off into history.

We have made the point repeatedly in this place that loan bills traditionally follow, rather than precede budgets. The government needs a loan bill now, and the issue is the quantum. We asked Treasury—I think the government has reiterated this—and the advice is that the buffer will be exhausted in July or August, or sometime like that, but over the next year the government needs about $4.5 billion, depending on what it does in the budget. If we were to add a little extra buffer, $5 billion would get the government through the next year—preferably two budgets—and it would show what its plan is and whether it is doing what was claimed in the second reading speech about its intention to reduce the debt and overall borrowings.

I know the government is doing this because it is setting what it thinks would be the maximum possible level of borrowing that it would need, and then it plans to come in under that amount. I accept that is its intention, but it is trying to avoid coming back into this place with another loan bill by going for the maximum amount. That is not in the interests of this Parliament. Our intention with this amendment is that if the government needed to borrow more than it thought it would, it should come back and ask for more borrowing capacity.

Mr A. KRSTICEVIC: The Leader of the Opposition is making some really good points, and I would like to hear some more from the member.

Dr M.D. NAHAN: The opposition has put forward a reasonable approach, under which the government seeks a loan bill for a borrowing capacity of $5 billion that would get it through the budgets that it needs and follows the *Pre-election Financial Projections Statement* demands, allowing it to implement its policy of adjusting expenditure and revenue—whatever it is going to do. It can then come back with another loan bill. There is no pain in coming back with another loan bill—there can be; I went through a couple, and they are painful! However, if all the government is seeking to do is to come in below $11 billion, that would be a positive, I would think. If the government could come back after the budget, whether it be in September or next May, and say it does not need $11 billion anymore, that would be a positive. Our approach is reasonable. It is consistent with accepted policy and logic, and with what the government knows it needs to borrow; it is consistent with the second reading speech and what the election campaign was all about. To a large extent, this is about going back to the campaign and being open and honest with the public. The government committed to doing something about debt, but it is seeking this Loan Bill as if it is not going to. Therefore, we suggest this amendment, under which the government seeks a loan bill for $5 billion, not $11 billion.

Mr R.S. LOVE: On the behalf of the National Party, we support the amendment that has been moved in this place; however, our reasoning may be a little different from that which has just been advanced, although we recognise the importance and the merit of what the Leader of the Opposition said. The National Party, as demonstrated in the house yesterday, is of a view that this amount of money is not required. As has been said before, we are quite supportive of the need for a loan bill to provide for the state's ongoing financial needs; however, the quantum of $11 billion is not necessary. Yesterday, we suggested a somewhat lesser figure based upon our proposal, which we took to the election, for a new revenue source. We were unsuccessful in getting the house to see the wisdom of our position yesterday—we continue to hold that position—therefore, we have taken the view that reducing the Loan Bill to $5 billion is a start. It does not go all the way, and we think we could have done better, but we certainly support the amendment on the basis that it is a significant reduction from $11 billion. We still suggest that the way to make up the difference would be to find a new revenue source, and we have consistently put forward our views on what is an appropriate source of revenue for the state.

Mr D.C. NALDER: I stand to support this amendment as well. I support the amendment purely because of the unusual nature of the government wanting to apply and use the *Pre-election Financial Projections Statement* as the basis for an amount, when both parties went to the election with commitments that ultimately have altered it, and, subsequently, we are several months away from being able to scrutinise any budget or any plan that the government may have. We acknowledge that the government requires a loan bill to continue to operate, and it is not our intention to block supply. We want the government to continue to operate in normal circumstances; however, we believe that it is far more prudent to adopt due process in identifying a loan amount that would allow the government time to establish as a new government, to establish a budget and allow it to be scrutinised, and to provide certainty about funding requirements over the term of government. To me, very many variables regarding what may be required because of the change of government mean that I find it difficult to justify $11 billion at this time.

