

## **ESTIMATES OF REVENUE AND EXPENDITURE**

### *Consideration of Tabled Paper*

Resumed from 22 June on the following motion moved by Hon Ljiljana Ravlich (Minister for Education and Training) -

That pursuant to standing order 49(1)(c), the Council take note of tabled paper 1519 (Consolidated Fund Estimates 2006-07), laid upon the table of the house on 11 May 2006.

**HON KEN BASTON (Mining and Pastoral)** [3.07 pm]: I rise to speak on the estimates of revenue and expenditure budget statements that were tabled in this house on 11 May. Many issues arise from that budget. I guess one of the disappointing issues for me in representing the Mining and Pastoral Region is that of the \$2 billion that we have as a surplus, \$1.2 billion will be swallowed up in paying off the southern railway line to Mandurah. I appreciate that there will be a saving of interest on that project, but one must really question whether we should not take advantage of that surplus and have an input back into some of the regional areas where much of that wealth was created. I also note that there has been an increase in tax revenue from every person in WA in the time of this government from \$1 521 to \$2 450 a year. I also note that there have been increases in water, sewerage and drainage charges and that Western Australia's inflation rate is running at 4.2 per cent. However, I would much like to delve into some of the issues that are affecting the mining and pastoral areas.

On several occasions in this house I have asked questions that have been based on land issues, particularly those involving LandCorp. LandCorp is a government corporate entity; therefore, people who want to buy land in the region that I represent view LandCorp as a saviour. Land is sought after in towns in the north - Exmouth, Karratha and Broome. That was obvious at the land ballot that took place in Broome on 25 May this year. It is important that the land that becomes available in those towns is made available to people who will live in those towns. It is unfortunate that a town like Broome, which is an iconic tourist destination, is badly in need of land. A large investment contingent is anxious to buy the land simply because the price of land is on the increase. Broome, being a tourist town, must have a balance. For example, people must live in that town to service the hospitality industry. People in that industry are not highly paid. Therefore, the hospitality industry has difficulty competing for labour with the mining and resources industries. I will refer to labour later in my contribution to this debate. If the available land is not targeted at the people who live in the region, we will have problems down the track. The same problem will occur in Exmouth.

I was not satisfied with some of the answers to the questions I asked in this house. Perhaps too much emphasis is being placed on LandCorp making a profit rather than serving the people in the area. LandCorp has a sustainability policy. I have difficulty getting my tongue around the word "sustainability" because it is a buzz word and is used everywhere. I do not know what it really means. I researched the meaning of "sustainability" on LandCorp's web site, which states -

For LandCorp, sustainability is not discretionary - it permeates all that LandCorp does.

That is a very broad statement. It goes on to say that it meets the social needs etc. I question the meaning of "social needs". Does it mean someone's castle; to have someone live there or to have more people living in the region?

LandCorp was the third biggest earner for government and, from memory, its dividend last financial year was about \$56 million, and I imagine it will be a lot higher at the end of this financial year. I notice in the *Budget Statements* that that figure drops off sharply in 2006-07. I do not know the reason for that and maybe one day I will ask a question in this house and receive an answer.

I come back to the release of land in Broome. Many people have phoned me and written to me complaining because they could not get a block of land in Broome at the last ballot. Their complaints were not that they did not get a block of land, but that LandCorp said that the price of land that was available was reasonable. The average price of the blocks was \$210 000 with contract conditions; that is, they had to be built on within 30 months. I do not believe the conditions are strict enough.

Resources should be allocated to ascertain how the blocks can be made available to first home owners in the region. If the blocks are not taken up within six months of being offered to first home owners, they could then be offered to other people. LandCorp did a lot of advertising in metropolitan newspapers promoting these blocks to investors. I understand that 49 blocks were available at the last Broome ballot and 20 local people - people working in the region - missed out in that ballot. Therefore, 20 blocks went to people who were not residents of Broome, and we presume that they are investors in the town. I do not have a problem with land being developed by private developers from which they make a profit. However, I was talking at the Broome Expo to a

LandCorp representative when a private developer in the town came up and said to him, "Thank you very much. You have just put up the price of our land by \$25 000 to \$30 000 a block. We appreciate that."

I did some research before the blocks came onto the market. Blocks in Roebuck Estate were valued at \$165 000 to \$250 000. These blocks were well advertised and people thought that because they were being made available by LandCorp they were the best valued blocks in the town. They were not; they were over the market price. I received some figures the other day on what it costs to develop a block. I was quoted between \$45 000 and \$50 000. That equates to a profit of more than \$150 000. How do we regard that? Is that a tax on regional areas? If we are developing land and making a profit, we are taxing those people. I will allude to the shortfalls later, and some of the figures may reveal that it comes back in tax. However, I believe it is a tax on regional areas.

**Hon Kim Chance:** And, to be fair, urban areas, because LandCorp works under the same rules for both.

**Hon KEN BASTON:** I am focusing on my electorate, even though that may seem selfish. Blocks were released in Karratha in April 2006. On average, the land was \$70 000 a block cheaper than the land that was released in Broome in the ballot on 25 May - only a month's difference. If we talk about the difficulties of developing a block, certainly developing a block in Broome is easier than in Karratha. In Karratha the soil contains rubble and it is difficult to dig trenches to put in cable for powerlines and sewerage. A front-end loader and a small bobcat would do the same job in Broome!

