

LOAN BILL 2017

Consideration in Detail

Resumed from an earlier stage of the sitting.

Clause 3: Power to borrow for public purposes —

Debate was interrupted after the amendment moved by Dr M.D. Nahan (Leader of the Opposition) had been partly considered.

Mrs L.M. HARVEY: To resume the comments that I was making prior to question time, I once again put on the record that I support this amendment. I will go back over my comments, so that they can have a coherent sequence. In the eight years that I have been a member of this chamber, I have heard a lot of criticism and discourse from members opposite about transparency in government processes, good governance and a range of other matters. All we are imploring the Treasurer to do is adhere to the tenets of the many speeches he delivered in this place about transparency and good governance. I understand that in the past a loan facility has been requested prior to a budget being delivered; however, during the last election, the Treasurer and his team campaigned on the premise that they would bring the budget back to surplus, reduce the state's loan and pay it off slowly over time, like a mortgage. We have not seen where this requested loan facility of up to \$11 billion could be allocated, because the new government's budget has not been delivered. Treasury's briefing was really clear: there is a \$1.2 billion contingency that could see the government through until July. The budget will be delivered on 7 September. Generously, if we can take the government through until June 2018, that is plenty of time to get a second loan bill through. If the government limits this facility to \$5 billion to take it through to the delivery of its very first budget—a very important day for Western Australia to see the new government's first budget delivered—at that time it could have the accompanying loan bill to whatever limit the government thinks it will require for its first four years of government.

At the moment, the government is basing this \$11 billion line of credit on pre-election financial statements that have the spending commitments and some of the election commitments of the previous government, some of which the government, no doubt, will cancel, and does not include projects that the government has championed. They are not part of the documentation that we have before us in approving this line of credit. There will be some changes. The GST top-up from the commonwealth is not before us to help us to understand where that sits within the revenue forecasts or the fluctuations of the iron ore price. It is just not prudent financial management to come to Parliament and ask for \$11 billion when Treasury has advised us that \$5 billion is a very generous line of credit to afford the government that will get it through to June 2018. Once the government's commitments have been started—projects for which we have seen media release after media release—and its spending decisions have been made, the opposition, small team that we are, can scrutinise them and then go to the community and say, "Yes, an \$11 billion line of credit is appropriate." It is not appropriate, and we cannot apply any transparency, we cannot put the ruler over any of the government's spending decisions that will justify an \$11 billion loan facility. To predicate this request for an \$11 billion line of credit based on the pre-election policy costings is disingenuous in the extreme, because the Labor Party's election commitments were not costed, and there are projects that we know have been ruled out already.

Mr A. KRSTICEVIC: I have listened to the Deputy Leader of the Opposition and I would like to listen to more of her remarks as she has made some good points there.

Mrs L.M. HARVEY: I know that when a government is elected on a wave, as the government has—it surfed in on a wave; we got the dumper—it has a majority in the Parliament and it can bring through a loan bill at any time because it has the numbers. Our only opportunity, as an opposition, is to do our best to apply scrutiny to the government's requests that burden the taxpayers of Western Australia with a further loan bill of \$11 billion in the context of a complete absence of scrutiny of the government's financial plan and the financial documents that should back up a request for a loan facility of this size. If, as a small business owner, I went to my bank and said that I have an idea to open a couple of shops, build a couple of driveways, put in a car park and some air conditioning, employ some people and buy some stock—I cannot go to my bank with a concept to build about 20 shops and fit them out, stock them and employ people, and it would all be great, and ask to be given \$11 billion, because the bank would not give me a line of credit for \$11 billion based on shoddy figures like that.

That is all we ask. We ask the government to be sensible and take perhaps the less politically expedient approach to request a loan facility of \$5 billion at this time, and allow us to see its new budget and look at the projections through the forward estimates. At that point, sure, the government can apply for a loan bill that will cover it for four years based on the delivery of its first budget that has the new projects, allocations and expected ongoing costs for the commitments it has made—for example, delivery times for its major transport commitments. When will they appear? When will the government need to draw down on that \$11 billion line of credit to start progress

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

payments on these projects? We do not know and the Treasurer cannot tell us. The tragedy is that the Treasurer cannot tell us. As an opposition we often do not know what happens within the workings of government, but the Treasurer of this state, who is responsible for the state's finances, and, indeed, responsible for asking for \$11 billion to burden our children and grandchildren, cannot tell us how he is going to spend it, potentially. I accept that the Treasurer has not spent the money yet; I accept that it is a line of credit, but it is not acceptable. The Treasurer would not have accepted that when he was in opposition. I do not understand how fresh out of opposition, coming into government on a wave of gold-standard transparency, and having had to listen over eight years to all the things the Treasurer has said to us about financial management, being fiscally conservative and watching the pennies because the pounds will look after themselves—all the truisms and rhetoric—his first act is to come into the chamber and irresponsibly ask for an \$11 billion line of credit without even delivering his first budget.