Last night, I highlighted that there has been a lot of scrutiny of and blaming the former government for the financial situation that we are in. I want to reiterate: when I looked at the previous three elections—just park the 2017 election for a moment—in 2008 and 2013, both governments went with similar capital spend and both, from Treasury costings, had a similar impact on net debt over the terms of the Liberal government. Therefore, we can say that until the 2017 election the financial outcomes that have been derived in the state would have been similar under both governments. The 2017 election was different—acknowledging pressure from the opposition at the time—because we went to the election with a commitment to pay down debt. We went with a commitment to tighten up the financials such that we would ensure that the state would start to pay down debt. At the time, questions were asked of the opposition about its plan. The opposition indicated that it had a plan to pay down debt; it would pay it down like a mortgage. We now see a request to borrow on the basis of the *Pre-election Financial Projections Statement* from a government that went to the election and made $5 billion worth of commitments, but those commitments have not been taken into consideration in applying for this loan. That leaves us to deduce that the government will either increase taxes or cut costs elsewhere to the tune of $5 billion, or it will need to come back and make another application for a loan. The Treasurer indicated that his desire is not to come back and request another loan. Therefore, we believe that it would be prudent to support the government with a loan, but for a more responsible amount. If the government has an opportunity to present a budget, and even get through to the following budget, it will allow the government and the people of Western Australia time to understand clearly what its plan is and where the spending will take place. For that reason, I support the Leader of the Opposition's amendment.

Mr S.K. L'ESTRANGE: I would like to speak to this amendment because, for me, it is eminently sensible that we offer the government the opportunity to take our advice and take a $5 billion loan bill, which we would support, because it will carry it through not only this year's budget, but also the 2018 budget. It would also mean that the government, on behalf of the people of Western Australia, will have the opportunity to look into the 2017 and 2018 budgets to see the forward estimates projected by the Labor government and assess how their hard-earned taxpayers' dollars are being spent. It is important that we maintain, I suppose, the privilege of this place, which is to be able to hold the government to account on behalf of the people of Western Australia. This amendment offers the people of Western Australia the opportunity to see that that is being done.

Today, we are happy to say, "Here is $5 billion. Run your 2017 and 2018 budgets, then come back after that with a new loan bill if you need more money, but justify why you need more money based on the forward estimates presented in your 2018 budget." I think that is eminently sensible because it pays due respect to every member of this Parliament, regardless of the side of politics that they are on, and allows them to represent their electorates, and, in so doing, represent the people of Western Australia and give real accountability to how this Parliament oversees the operations of the executive—that is, the government. We must remember—this is particularly for the 19 new members of the Legislative Assembly—that it is the executive that governs and the Parliament that scrutinises the executive. All members, on both sides of the chamber, have a role to play in making sure that that is what this Parliament is for. Many of us on this side of the chamber, in our contributions to the second reading debate, have said that there are numerous examples why the government owes this to the people of Western Australia. Fundamentally, the number one reason is transparency and accountability. That is because at the moment the government is taking the forward estimates of the former Liberal–National government to say that it needs $11 billion, although it went to the election with different commitments and different priorities, which are why it won government. A real point of difference between the Labor Party winning government and the Liberal–National government losing government is that we went to the electorate with, as a part of a suite of measures, the proposal to sell 51 per cent of Western Power—that is, the poles and wires. As part of that plan, we had the opportunity to pay down debt, on just that transaction, by $8 billion. Other aspects of our policy platform going into the 2017 election would have enabled us to write down $14.5 billion. We went to the election with that plan, but we lost. The Labor Party had a resounding victory, a thumping victory, evidenced by 19 new Labor MLAs in this place right now. That does not mean it can abrogate its responsibility to be held accountable by the people of Western Australia. They can see that if the government were asking for even $5 billion, we would be prepared to give that to the government to carry it forward for two budgets. But the government is saying that $11 billion will carry it through to the forward estimates, which is essentially its term of government, and it will not then have to come back to this place, which is so crucially important in our democracy, to hold itself accountable to the people of Western Australia. Opposition members of Parliament should be able to scrutinise what the government will actually use that money for.

I recommend that the government look at this amendment. It is an amendment made in very good faith on the part of both the Liberal Party and the National Party, because the Nationals have now come on board to say, “Yep, we support this amendment”. I recommend that the Treasurer, the Premier, the cabinet ministers and government members see this as a great opportunity to show goodwill to the people of Western Australia and as an opportunity to accept a reasonable amount of money on behalf of those people.

MR A. KRSTICEVIC: I, too, would like to stand in support of this amendment. The Treasurer needs to understand that we are his friends. We are here to help him!

Several members interjected.