Representatives from the Exmouth Shire Council were talking to me some months ago and they said they were looking at further land development by LandCorp. They were told that the blocks would cost more than \$200 000. We should also bear in mind - this is where the difference is - that the cost of housing on those blocks is far greater. I have spoken to people who bought a block at ballot, and the cheapest quote they were given to build a house on it was \$360 000, and that was for an ordinary house. Another person was quoted between \$320 000 and \$400 000. If that is added to the price of the block, the cost is about \$600 000 a house. I do not want to take anything away from Broome, but these houses are only corrugated homes, tech screws and plaster, compared with a brick home in the metropolitan area. The Perth median price for a home in May was \$360 000. In Broome the median price for a house in March was \$416 000. That figure is rising. It is impeding any development in the town.

I attended an information session that was presented by the Kimberley Diamond Company. It was at the shire's office. It was not held especially for me; it was certainly for anyone in the town who was involved, particularly the councillors. However, I was able to attend it. One of the things that the company said straightaway was that the land and rents are too dear and that it could not afford to house any of its staff in the town; therefore, it would use fly in, fly out arrangements. The problem I have with that is that resources companies must pay for their staff to live in those towns or their staff cannot afford to live there. We have some problems. It is a very difficult issue, and we need to get on top of it, because we will not be able to sustain the flow of the resources through to the regional areas to have the outcome that we desire for the future.

On the question of the number of blocks to be released, Minister Alannah MacTiernan released a media statement on 25 May in which she stated that Januburu Six Seasons will ultimately yield 290 lots. She stated that there will be 65 additional lots in stage 2 for release by Christmas. I asked questions in the house on this matter prior to that. I believed that there were 47 lots in stage 2 and that the 20 people who missed out in stage 1 would be put into the next ballot. I suppose it would have made matters a little easier if all 90 blocks had been put up at once. Interestingly, when I talked to LandCorp about this, its excuse to me was that in the wet season in that area, only 47 blocks can be developed at a time, otherwise they will get washed away. I think anything is possible. That was not a very good excuse; I did not swallow it at all.

Of course, building is difficult, and the inability to supply labour etc will cause delays. Therefore, people appreciate that it will take 30 months to build on these blocks. I believe it will probably take that long. I was talking to a builder in Broome the other day, and he said that it would take a minimum of two years before a person could get a house built up there. Of course, this is a problem throughout Western Australia, as was alluded to.

I also noticed that in budget paper No 2, volume 2, the last dot point on page 669 under "Major Achievements For 2005-06" states that funds were secured to establish and run the rangelands council and that legislation was progressed. I wonder what form the rangelands council will take. It is interesting that that item appeared under the major achievements for 2005-06. I have been waiting with bated breath to see what this rangelands council will be like, as the Leader of the House is probably well aware. I have not really seen a sign of it. At a briefing that I had with the Department for Planning and Infrastructure last year, in about October, it said that the council would be established very soon. However, I am learning in this place that "very soon" is equivalent to "how long is a piece of string". When I visit the rangelands, I am regularly asked where the rangelands council is and what we are doing about it. My answer is always the same. I am asked how it will operate, who will be on it

and what its role will be. As the Leader of the House knows, I have some very strong views on this matter, so I am certainly looking forward to the establishment of that rangelands council and seeing what role it will play in future investment in the rangelands.

**Hon Kim Chance:** I think we are all very interested in it, but I would rather it came out right than came out quickly. I am sure that Hon Ken Baston has the same view. The concept of seeing the area of the rangelands that is dedicated to the pastoral industry as being somehow separate from the whole rangelands is dated. I think we have to try to see the whole thing as one. The ambition is great, but it depends on the execution.

**Hon KEN BASTON:** I could not agree with the Leader of the House more. The rangelands, which represent some 87 per cent of the state, are a very important area for investment for the future, in all facets of diversification. I hope that that rangelands council is set up in such a way that it encourages production in that enormous area. That covers a diverse range of matters that I will not go into now.

**Hon Kim Chance:** Interestingly, with climate change, it also involves future agricultural use of the rangelands, rather than just pastoral use. Some fascinating stuff is coming through in that regard now.

**Hon KEN BASTON:** Yes, for sure. I will touch on my next subject, which is roads. Of course, there is never enough funding for roads. I will draw the attention of the house to particular roads, the first of which is the Exmouth road, which is really just a ribbon of bitumen that was built when the American bases were at Learmonth and Exmouth. With many tourists now using that road, the shoulders have become badly eroded. With the new power station being built in Exmouth, all the gas will be carted in there by trucks with three trailers. Anyone who has passed a truck with three trailers on a narrow ribbon of bitumen road will know the difficulties involved. I was speaking to the local Royal Automobile Club of WA recovery agent in Carnarvon a month or so ago. He alluded to this road and asked when on earth something will be done about it. He said that he is up there weekly collecting caravans and cars that rolled over when they were passing trucks on that road. Tourists have probably not had a lot of experience driving on narrow country roads. I do not know whether anyone else has experienced this, but they tend to stick religiously to the bitumen. Of course, when a whopping great truck comes along, they pull over at the last minute, flip their caravan and over it goes. This area of road badly needs work done on it, and it would be money well spent, particularly bearing in mind that there will be a Hyatt hotel at Coral Bay and the Novotel in Exmouth, and more people will travel to this area in the future.