We do not have the capacity to stop supply; we would not do it, anyway. The government has been elected and the community has endorsed it to run the state, but the community expects the government to run the state and to take that responsibility on board and to take it seriously. To come in here and ask for an \$11 billion line of credit without a budget to back it up is not acting with any credibility at all, and we expected better from the Treasurer. We know that the government needs money to pay the bills, but we also know that the quantum of that money will not exceed \$5 billion prior to June 2018, which gives the government sufficient time to bring down its first budget and ask for a loan facility backed up by a budget with appropriately constructed forward estimates and projects that can be scrutinised by the opposition on behalf of the community. This bill is politically expedient. I understand why the government is doing it; it takes away the opportunity for the opposition to scrutinise future applications or requests for a loan facility.

Mr A. KRSTICEVIC: I think that the Deputy Leader of the Opposition almost has the Treasurer convinced, so could she please continue her remarks.

Mrs L.M. HARVEY: I will not go on too long. All we ask of the Treasurer is that he accepts our amendment and requests a loan facility that will take the government through for a really good buffer period after he has delivered his first budget and allow us to scrutinise the budget in order to understand what is in and what is out, what the forward estimates will be, and what the projections will be with respect to GST, iron ore, United States currency and all the things that affect our position. Allow us to see a budget and to contemplate a further loan facility in the context of the projects that the community has endorsed by electing the Labor government. The politically expedient course for the Treasurer is to request this \$11 billion loan facility now; we accept that. If he makes the savings that he says he will and if he cancels projects and pushes things out into the out years, he can come into this place before the next election and say, just in time for the next election, "We asked for \$11 billion based on the reckless spending of the previous government." That is what the Treasurer will say, but guess what? We have come in under that, and I know that that is what the Treasurer wants to be able to say. That is why he is asking for this loan facility for \$11 billion now. He wants to be able to come in right before the next election and say, "Yes, we asked for \$11 billion, but we didn't spend it." If we look at the books, the government does not actually need \$11 billion; it is asking for far more than it needs to spend, based on the paper it has asked the opposition to consider.

That is what the government wants. It wants to avoid coming back to this Parliament with another loan bill, which will allow us to scrutinise its spending decisions in the context of what it is asking us to authorise as its borrowings. I request that the Treasurer stay on the moral high ground he took when he was in opposition and that he take the fiscally conservative approach he requested of us. I request that he take the conservative approach and borrow only what Treasury has said the government needs at this time to cover all contingencies until he hands down his budget.

Mr V.A. CATANIA: I rise to support the amendment that the Liberal Party moved today because it is a responsible way of managing the finances. The previous Liberal–National government went to the last election with a financial plan to reduce debt so that it would not have to borrow the amount of money the Treasurer has clearly outlined in this bill that he is going to borrow. The government is going to put pressure on mums and dads and small businesses, and cut public servants from the public sector, to try to manage the state's finances.

The National Party supports the Liberal Party's view that a \$5 billion loan is a more sensible, open and transparent approach until such time as the budget is handed down in September, so that we can really see what the Labor government is going to do in respect of job cuts, government departments being merged and royalties for regions. The National Party wants to know the full extent of the damage that is going to occur, particularly in regional Western Australia, and the programs that are going to be cut. We need to know that, but in the meantime we are committed to the sensible approach outlined in the amendment moved by the Liberal Party.

The National Party also moved an amendment, because we believe there are alternatives. The member for Warren–Blackwood and I discussed that earlier today. We asked the Treasurer whether he had looked at new and alternative revenue sources. The information is very wishy-washy; we do not know whether he has or has not. He

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

said he had done some modelling. I think it is very important for this house to see the Treasurer's modelling and the alternatives that have been presented to him so that we can find out whether the only option for meeting the government's requirements is borrowing \$11 billion, which will hit the mums and dads, small businesses and public servants of Western Australia. That is, I believe, a lazy and not very transparent way of dealing with the state's finances.