Mr A. KRSTICEVIC: We are here to help him, because we know that he is under pressure from the Premier and other ministers to borrow $11 billion when, in reality, he does not want to ask for that amount of money; he really wants to be able to manage this and to allow Parliament to have accountability over the way funds are spent by the government and over the way in which loans are given to the government. He is very concerned about that, and I know he also had other strategies; it is not just about the loan. If the Treasurer were to go to his bottom drawer and dust off the papers that outline details about privatising Western Power, we would support him in that as well. The Treasurer should just remember that there is $11 billion at his disposal on top of the $5 billion we are offering him right here and now through this amendment, and others as well.

Let us not forget that we are going through two budget processes here. The Treasurer has a suite of measures and two processes—obviously the September budget, and then back to May—by which to set the government’s election promises in train. He also has the opportunity to break many election promises by raising taxes and charges, introducing new taxes and charges and cutting frontline services. He has great opportunities there to start off, as he has, by breaking those promises and thereby having access to a lot more money.

Another matter that was of interest during the early stages of consideration in detail was the Treasurer’s commitment to not put the state in a worse position than it is already heading towards, and going beyond that $11 billion, taking into account the government’s $5 billion in election promises. If he were to break all his promises, as he no doubt will, introduce new taxes and not deliver on those $5 billion in election commitments, he would need only a $6 billion loan bill. The Treasurer has said that he will do everything within those constraints, so there is a way of saving $5 billion in debt and taking a prudent, responsible path.

I know all these things are going through the Treasurer’s mind at a rate of knots in trying to find solutions, and we are here to support those solutions. As has already been mentioned, accountability through the Parliament is very important. The Treasurer has, no doubt, made many speeches on that point, both in this place and outside this place. I am sure that if the previous government had come in here and said, “We want a loan bill for $11 billion all the way through to the end of 2020–21”, the Treasurer would be hanging from the rafters, saying that we had decimated accountability and transparency in this state. There would be a wall of noise!

Mr B.S. Wyatt: I think I was, back in 2009.

Mr A. KRSTICEVIC: I am sure the Treasurer has, in the past. He has an opportunity here to not just talk the talk, but to walk the talk as well. Walk the walk!

Mr B.S. Wyatt: And chew gum!

Mr A. KRSTICEVIC: And chew gum, that is right!

The Treasurer is very capable; I have every confidence in him. I am not so sure about those behind him. I am not sure that they support him as much as we do. We are definitely here —

Mr B.S. Wyatt: Is this reverse psychology, member for Carine?

Mr A. KRSTICEVIC: It is not reverse psychology! Hand on heart, I can genuinely say that everybody on this side wishes the Treasurer all the best, because his problem is not us; his problem is behind him, and the out-of-control spending that his government colleagues will want to embark on. It would be prudent for the Treasurer to support this amendment because I know he really wants to support it. He is going to find it very difficult, obviously, because he has the pressure of being in cabinet. We do not want the Treasurer out of cabinet, because he is one of the most capable people in there, so we need him in there! As for the rest of them, unfortunately some of them are going to struggle to keep up with the Treasurer, so I hope he can dumb down his conversation in cabinet sufficiently to make sure they can understand the serious situation this state is in and the measures that need to be taken. But more than that, it is accountability and transparency that is important.

Mr W.R. MARMION: Madam Acting Speaker, can I hear a bit more from my colleague? I am enjoying his speech.

Mr A. KRSTICEVIC: I thank the member for Nedlands very much.

I understand that Treasury is in a difficult position. I understand that the federal government is now being more generous with the government than it was with us, so I think that is a bonus. We wore the federal government down for the state government; we softened it up, and the state government can now reap the benefits of that softening-up process we put it through! Obviously, the clincher was the election result! The state government is, as a result, in a much better financial position. As I understand it, there is money on the books and $1.2 billion on the table for the state government if it wants to take it. That is a great chunk of money for the government to have at its disposal if it wants to build Roe 8. Of course, if it does not want to create those extra 3 000 to 4 000 jobs and it does not want to make further investment in Western Australia, it obviously will not need to take that money, but I think it is very generous of the federal government to put it on the table.