I drove up Great Northern Highway in early May. I must admit that I have not done that trip from New Norcia to Wubin for some time. I was absolutely horrified by the state of that road. It is the main artery to the north, where the wealth of this state comes from. I might add that that wealth also goes to the nation. That road is an absolute disgrace. It is narrow, and the shoulders have gone from the edge of the bitumen. It is extremely dangerous. When we talk about road safety, I am amused to see all the advertisements in the paper. I feel that road safety should begin with roads, and we can talk about the Multanovas and the tax-collecting devices later. Main Roads has a policy called "Smarter Roads Better Journeys". That is fine, but it needs to be put into action. Perhaps it should be smarter roads, safer journeys rather than "Smarter Roads Better Journeys". Some \$15.6 million has been budgeted for 2006-07 for the New Norcia-Wubin road. I compiled some figures, because I was curious to know how far \$15.6 million goes. It does not go very far. It costs \$1 million for each kilometre of road that is built. Therefore, the provision of just \$15.6 million is an insult to that area. The federal government has budgeted \$98 million to be spent on that road over four years. When inflation is not taken into account, just 98 kilometres of road will be built. However, when inflation is taken into account, it is less.

Funding has been allocated in the budget for the Marble Bar Road, which I am very pleased with. Last year I mentioned that a section of the Marble Bar Road that winds through some hills is extremely dangerous. Any funding for that road would be very welcome, particularly because of safety concerns. I am very pleased to see in the *Budget Statements* on page 699 that the reconstruction of the section of the Meekatharra to Wiluna road from the Magellan lead mine back into Wiluna will be completed. I attended the opening of that mine last year and have driven on that road. All the ore taken from that lead mine is carted back to Leonora, some 300 kilometres away, and it travels from there by train down to Esperance and is then transported by ship. I am sure that any funds spent on that section of the road will be very welcome by the truck drivers who transport the lead from the mine. The owners of the mine want to build a plant to value add to the lead. They hope to truck the value-added lead the other way to Geraldton and ship it from the port of Oakajee when it is finally finished.

I mentioned the amount of taxes and profits made from selling land in Broome. The Gubinge Road bypass to the port is a very important bypass for the stock trucks and the trucks that carry sea containers to the port. The estimated cost of the road is \$9.6 million, but the budget allocation is only \$5.2 million. This road cannot be built piecemeal, because it comes into the town at present with some very sharp bends. It is proposed to build roundabouts on it. Until the trucks can travel on the Gubinge Road bypass, the roundabouts cannot be built. The shire is negotiating with the minister to try to obtain extra funding for the road, bearing in mind that the

roadwork cannot be started until the shire knows it will be provided with the funding to finish it. The road cannot be built in parts.

Recently I was in Halls Creek for a zone council meeting at which an address was given by the Fire and Emergency Services Authority. It was conducting sessions on emergency management and recovery plans that each local government must have in place. I was struck by the fact that the cost of putting those plans in place is between \$1 000 and \$30 000. FESA provides the funding for those programs, but everyone must apply for the funding through FESA's grants system. I must add that FESA must apply for a grant to give the money to another organisation. I questioned how much time was lost in applying for all those grants before funding could hit the ground. Surely there is a simpler way. For instance, a certain sized shire should be entitled to a certain amount of funding to put in place an emergency management and recovery plan. The plan will affect the indigenous communities of those local governments. The Shire of Halls Creek in particular has a huge area to cover, for which it must put in place an emergency management and recovery plan for cyclones, floods, fire etc.

While I was in Halls Creek, I had the opportunity to visit the massive new swimming pool and sports complex. It is a fantastic structure. The filter system cost \$1.2 million and is one of the largest that I have ever seen. That will be a huge asset to Halls Creek. Wherever these swimming pools have been built in remote communities, they have benefited the community for not only health reasons but also truancy reasons. The Liberal Party instigated the construction of the pool at Burringurrah and other places. The number of children who suddenly began attending school increased considerably with the installation of the pools. Many of their health problems were solved also, including ear and throat infections.

As I said at the beginning of my speech, the resources boom has been tremendous for Western Australia and Australia as a whole. One hopes it will continue. However, resource booms mean a huge demand for labour and increase the cost of wages in the resources sector. Other industries, including the agriculture and hospitality industries, suffer as they battle to find people to work in the hotels etc. They rely very heavily on itinerant labour, such as backpackers. That applies in the north only during the major tourism season. Many tourist areas close down because of not only the lack of people who visit, but also the lack of availability of labour to continue to run the businesses. I have some views on that. We should import labour, similar to the way countries such as Singapore import labour. However, that is a federal issue, so I will not pursue it.

The second dot point on page 656 of the *Budget Statements* shows that there has been a 33 per cent increase in the population in the Kimberley over the past decade and a nine per cent increase in the population in the Pilbara, in addition to the fly in, fly out workers. One always wonders what the real population would be if we could count the people who work and live in that area on a fly in, fly out basis in addition to the permanent population. The Mining and Pastoral Region has some 67 000 or 68 000 voters. I wonder how many people live there and how many people should be counted in the Mining and Pastoral Region.