As I said in this place last night, there are alternatives, which are to look at legacy state agreements and 1960s charges. In the Treasurer's words, everyone needs to pay their fair share, so why is everyone else not paying their fair share? Why is the Treasurer not looking at alternatives for raising the money the government needs that will not result in putting financial pressure on his government? That financial pressure can be avoided by having an alternative revenue source. The Treasurer has talked about how the GST affects any revenue the state gets. Yes; the state is broken. It is not broke, but it is fundamentally broken in the way it is treated with the GST. I want to know whether the Treasurer has spoken to the federal government and asked if we are able to find a new revenue source; and, if so, could it not be subject to GST redistribution until there is a floor in the GST?

It was interesting to hear the Premier say during question time that he wanted to keep capping the floor at 59c, which it is projected to hit in 2019. Only six months ago, the former member for Pilbara outlined that issue and said that we would never, ever reach a cap of 75c. The Prime Minister knew that he could never make that commitment because we were never going to get there. That is the fundamental problem we have with the GST and with our federal colleagues in Canberra. They know that we will never reach that 75c. The Premier says that we should put in a ceiling at 59c; but once we get to 59c, I do not think we will go back, because we have no revenue coming into the state that will affect our GST.

Ms M.J. DAVIES: I am very interested in what the member for North West Central is saying, and I would like to hear more of his argument as to why we should be supporting this amendment.

Mr V.A. CATANIA: To return to the debate prior to the 2017 election, we did not hear the Labor Party talk about the GST and GST issues. The former member for Pilbara, when he was in this house, often said that the opposition at that time wanted to be a small target—say nothing, do nothing—and that is what happened. The Labor Party in opposition said nothing and did nothing, and now in government is doing nothing yet again. If we go back to the campaign for the 2008 election, we could not name three things the Labor Party did. We are now back at the same stage, eight years later. The previous Liberal–National government took up the argument on the GST; we were not successful. The former Premier, the member for Cottesloe, took up the argument on the GST and was not successful.

Mr C.J. Barnett interjected.

Mr V.A. CATANIA: We have clearly won the argument, but the Premier has come into this house and said, "I'm calling for a cap at 59c", because of a lightbulb moment. He has suddenly worked out that we are not going to reach 75c. The National Party has been saying for six months that we will never reach that floor.

I have not heard boo from the federal Labor opposition; it would be interesting to know what its policies are and what influence this state Labor government is going to have on its federal colleagues. I do not think it will have any influence. Why? Because the federal Labor Party needs to win votes in South Australia and Tasmania. Do members think that a future federal Labor government, if it is to be successful, is going to change the way the GST is distributed, or put in a floor? I do not think so. We have a fundamental problem. Western Australia is not a player in the federal scene, which means that we will not get any joy from anyone when it comes to getting our fair share of the GST.

Mr A. Krsticevic interjected.

Mr V.A. CATANIA: That is what I am saying—the federal Labor Party has not agreed to it.

Members, we have to look at alternatives. Our argument must be for a new revenue source that will not impact on the GST, whether it be a cash out or just a CPI increase, to prove the point that we are not captured by BHP and Rio and that mums and dads are not the only ones who have to pay extra due to the state's financial position. We have to send a clear message to the companies of Rio and BHP and to both the federal Labor and Liberal Parties. National Party members had this conversation in Broken Hill, New South Wales, in the last few days when we met with our federal National Party colleagues, trying to persuade a way that the federal government can support our plan to fix the state's budget, knowing that an increase to the GST will never come to Western Australia unless we do something. A new revenue source quarantined from GST would give us the amount of money we need to operate as a community and government so that services are not cut, the number of public sector employees is not cut and union rallies are not held that ask, "What the hell is going on? Broken promise!" This will continue over the next four years if the government borrows \$11 billion without knowing what it will be spent on, when royalties

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

for regions will be cut from regional WA, the public service will be cut and community organisations will not be supported.

Mr R.S. LOVE: I am enjoying this contribution.