Ultimately, I think $5 billion is a reasonable amount. The government has two budgetary processes to go through—one in September, one in May—to re-tweak the books, if it is looking all the way through to 2020–21, but we are not looking that far out. I think it would be very inappropriate for this Parliament to take out a loan for $11 billion and to say it is there and available at the government's disposal all the way through to 2020–21, based on whatever decisions are made in cabinet by people who are looking to spend money to secure their seats at the next election. On the other hand, $5 billion is all about delivering on those election promises, of which the government has already broken some—not the spending ones, but the government is working on that—in terms of pay for public servants, the new levy on properties and the water surcharge. I am sure there will be other things that come up. Why does the government not take the easiest road, be honest and upfront, and say, "This is what we're doing, because guess what? We're going to do it anyway, and you're going to find out about it when we do it."? There is no point in hiding things. That is the funny thing; sometimes people do not want to be upfront, honest and transparent, but at the end of the day, it is all going to come to the surface anyway, so what does it matter? If the government is going to try to manage the political cycle around the decisions it makes, it will need to remember that people and households are under stress out there. We are looking to take more money off them and we are looking to increase the debt and borrow more money—have access to more money, as well. We need to tighten the reins, and part of that is limiting the amount of money in this Loan Bill to a reasonable amount which will then put pressure on the Treasurer and cabinet to make those hard decisions, to make sure they are financially prudent, and to make sure they are getting value for money from these taxpayers' funds. It is very, very important for the government to start doing that. The Treasurer said in the past that that was his view of the world and how he likes to operate, but we do not see that philosophy reflected in this Loan Bill, which seeks to borrow $11 billion. As I said, we do not have the numbers on this side of the chamber, but one more would be greatly appreciated during the vote on this amendment. If the Treasurer can look deep into his fiscally conservative bones, he will —

Mr W.J. Johnston interjected.

Mr A. KRSTICEVIC: No; definitely not. If I were listening to the member for Cannington's lies, it would be mostly a nightmare and I would be very nasty and aggressive. But that is a different story. We are talking about something very serious here.

Mr W.J. Johnston: No; you're not.

Mr A. KRSTICEVIC: Is the accountability of Parliament not a serious matter to the member for Cannington?

Mr W.J. Johnston: It's just a loan bill.

Mr A. KRSTICEVIC: I know it is a loan bill. The government wants access to $11 billion through this Loan Bill.

Mr W.J. Johnston: We don't need to spend one cent.

Mr A. KRSTICEVIC: The government does not need to spend one cent! To address further what the member for Cannington said when he said we do not need to spend one cent —

Mr W.J. Johnston interjected.

Mr A. KRSTICEVIC: He just said the government does not need to spend one cent. Therefore, the government does not need $11 billion because it will not spend one cent. Therefore $5 billion on the table is a very generous amount for the government to have access to. The member for Cannington is very excited over there.

Mr W.J. Johnston interjected.

Mr A. KRSTICEVIC: Allow?

Mr W.J. Johnston: This bill does not allow any expenditure.

Mr A. KRSTICEVIC: No; it does not, but it will start a process.

The ACTING SPEAKER (Ms S.E. Winton): Members, thank you! Can we not have the interchange across the chamber please, and direct your comments through me. I believe the member for Carine has the floor. Thank you.

Mr A. KRSTICEVIC: As I said, I am here to help; if there is anything the Treasurer needs, he should just ask.

Mr B.S. Wyatt: Thank you, member for Carine.

Mr W.R. MARMION: I want to make just one comment. The Treasurer has missed a great opportunity. We on this side of the chamber have a high regard for him; he could be a great Treasurer for Western Australia.

Mr A. Krsticevic: You could be a great Premier.

Mr W.R. MARMION: Yes; he could be a great Premier.

What an opportunity for him to stamp his mark on the role of Treasurer by coming into this chamber and, for the very first time, not relying on the opposition's plan for the future but relying on his plan. I understand he has not had time to develop a budget but it is unusual to be debating a loan bill before we look at a budget. We understand the need for it because, without it, the government will run out of money. Members on this side of the chamber are being very generous in seeking to amend the loan amount to $5 billion. A lot of consideration has been given to this amendment by the National Party and the Liberal Party. We think the amended amount of $5 billion is reasonable. I want to make the point that the Treasurer could stamp his mark on the whole budgetary process by getting off to a really good start with this Loan Bill and sending a message to the taxpayers of Western Australia that he is serious about making borrowings as low as possible. He could send the right message—as he said when he was running the election campaign, he is fiscally prudent—and start his term in office by introducing a loan bill that seeks a much smaller amount. That is why I support the amendment.