Airline services are important for tourism in the north, particularly for the major destinations of Exmouth, Learmonth and Broome. The airline services link tourism areas across the area. A change of flights can be very disruptive to an area such as Broome. I will give members an example. The other day Qantas cancelled its six o'clock early morning flight to Broome and rescheduled it for the afternoon. That meant that the daily newspaper did not arrive in Broome until two o'clock in the afternoon. There were a lot of irate tourists from places such as Sydney and Melbourne, who are used to getting their newspapers early in the morning when they walk outside their homes or when their dogs bring them in. Suddenly, they could not get the newspaper until two o'clock in the afternoon. A number of complaints were made to me, and I followed up on the issue. I can understand why airlines would not schedule their first flight into the town until 12.30 pm, because tourism changeover at hotels is 10 or 11 o'clock, so the flight would fit in perfectly. The afternoon flights fit in with the flights from the eastern states into Perth and the flights north to the tourist centre of Broome. Although that is fine for Qantas, it affects the little things that make a tourist town, such as the daily newspaper and mail arriving on time. Yesterday I received a media release indicating that from 24 July, Skywest will have a daily six o'clock early morning flight to Broome. I presume that that flight will take the newspapers to Broome. Australian Air Express has the contract to deliver *The West Australian* newspaper. West Australian Newspapers Ltd was considering using an early morning charter plane that has space in the under hull to pick up the newspapers in Port Hedland or Paraburdoo and take them to Broome.

In volume 2 of the budget papers reference is made to Skippers Aviation Pty Ltd being the preferred applicant for the airline service on the coast and in the eastern goldfields area. Last year I asked questions in this house about the coastal route. Part of the tender for the eastern goldfields route was for a two-airline service into Geraldton. The winner of that tender was Skippers Aviation. Since then it has pulled out of Geraldton. I wonder whether that route will now be thrown open. The previous operator was quite happy with the arrangement for the previous airline service, but when Geraldton was thrown into the equation, it found its aircraft were not big enough; hence, it has ruled itself out.

I also note that the third last dot point on page 665 refers to a policy that the Liberal Party had at the last election; that is, a policy to determine the rationale for government involvement in subsidising both air and land passenger services in regional areas of Western Australia. I have alluded to the problem with the newspapers. I believe that policy would apply perfectly to that problem. I am sure that if Skywest starts its early morning flights from 24 July, the problem with the newspapers will be solved. As from December last year, there is no longer an airline service linking Port Hedland to Broome. There was a subsidy on that service.

The second dot point on page 274 of the budget papers states -

The 'New Opportunities in Tropical and Pastoral Agriculture' project will consider and develop proposals to assist in the diversification of pastoral businesses. Options for native plants, trees and specialist crops will be assessed for the West Kimberley and the Pilbara.

I find this heartening, because I am always in favour of diversification in the rangelands. Before we go down that track, we need to sort out the land tenure and permit systems; otherwise, if we cannot offer bankable tenure for any of these projects, we will be wasting our time. I also note - I have asked a question on this matter in this house and received an answer - that at present in the pastoral land system, people are allowed to apply for permits for horticulture, tourism or any other such industry, but those permits will run only until 2015. They are not transferable when the leases roll over. I find that quite amazing, bearing in mind that if people wish to invest in sandalwood, which is a 14-year project, they will not be able to. The fourth dot point on page 656 of the budget papers refers to the recognition of a shift to multiple land use and a vision for the future of the rangelands. That is a very broad statement, but at least somebody in the bureaucracy is starting to head down the right track.

One of the interesting major achievements for 2005-06 listed on page 271 is by the Carnarvon table grape industry. It is notable that from November to January, 1 753 tonnes of table grapes worth \$8.8 million were produced. Carnarvon now produces at least 25 per cent of the state's total table grape production and 40 to 45 per cent of the total value of the table grape industry in Western Australia. That represents 90 per cent of the state's table grape production in 2005-06. This is a very commendable statistic for the town of Carnarvon. It is an exciting industry. I am sure that the horticultural industry will go ahead in leaps and bounds. At present there is a \$13 million project to install new reticulation systems for the supply of water for the horticultural industry in Carnarvon. That \$13 million will comprise money contributed by the growers and the federal and state governments. I am sure that the federal and state governments will contribute \$4 million each, and I know that the growers will put in their \$4 million. It will be a state-of-the-art pressurised system to ensure that water is delivered to the plants under pressure. This will do away with the need for tanks and second pumps on properties. It will also enable the volume of water that is delivered to each property to be monitored; in other words, it will monitor the volume of water delivered to the specific crop grown at the time. This will save in the order of 30 per cent of water, which means that there will be either an environmental benefit or increased production. I would certainly like to think that there will be both.

The other day I met a gentleman who is growing sweet potatoes about 12 miles out of Broome. I have not had a chance to visit the area, but he claims that he is the biggest grower of sweet potatoes in Western Australia. He is sending the sweet potatoes to the Northern Territory and the eastern states. That is an example of the produce that can be produced in this state and how many more advantages there are for people in the north.

It would be remiss of me to stand in this place and not refer to the situation with indigenous affairs. The first dot point on page 759 of the budget papers refers to an issue that I believe strongly in; that is, the federal and state governments must reshape indigenous programs and work together to achieve an outcome. It has become very obvious to me in the short time that I have been a member of this house and have travelled throughout the Mining and Pastoral Region that plenty of money is available, but is not being channelled in the right direction. The state and federal governments are sometimes not working in the same direction or at the same time. If we could channel those funds together, we could make huge inroads into some of the indigenous problems. I will not go into where all that funding could be delivered, but last year I visited a community that has a sustainable hybrid-power system. The system uses both diesel and solar power and was not operating. Today, two and a half years down the track since it was installed, and \$1.6 million later, the system is still not operating. The batteries used in the system are now just about obsolete and need replacing. That is an example from just scraping the surface, and I am sure that if I dug further, I could find other examples of the wastage of funds in that area.