Mr V.A. CATANIA: The government needs to look at new alternatives. This side of the house knew the state's position. It is interesting, as the Treasurer said, that over the last four years, the iron ore price has gone down and that has affected the state's income. The reduced GST revenue also has had a dramatic effect on this state's income. If we add up all that, yes, it puts the state in a bad financial position. But do not say that we need to borrow \$11 billion due to the Liberal–National government's mismanagement. Remember, there was population growth, equalling the size of Tasmania's population, in Western Australia for which we had to cater with more infrastructure.

It is interesting that the Premier always says that back in 2008 WA's debt was \$3 billion. That is because the government at the time did not do anything and that is why I am a member of the National Party. I wanted to be a member of a party that delivers to the community. The amount of \$3 billion did nothing.

Mr W.J. Johnston interjected.

Mr V.A. CATANIA: I wanted to strangle you.

The ACTING SPEAKER (Mr I.C. Blayney): Member for North West Central! I will strangle you, if you do not sit down. Thank you. Members, I want to hear the member for North West Central in silence please. Member for North West Central, address your comments directly to me.

Mr V.A. CATANIA: Thank you, Mr Acting Speaker. I refer to former Treasurer Hon Eric Ripper, who, I think, in 2007 and the member for Cannington's wife, Hon Kate Doust, was in front of me heading up, I think, the Pilbara industry consultative committee. They came up and said that the Pilbara needed —

Mr W.J. Johnston interjected.

The ACTING SPEAKER: Member for Cannington!

Mr V.A. CATANIA: They said that the Pilbara needed a minimum of \$800 million to fix its problems. The then Treasurer said, "They're not going to get \$800 let alone \$80 million." That was the mindset and why I was glad to leave the Labor Party. I wanted to be able to truly represent my party. I will get back to the point.

Mr W.J. Johnston interjected.

The ACTING SPEAKER: Member for Cannington!

Mr V.A. CATANIA: The point is that no-one will fix the GST. A floor will not be implemented; it is broken and cannot be fixed. I agree with the Labor Party's position of quarantining 25 per cent of royalties because that will help the state's finances. But we also need a new revenue source to counteract what we are now doing—borrowing money without question or clarity on where it will be spent because the government has not put out a budget. It is different from loan bills introduced during the last eight years because a budget had been brought down first, so we had some idea. However, the Treasurer and the Labor government have no idea. The Treasurer has said he is looking at alternatives. Can he outline those alternatives? Has he done any modelling on a 25c increase or on a cash-out and the benefit that would bring to Western Australia? Has he spoken to the federal Treasurer or the Prime Minister about a new revenue source similar to the tax the federal government is seeking to impose on the banks? He can explain that we want to do the same in Western Australia to fix our problem with the GST and ask the federal government to make any such revenue GST-free so that the \$7.2 billion we proposed in the lead-up to the election can all stay in Western Australia. We do not want to see rallies such as those that occurred today in the city about the loss of public sector jobs. We do not want to see royalties for regions disappear or services cut, left right and centre here in Western Australia because the Treasurer is lazy and does not have the intestinal fortitude to make sure that everyone pays their fair share. That is what the government should be doing. The Treasurer should be having those conversations with the federal government, the federal opposition, BHP and Rio because that is the only way we can fix the financial problem in Western Australia.

Dr M.D. NAHAN: I want to make some clarifying comments on this. The Liberal Party moved this amendment because we support the principle of a loan. It has to happen and we would like it expedited, but the issue is the quantum. We want to make it clear that the election was hard fought and members opposite won in part based on their commitment to reduce debt. We also made that commitment. It was a focal point of the election and, indeed, for years earlier in this place. Members opposite are yet to make a statement about their budget policy or anything similar to that. They have come here seeking \$11 billion, which will be the largest loan bill the state has ever sought. The Treasurer has made no justification for it other than to say that if the previous government

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

had pursued unchanged its policies from January 2017, it would have required \$11 billion. That is fiction. An election was held and during that election campaign, the government of the day, the Liberal and National Parties, committed to a set of policies that would substantially reduce debt levels and, therefore, the \$11 billion would not have been required, so that is not a good benchmark. We heard the Premier say today that he was trying to do a deal with the commonwealth on GST that would bring in large amounts of money. We heard also from the transport minister that a deal has been done on another commonwealth fund for a large amount of money. We know also that things are in flux, so the government is looking at substantially altering revenue. We have heard about a new tax and a 15 per cent increase in the electricity price. We have heard about a lot of changes but what we heard, and what the people of Western Australia heard over and over again, was that the new Labor McGowan government would do something about reducing debt over time.