Mr D.T. REDMAN: I want to make a couple of comments in support of the member for Moore and the National Party's position. We support the amendment for a couple of reasons. Firstly, the notion of bringing a loan bill to the house without a budget attached is very challenging. Typically, we would see the government's preparedness to pursue its objectives and its election commitments within the constraints of the state's financial position, but we cannot see that. As the member for Nedlands mentioned, this Loan Bill is based on the last government's documents in the lead-up to the election. We have the absence of a budget, which is very challenging when we seek to hold the government to account for any loan bill coming into this chamber. That is a very sound reason for taking a bit of an edge off the $11 billion request.

The other reason relates to the National Party's position. The National Party made an election commitment and has maintained its support of a special lease rental, which would bring revenue to the state of $7.2 billion over the forward estimates. That is a sound alternative revenue source for the government to consider rather than borrowing more or going back to mums and dads and seeking to raise power and water prices, and making all sorts of changes that impact on small businesses and households, which I am sure we will see in the budget to be released in September.

It is interesting that the National Party has been knocked over the questions it has asked the government in the chamber over the last two weeks and for continuing to raise the special lease rental issue. We have asked the Premier and the Treasurer about their preparedness to consider that option to raise $7.2 billion by increasing the lease rental from 25c a tonne to $5 a tonne. Some questions were asked yesterday by the Leader of the National Party about whether the government has considered other options such as a consumer price index increase on the

25c a tonne, which is probably a fair and reasonable position put by the Leader of the Nationals, including the option of a cash-out position. There was even a question from the member for North West Central about whether the government had considered all these choices. It is interesting that although we did not get a response from the Premier, yesterday the Treasurer seemed somewhat warmed to the idea of a cash-out option. In fact, he highlighted in a table that he had got some advice on it. It would be good to see that advice. I cannot imagine the Treasurer sitting around the expenditure review committee table getting advice on the cash-out option without getting advice on what it would mean to raise the rental from 25c to $5 a tonne—or $2 or $1. I cannot imagine he has not got that advice. We are saying that the Treasurer does not need to seek authorisation of the full $11 billion but could choose a lesser amount, therefore alleviating the impact on households.

The two issues here are, first, the absence of the budget, which I think is a challenge and a flaw in the government's argument for bringing this Loan Bill to the chamber. The second issue is the National Party's position on a special lease rental, which it has been pursuing and it considers to be a fair position. With support from the Liberal and National Parties, there may be scope for that if the government seeks such a landing point from those companies.

Mrs L.M. HARVEY: I too rise to support this amendment. I reiterate the comments I have made previously. The Labor Party won office in a landslide. From our perspective as an opposition—indeed these comments were made many times over the past eight years while I was sitting on the other side of the chamber—transparency and good governance are the key roles and demands of this Parliament, particularly around spending decisions and issues such as debt and fee increases that impact families. The Treasurer came in on a massive wave of support in the community on the back of his commitment to reduce debt and run a system that was more financially prudent and to have more conservative decision-making processes around spending commitments. He made a range of commitments during the election campaign that we estimate to be worth about $5 billion. We have not seen where those commitments feature in this loan facility. The Treasurer is basing this $11 billion loan facility on figures that he has openly admitted and accepted will change because of the volatility of the iron ore price, which we know will fluctuate. These revenue figures will change because the commonwealth government has committed $224 million worth of GST top-up payments, which are not reflected in a budget. We know that projects have been cancelled, including the Perth Freight Link project, which was the former state government's commitment. The state government spending for that project has apparently been reallocated. We do not know whether that reallocation comes within the spending already allowed or whether extensions will be made to those spending limits due to the way the new contracts have been tendered and the new scope of works that have been let to those contractors, because new projects are to be funded on the basis of Roe 8 being cancelled. These are all the things that neither the opposition nor the community of Western Australia know. The temptation in politics is to come into the chamber and say, "We have won in a landslide; we are in a honeymoon period", and to use the numbers and say, "If we get this loan facility of $11 billion in place, that should tide us over for the next four years and our spending decisions will receive less scrutiny". The opportunity is there not to use the entire facility and pretend a saving has been made, when in fact, an ambit claim is being made for more than is required at present because only around $5 billion is required. In fact, that will probably provide a one and half billion dollar contingency to get the government through to the next budget when it can bring in a loan bill consistent with the commitments the government has made to the community, with the spending decisions that cabinet has made and with the projects the government has cancelled.

Debate interrupted, pursuant to standing orders.

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