I turn to the resources sector. The north is a very exciting place. Having visited Barrow Island last year and the site where Gorgon gas will come ashore, I find it rather disturbing that after an environmental review, a recommendation could mean that turtles might hold the project up. I sincerely hope that the minister makes the right decision, because the value of the project was \$11 billion and is now probably more in the order of \$15 billion, according to the last briefing I had. I would question the environmental damage if there is a push to have that gas brought ashore. I will watch the issue with interest and hope that the minister makes the right

decision. Many projects are waiting to happen, such as those planned for Pluto and Browse Basin. I received a briefing the other day from a Japanese company called INPEX Alpha Ltd. It will be very exciting if the project that company proposes comes off; however, the gas source for it is situated right in the middle of the Indonesian fishing grounds, as set out in the memorandum of understanding, which will of course pose questions of security for INPEX.

The Indonesian fishing invasion of our coastline is a delicate issue. Bearing in mind that 61 per cent of the livestock exported from Australia goes to Indonesia, it is a major partner, but we do have some major problems. They must be handled very delicately. The question is not simply, as some people would say to me, one of blowing the fishing boats out of the water. Australia has some 22 million people and Indonesia has some 250 million. I have always said that it is a little like standing on an ants' nest. A person can jump up and down and kill a lot of ants, but eventually one will get up his trouser leg. That is how I look at the problems we face with Indonesia, which is so close to us as a neighbour.

The state's labour shortage was highlighted in an article on mining in the *Sunday Times* of 18 July 2006. Under the headline "Shipment a gas", the article states -

India's Oswal Group, which owns Burrup Fertilisers, says it is planning to invest further downstream.

But it won't be building its planned \$680 million urea and ammonium nitrate plant in WA, according to chairman Pankaj Oswal.

"I'm happy the way things are going here, but definitely I would like to go more downstream, from ammonia to urea and ammonium nitrate (fertiliser)," Mr Oswal said.

"That's on the drawing board.

"But right now it's not the right time for Karratha.

"For urea and ammonium nitrate we're looking at about \$US500 million (for the plant) in places like PNG, South-East Asia, Indonesia, Brunei.

"The main problem over here (in WA) is the labour. The shortage of labour is there - that's a problem."

Mr Oswal said he wasn't surprised that other ventures had pulled out of the Burrup Peninsula, with five major projects shelved in the past five years.

The shortage of labour is a major problem for the state. We need to work through it and obviously use our federal counterparts in immigration etc to find an answer. I have raised issues today that need funding, good governance and our resource boom time to continue.

As I represent the Mining and Pastoral Region, it would be remiss of me not to mention an article that appeared in the *Kalgoorlie Miner* of Saturday, 27 May. The article refers to the killer of the outback, the wild dog. It is proposed to build a dog-proof fence. I have looked at a report on the proposal and apparently the proposal stacks up, but the idea is still in the melting pot. Wild dogs are a continuing problem. I feel sorry for those who must tackle them. It is a shame that the Western Australian agricultural area is experiencing a dry period. Many pastoralists have been contacted by farmers who wish to take their stock into the area, but of course it is fruitless to do so because the stock would be eaten by the dogs. When I drove through Newman and Mt Magnet to Port Hedland earlier this year, I do not think I had ever seen the country looking so green. Many of the pastoralists in that area, which is currently short of stock, would in normal times have been able to help their colleagues from the agricultural area. If the pastoral area experiences a drought, the agricultural area usually has a good season. Every now and then the reverse is true. Some stock is sent back and forth, but a base number of stock is kept in the area. Earlier this year when I was in the Newman area, I do not think that I had ever seen cattle look so glossy and fat; they looked absolutely fantastic because the feed was a couple of feet high.

I look forward with interest to 2006-07. I look forward to seeing whether the Reserve Bank will raise interest rates next Thursday. I also look forward to seeing whether the resources boom will continue. Although everyone seems to say that it will continue for 10 years, if it continues for five years, I would say that we are doing fairly well.

**HON MARGARET ROWE (Agricultural) [3.58 pm]:** The 2006-07 state budget continues the Labor tradition of profligacy in recurrent expenditure, the accumulation of debt and failure to invest in the wealth-generating regions of this state. Over its nearly five and a half years in office, the Labor government has had the good fortune of having timed its election with the introduction of the goods and services tax. It will be recalled that the GST was introduced on 1 July 2000, some eight months prior to the Gallop Labor government's first electoral victory in February 2001. Although collected federally, all receipts from the GST are redistributed to the states. Since then, GST revenue to all states, including Western Australia, has increased at an annual average rate of nine per cent, some 5.8 per cent more than originally forecast. In the period between 2000-01 and 2004-

05, this has amounted to a windfall in GST receipts to the Western Australian government, by which is meant receipts over and above the forecast of \$3 billion. Over the same period, the Western Australian government received windfall tax revenue of \$2.9 billion from its own tax sources. Property purchasers have borne the brunt of increased state taxation. Conveyancing stamp duty has increased by 180 per cent, and 88 000 property purchasers have paid a massive \$1.83 billion in total in stamp duty over the past five years. Government revenue from royalties has jumped from \$1.1 billion to \$2 billion. The total windfall gain to the Western Australian government over the past five years has amounted to \$5.9 billion - an amount without parallel in this state's history. Regrettably, the windfall has mostly been squandered, with 82 per cent of the tax windfall having been spent on recurrent expenditure. Between June 2001 and June 2005, the Labor government recruited an additional 18 124 public servants, or 13 200 full-time equivalents, and increased the annual public sector wages bill by an additional \$1.8 billion.