This Loan Bill requests us to give the government \$11 billion that it indicates it plans to do nothing with. The Treasurer's second reading speech states that the government was "highly critical of the huge increase in borrowings", which is true. Importantly, it also states that as the Treasurer goes through the process of formulating the budget, which will come down in early September, the government "will reduce the need to draw on the full authorisation". In his second reading speech, the Treasurer explicitly states that the government plans to put in place policies that mean it does not need this much authorisation. That is what it states. Why is the government asking for the full lot? The reason is it wants to diminish accountability. If the government does not achieve its objectives, which is stated in the second reading speech, then it will not have to come back to this place for an additional loan bill. That is what the government is trying to do. It is trying to avoid accountability on its stated commitment to the people of Western Australia, enunciated in the second reading speech. We can reasonably say that if the government asked Treasury how much it needed for the next year, with a buffer, it would be \$5 billion. That is a reasonable amount. We know the government has the numbers, overwhelmingly, but we do this to inform the people of Western Australia that the opposition has operated on their behalf. We are dealing with a very important bill and the overall borrowing capacity of the state. The people of Western Australia told me and they told members opposite that debt is an issue they want to be addressed. The McGowan Labor government was elected, in large part, on that. This is the government's first bill and, in this bill, it is basically asking for a loan amount that means it does not have to do anything. It is incumbent upon us to tell the people of Western Australia that the opposition has done its best to delimit the government's borrowing requirement to when it knows how much it needs to borrow. This is not the mark of a government with a gold standard of accountability. It does not need \$11 billion. It needs about \$5 billion. If the government gets more, it will diminish its accountability.

Mr B.S. WYATT: I want to clarify something that I think some members may have confused in this bill. The Loan Bill 2017 does not authorise me, as Treasurer, or the government, to spend one extra cent that is not already authorised in the budget. This bill does not authorise one extra cent to be spent. That is why, member for Hillarys, the bill is only one A4 page. Not one extra cent is being authorised to be spent; that is the budget process. The Supply Bill 2017 will get us through to 7 September. I have introduced that bill and it will be debated in due course. The Deputy Leader of the Opposition made the point that the problem with the Loan Bill is that we cannot put a ruler over the spending decisions the government will make and the member is right, because the bill does not have any spending decisions. They are in the budget. At budget time, members will get the opportunity—we will all get the opportunity—to go through the decisions in the budget estimates process. It will be reported on at length and members will put through thousands of questions on notice et cetera. This bill does not allow me to spend one extra cent that is not already part of the Supply Bill. I wanted to clarify that point.

The other point I want to deal with is the timing. I understand the Leader of the Opposition's argument. I think his argument is that \$5 billion will get us through to 2018. I am not convinced it will at this point, which is a reason that I want the authority over a four-year period. We have had this conversation at length this afternoon and last night about ensuring we have the capacity with the authority—remember, it is not the capacity to spend, but to plan our borrowing program—over the next four years. The Leader of the Opposition is right; that will change. I do not think it will change with particular spending policy decisions. For example, the Leader of the Opposition mentioned schools. They are the kinds of flotsam and jetsam of the budget. It is the macro things that will have an impact. For example, what GST does and what economic growth might do will genuinely be the issues that impact on the timing and whether we need to borrow the full \$11 billion. I hope we do not. I have said that. But if I was to be extreme, as the member for Carine said, I would have made this a \$13 billion authority because I would have taken into account what has happened in the last two months. I did not want to do that because two months in four years is not a way to predicate a loan bill. They are predicated on what I have—namely, the most recent, official, financial statements that the member for Warren–Blackwood and I talked about a little while ago. There are a few points to be made at the time.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

The Leader of the Opposition went back through to 1987, I think. Certainly while I have been in this place, there have been four loan bills and they have all been for multiple years. I will outline them. The Loan Bill 2009 was through to 2013, but the government of the time came back in 2012 to top it up with a \$5 billion request. It is important to emphasise that the Loan Bill 2012 that sought authority for \$5 billion was intended to last through the election, and through to 2016. The government at the time sought to bind whoever won the 2013 election into that loan bill authority.