Several members interjected.

**The PRESIDENT:** Order, members! Hon Margaret Rowe has the call. There is no need for cross-chamber interjections.

**Hon MARGARET ROWE:** Had the Labor government not squandered its tax windfall of \$5.9 billion, Western Australia would not now have a net public sector debt of \$4.5 billion; nor would it face the prospect of being bequeathed a net public sector debt of \$7.25 billion when Labor loses government in 2009. Even if the government had, over the past five years, limited itself to meeting its own expenditure targets of no real increase in per capita expenditure, it would have saved \$4.3 billion, thereby reducing state debt to a mere \$200 million. Alternatively, the government could have funded a more ambitious capital works program.

It is interesting to consider in detail the government's \$5.2 billion capital works program for 2006-07. The Treasurer has stated that the capital works program of \$5.2 billion is a record amount for the state of Western Australia. However, taking into account that the gross state product amounts to \$123 billion, it is apparent that the government's capital works program, as a percentage of GSP, is only 4.2 per cent. In contrast, the Western Australian government's capital expenditure as a percentage of GSP was in excess of seven per cent in the 1970s and early 1980s.

On 16 May 2006, the Treasurer stated that the government was -

... investing in the critical infrastructure that will assist our exporters to get their products to international markets.

Less than 10 per cent, or \$422 million, of the government's total capital expenditure of \$5.2 billion will be spent on infrastructure outside Perth. The Muja power station alone will account for \$62 million, leaving a mere \$360 million to be spent on infrastructure in regional Western Australia. The Labor government's inability to exercise disciplined control over its expenditure, and its failure to prioritise investment in the wealth-generating regions of Western Australia, mean that the people of Western Australia will pay the price of having a vast range of infrastructure projects delayed or forgone. Typical of the infrastructure projects that have been neglected, delayed or downgraded since the Labor Party was elected to government are Indian Ocean Drive, the infill sewerage program, water recycling, Oakajee port, railway lines in the mid-west and the development of a gas-to-liquid fuel industry. I will briefly address each of these examples of neglected infrastructure, and make some additional comments on a number of other areas of government policy.

The Tourism Commission regards the building of Indian Ocean Drive as the number one tourism priority for Western Australia, as it would enable the development of the central coast for tourism by improving access and decreasing travel time from Perth. The road would also open up a range of investment opportunities at Lancelin, Cervantes, Jurien Bay and other coastal towns. The Labor government originally promised to complete the road by 2003. As a consequence of the resources boom and the government's failure to build Indian Ocean Drive, Brand Highway is carrying an increasing amount of heavy haulage traffic and tourist traffic. Although the budget papers indicate that the building of Indian Ocean Drive will begin in 2007-08, the estimated \$65 million to \$70 million cost has not been allocated in forward estimates.

Sadly, the infill sewerage program initiated by the Court government in 1994 continues to suffer budget cutbacks from the Labor government. In 1998-99, the Court government spent \$96 million to extend the sewerage system to regional towns and to suburbs throughout Perth. In contrast, a mere \$30.6 million is allocated to the infill sewerage program in the 2006-07 budget, less than one-third the amount spent annually by the Court government.

Notwithstanding the Water Corporation's contribution to consolidated revenue of more than \$500 million per annum, the government still fails to make adequate investment in water recycling. The Managed Aquifer Recharge program, which studies the replenishment of aquifers with recycled water, has been allocated a mere \$3 million for 2006-07. One hundred gegalitres of treated waste water is disposed of in Perth each year, and of

this only six gigalitres are being reused, by industry in Kwinana. In contrast, the rate of water recycling in regional Western Australia is approximately 40 per cent. In South Australia, approximately 22 gigalitres of recycled water is pumped from Adelaide's Bolivar Wastewater Treatment Plant to various irrigators - mostly market gardeners - on the northern Adelaide plains, for use on their crops. In California, some 600 gigalitres of recycled water is used annually for agricultural and landscape irrigation, industrial use and aquifer recharge. In Israel, some 50 per cent of waste water is treated and recycled for the irrigation of non-food industrial crops. If Western Australia's government had vision, it would be doing much more to ensure that our water resources were not being wasted.

The state Labor government's city-centric focus for infrastructure expenditure has delayed not only the development of a new deepwater port at Oakajee, but also the development of mines in the mid-west and, consequently, the export earnings and royalties these projects would otherwise generate. The port of Geraldton had a throughput of 5.5 million tonnes for 2004-05. Although current capacity can cope with this projected growth, it is insufficient to handle anticipated growth in mineral exports from the mid-west region. In its submission to the House of Representatives Standing Committee on Transport and Regional Services, the Mid West Development Commission estimated that by 2012 exports of iron ore products from the mid-west could total 60.3 million tonnes a year with a market value of approximately \$5.3 billion. To realise this potential, a new deepwater port capable of handling 180 000-tonne cape class vessels will be essential, as the Port of Geraldton can handle only panamax vessels of up to 75 000 tonnes.

Realisation of the need for a new deepwater port on the mid-west coast has resulted in yesterday's announcement that Murchison Metals Ltd, the Korean steel company Posco, Mitsubishi of Japan and Toll Holdings Ltd would proceed with their own feasibility study into the requirements for port and rail facilities at Oakajee in the mid-west. Although the announcement is most welcome, it is a pity that the government's city-centric focus on building infrastructure has resulted in it neglecting opportunities such as those at Oakajee. The opportunity to increase exports from the mid-west region has been outlined in considerable detail by the Mid West Development Commission in its submission to the House of Representatives Standing Committee on Transport and Regional Services. By way of illustration, as at June 2005 five companies have 11 potential iron ore projects on the drawing board, and of those, seven projects have an expected duration of 20-plus years. For example, Mt Gibson Pty Ltd is planning to commence exporting five million tonnes of iron ore concentrate from 2007. Mid West Corporation Ltd is planning to export 10 million tonnes of iron ore from Weld Range commencing in 2010, and to increase this to 20 million tonnes per annum, subject to the building of a new deepwater port and rail line. It is also planning to export 4.5 million tonnes of iron pellets from Koolanooka commencing in 2011. Murchison Metals is planning to commence exporting one million tonnes of iron ore from Jack Hills in 2006 and to increase this to 15 million tonnes by 2012, subject to the building of a new deepwater port and connecting rail line. Gindalbie Metals Ltd is planning to export iron concentrate and pellets from Blue Hills commencing with four million tonnes in 2009 and to increase this to seven million tonnes in 2011. By 2012, projected exports from these five projects could total 48.5 million tonnes per annum. Over and above the possible export of iron ore, other companies operating in the region are progressing plans for the export of tungsten, lead, kaolin clay, gypsum and vanadium. The need for a new deepwater port to service exports from the mid-west region should also be married to the state's need for a new heavy industrial precinct. The Kwinana industrial area was established more than 50 years ago. In a recent submission to the House of Representatives Standing Committee on Transport and Regional Services, the Chamber of Commerce and Industry of Western Australia argued for the establishment of a new heavy industrial precinct in Western Australia. Over time the CCI has stated that it is likely that an increasing range of heavy industries will need to be accommodated in industry precincts other than the Kwinana industrial area.

I will now refer to railway lines in the mid-west. The pin-up project of the government's capital works program is, of course, the Perth to Mandurah railway line. According to the government's latest estimate of cost - almost certainly not its last - this project is now some \$400 million over budget and will cost a total of \$1.7 billion by the time of its completion. The railway, once it is operational, will require large and embarrassing subsidies to operate and maintain. In order to reduce this future embarrassment the government announced that it would use \$1.7 billion of its \$2 billion surplus to pay off the railway and thereby eliminate \$75 million in interest repayments from the annual cost of operating the railway line. Having made what Sir Humphrey Appleby would no doubt have described as a "courageous" decision to build the railway along the most expensive route possible, it is now incumbent upon the government to expedite the development of publicly owned land along the railway line to provide for future urban growth. The expeditious development of this publicly owned land is essential to recover some of the cost of building the railway line and to build population along its route so that it can become financially sustainable.

Arguably, of far greater economic importance to this state is the need to upgrade existing railway lines in the mid-west region and to build new railway lines. The minister has set a deadline for iron ore producers to get their ore off the roads by October 2006, a deadline that is not likely to be met. The need to address the

inadequacy of railway infrastructure in the mid-west was foreseeable and has now become pressing. The mid-west strategic infrastructure forum last year, jointly sponsored by the Mid West Development Commission and the Department for Planning and Infrastructure, identified the need for rail upgrades, including passing loops and other rail capacity in the Murchison subregion of the mid-west; an extension of the rail system to the north east Murchison region; an upgrade of the track from Mullewa to Geraldton; the extension of rail to Oakajee; increasing the line weight and upgrading all rail to 19-axle capacity; and an upgrading of wagon fleets. The case for upgrading the rail network in the mid-west with shared or open access has never been stronger. This is where the government should have been making its railway investments for the future.

I will now refer to fuel costs. The budget has also thrown into jeopardy the continued existence of the liquefied petroleum conversion scheme for motor vehicles. The scheme offers a subsidy of \$500 to motorists who convert their petrol-engine vehicles to liquefied petroleum gas. For the average motorist the saving in the cost of fuel, at approximately 50c a litre for LPG versus \$1.30 a litre for petrol, affords motorists significant ongoing savings in operating costs after an initial payback period of two years. More importantly, this scheme highlights one of the strategies that Australia ought to be pursuing to secure its supplies of motor vehicle fuel; that is, to increasingly substitute gas for imported oil.

The South African company, Sasol, which produces approximately 200 000 barrels a day of synthetic fuels from coal, has in recent years developed technology to produce liquid fuels from natural gas. Refineries using the Sasol technology are planned for Indonesia, Africa, South America, China, the Middle East and the United States. With an estimated cost of production of approximately \$47 a barrel, the Sasol gas-to-liquid fuel would be competitive with oil at its prevailing price of \$70 a barrel. Despite ongoing global oil exploration, only one new barrel of oil is found for every four consumed. Increasingly, world demand for oil is pushing against the limits of supply making it unlikely that we will witness any large fall in the cost of oil.