The final of the three points I wanted to make is that loan bills come when they are needed. That is why, in 2015, the Leader of the Opposition—then the Treasurer—introduced a loan bill a few weeks prior to the budget. It was not months, but a few weeks before the budget. Loan bills come when they are required. I want to emphasise that nothing in this bill authorises me to spend one extra dollar that does not go through a supply bill. I appreciate all the concerns that have been raised by members opposite. Regarding some of the issues raised by the member for North West Central, ultimately I get the National Party position on its policy but I do not think in government we get to make tax policy as some form of revenge on companies we have particular problems with. That is not how we tax.

[Member's time extended.]

Mr B.S. WYATT: We do not tax on that basis and I do not intend to tax on that basis. I wrote down what the member for North West Central said because I found it interesting. He said we have to send a clear message to Rio Tinto and BHP. That is not the way we tax and it should not be the way we implement taxation policy in this state or, I would like to think, in Australia.

I hope I have clarified these points. I think this issue has been debated for a while now. Last night, we debated the National Party's amendments. In the Leader of the Opposition's contribution to the second reading debate, he alluded to the amendment that was coming. I thank the member for Carine for the confidence he expressed and his advice to me. I very much appreciate it. To a certain extent, the member's reverse psychology reminds me a little bit of my mother-in-law! To be fair to my mother-in-law, it is not by way of looks. My mother-in-law uses reverse psychology. She tried it on me when I was squiring my then girlfriend, now wife.

Mr A. Krsticevic: Did it work?

Mr B.S. WYATT: Sadly for her, no. She would always say to me, "Oh, Ben, you're a nice boy. There's a nice girl next door you might want to meet"!

Several members interjected.

Mr B.S. WYATT: I think that was reverse psychology. To her eternal disappointment, it did not work.

I think we will have this point of dispute around the quantum and I understand that. I hope I have outlined why I am seeking authority to borrow but not spend. This is not a spending bill because that will come at budget time.

Division

Amendment put and a division taken, the Acting Speaker (Mr I.C. Blayney) casting his vote with the noes, with the following result —

Ayes (18)

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

Noes (38)

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

Amendment thus negatived.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

Clause put and passed.

Clauses 4 and 5 put and passed.

Title put and passed.

Third Reading

MR B.S. WYATT (Victoria Park — Treasurer) [3.35 pm]: I move —

That the bill be now read a third time.

MR D.C. NALDER (Bateman) [3.35 pm]: I rise to finalise the opposition's position on the Loan Bill 2017. I would like to draw members' attention back to some earlier comments the Treasurer made when he introduced this bill. A lot of it was directed at the former government and the current financial situation. I want to reiterate what I shared with the house. I went over three election periods to look at the fiscal spending commitments by governments and oppositions at the time. When I looked at the 2008 and 2013 elections, both parties took fairly similar fiscal positions to the election. The underlying projects were different but the overall outcome on the finances, both from a commitment in capital spend and the impacts on the debt position for the state, were in line with each other. Irrespective of which party formed government during the period 2008 to 2013, a conclusion can be drawn that the state's financial positions were fairly similar. But the two positions started to vary during the 2017 election campaign. For the first time, the Labor Party did not submit its commitment costings to Treasury. It made a commitment spend of around \$5 billion. The Liberal Party took a lot lower spend to the electorate. Its election commitments, costed by Treasury, seriously broached the overall debt issue.

Over the two previous terms of government both the Liberal and Labor Parties had similar positions, but from this point forward the Labor Party owns the state's debt on the basis that it has brought forward a bill to extend its credit limit by \$11 billion. The Liberal Party's program to reduce debt was costed by Treasury. The Labor Party has introduced a bill to this house to increase the state's credit limit by another \$11 billion for the next four years; it is therefore assuming responsibility for the state's debt moving forward. The Liberal Party needs to hold this government to account. As the basis for wanting a loan, the government has come to this place using forward estimates that were determined by the former government. It has not taken into consideration the commitments it made during the election, and it has not brought a plan or a budget into this house—and will not for some period.

It is an interesting situation. I believe we are in uncharted territory with the government attempting to do that. We feel very uncomfortable about supporting the quantum of the bill—not in supporting the bill itself. We believe that there is a need for a loan bill; it is the quantum of the bill we feel uncomfortable about. However, we acknowledge that a loan bill is required and that it does need to move ahead. The government has the numbers in this house, but we want to ensure that people understand that we believe that the quantum is not correct.