Currently Australia imports 30 per cent of the oil it consumes, at an annual cost of \$10 billion. This is expected to rise to 50 per cent by 2010. Annual oil consumption is now more than 300 million barrels, of which 41 per cent is consumed as petrol, 12.5 per cent as aviation fuel and 40 per cent as diesel. By 2010 there will exist a domestic market for gas-to-liquid fuel of approximately 60 million barrels worth several billion dollars. A Western Australian government with vision would be pursuing all avenues, including joint venture opportunities, to develop a gas-to-liquids refinery in Western Australia.

In the same way that this Labor government lacks vision and financial self-restraint, it lacks empathy for the people in our society. This should come as no surprise. Kim Beazley Snr, a former education minister in the Whitlam government, a life member of the Australian Labor Party and father of the current federal ALP leader said of the Labor Party in his retirement speech that when he joined the party it was full of the cream of the working class, but by the time of his retirement it had been taken over by the dregs of the middle class. It is a party and government of new class apparatchiks who maintain a mere facade of concern for the battlers in our society.

A good example of the government's abandonment of the battlers was its announcement in the budget of a grant of \$1.5 million to the Australian Council of Trade Unions' Trade Union Education Foundation. The purpose of this foundation is to establish training centres in every state to develop a strong organisational base for the union movement. Whilst the government was prepared to fund the ACTU \$1.5 million, it declined a funding application of \$190 000 to expand the Parkinson's disease nurse specialist service from the inner to the outer metropolitan areas.

Since 2001, the median price of a house in Perth has almost doubled, increasing from \$172 900 in 2001 to \$335 000 in 2006. With the increase in the price of homes, the government has reaped a windfall of a \$1.4 billion increase in revenue from conveyancing stamp duty. In aggregate, conveyancing stamp duty increased from \$1.2 billion in 2001 to \$2.6 billion in 2006. Increased household charges have added to the government's revenue. In this budget the government has increased charges for water and sewerage, the emergency services levy, motor vehicle and driver's licence fees and public transport fares. The effect will be an increase in average household costs of \$30 a year and for pensioners \$41 a year, after allowing for the concessions that pensioners receive. The cumulative effect of the Labor government's taxation strategies is to give Western Australia the title of the highest taxing state government in Australia. In 2000-01 each Western Australian paid an average of \$1 521 in state taxes. That figure has increased this financial year by 64 per cent to approximately \$2 500, some \$800 more than is paid in state taxes by each person in Queensland.

The government's abandonment of the battlers was again witnessed in this place in the debate on the Residential Parks (Long-stay Tenants) Bill 2005. Members will recall that the opposition sought to amend the bill to give tenants the right, in the event that they wished to relinquish ownership of their transportable home, to assign the unexpired term of their lease. The right to assign a lease is not an invention of the Liberal Party. Under similar legislation in the Canadian province of Ontario, a park home owner has the right to assign his or her lease.

Section 10 of Western Australia's Commercial Tenancy (Retail Shops) Agreements Act 1985 provides a commercial tenant with the right to assign his or her lease. The residential parks bill does not provide a process for hundreds of these homes to be relocated should a park be sold for redevelopment. In the United States state of Vermont, if a park owner decides to sell the park, he must give the leaseholders first option to purchase the property. Cooperative ownership of mobile home parks is widely encouraged in the US as a way of providing security of tenure to the home owners. Under Labor's residential parks bill, tenants can only assign their leases along with the sale of home if the park owner grants his or her consent.

I refer now to the state of small business in Australia. Australia suffers one of the most concentrated supermarket industries in the world. In December 2003 the combined market share of Coles and Woolworths was estimated to be 79 per cent of the national supermarket industry. Forty years ago the top three supermarket retailers in Australia accounted for a combined market share of less than 40 per cent. By contrast, in US the largest food retailer, Wal-Mart, holds a comparatively low 16 per cent share of the grocery market. As at 2001, the top five supermarket chains in the US collectively comprised only 34 per cent of the market. In France, as at 2001, the three largest supermarket chains held 44 per cent of the market. The government's indifference towards small business will continue to see ownership of our supermarket industry become more heavily concentrated and competition diminished to the detriment of consumers. That will occur unless we follow the US path of instituting rigorous antitrust legislation. In this regard, the position adopted by the government over the issue of unconscionable conduct in the debate on the Retail Shops and Fair Trading Legislation Amendment Bill 2005 was regrettable. A significant part of this bill sought to draw down from the Trade Practices Act provisions relating to unconscionable conduct and to insert them into the Commercial Tenancy (Retail Shops) Agreements Act 1985 and the Fair Trading Act 1987. As far back as 1997, when the Reid report was published, it was widely recognised that the courts were narrowly interpreting the application of unconscionable conduct to the point that it was making the concept virtually unworkable. This is why, with the support of the Motor Trade Association, the Council of Small Business Organisations of Australia and the National Association of Retail Grocers of Australia, the opposition sought to insert into the bill a definition of "unconscionable conduct" that would assist small business. In time we will need to revisit this legislation.

This is a city-centric budget, with less than 10 per cent of capital works expended in our wealth-generating regions. It continues the fiscal profligacy of the past five years, during which time in excess of 18 000 additional public sector employees have been added to the payroll, the public sector wages bill has increased by \$1.8 billion and important capital works have been either delayed or neglected.

Question put and passed.