I listened to the Treasurer during his response to the second reading debate and during consideration in detail. I would like to summarise my understanding of what has taken place in here. The Treasurer made it clear that he desires not to return to the house for another loan bill during the term of this government, and that the *Pre-election Financial Projections Statement* has been used as the basis for the loan amount required. But subsequent to the PFPS, the Labor Party made a further \$5 billion in election commitments that have not been considered in this Loan Bill. If we assume all underlying assumptions in the PFPS remain constant, it would therefore be reasonable to deduce that the Labor government will either raise taxation revenue or cut costs, or a combination of both, to the tune of \$5 billion between now and the end of this term of government. That is the only thing we can deduce about this Loan Bill because the government used the current PFPS, it has not taken into consideration the commitments it made throughout the election, and it has not brought a budget to bear. I think they are the correct assumptions that we can make about this Loan Bill. Therefore, we can expect increased taxation revenue or cutting of costs to the public service, or a combination of both, to the tune of \$5 billion.

I think I could go on ad nauseam in this house, but what we have witnessed in the last two weeks—we are only really two weeks into Parliament—is enough to raise some concern in the opposition. We must ensure that due process is followed. Having committed to no new taxation, in the last two weeks the Labor Party has been talking about a levy on investment properties, and potentially all residential properties in Western Australia. We have also heard the Labor Party talk about 15 per cent increases in power costs, although fewer than 10 months ago the current Premier was complaining about the then Liberal government raising power prices by three per cent. We are seeing the government initiate contracts for new infrastructure projects across the metropolitan area, without a tender process. I raise those things in conjunction with this Loan Bill because, as I have before stated, the Labor Party won the confidence and support of the Western Australian community to govern Western Australia. It has a responsibility to honour the faith that has been shown in it by the people of Western Australia, and to show good government and follow due process in carrying out its activities as a government.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

We regret in some way that we were not taken seriously, and that this government has not taken up our offer of a \$5 billion loan to provide it time to establish its first and even second budget; however, it has chosen not to do so. We will continue to do our best to monitor this government, thereby ensuring that its processes are transparent and it is held to account.

DR M.D. NAHAN (Riverton — Leader of the Opposition) [3.43 pm]: I will make some concluding comments on the Loan Bill 2017 to, to some extent, reinforce what the shadow Minister for Energy has said.

This important bill does not necessarily authorise expenditure, as the Treasurer indicated. It does in the short term, because without the authorisation provided by this bill, the government will be constrained from meeting its expenditure. In the short term it does authorise—not explicitly but indirectly—expenditure. It is an important mechanism. This is not unique to Western Australia, but not all states have it. It was put in place as a mechanism by which Parliament controls the overall spending or borrowing by government. We have gone through a number of these loan bills over the last few years, and when in opposition this government was highly critical of our need to do so. As we indicated before, one of the key issues in the last election in which the Labor Party was successful was the level of debt and the reduction of debt. As the member for Bateman indicated, that was unique in the context of at least the last three elections because in this one both parties said they wanted to cap or reduce debt. The Liberal and National Parties went in with policies explicitly to reduce debt. We had a policy audited and confirmed by Treasury that would in fact have, over the same four-year period, led to a reduction in our borrowing requirements of something like \$5 billion. Therefore, if we had won, we would not have needed a Loan Bill of anywhere near this magnitude; in fact, we would have had every expectation of having ended four years with lower overall borrowings than we started with.

We lost the election; the Labor Party won. It won it largely on the basis of convincing the public of Western Australia that it was going to be a better fiscal manager, including at capping and paying off debt. But it has, instead, come to this place and asked for \$11 billion; in other words, it is asking for borrowing capacity to do nothing about debt, despite its commitments and criticism of our debt reduction strategy, and indeed the National Party's debt reduction strategy. In bringing forward this bill and knocking back the amendment we put forward for limiting the Loan Bill to \$5 billion rather than \$11 billion, the government is explicitly stating to the people of Western Australia that it is not sure what it is going to do. But all the debt going forward in the general government sector from \$23 billion, which I understand is where it sits today, is the Labor Party's. It committed to it and it is going to do the borrowing. It came to this place and asked for additional borrowing to incur the debt that will take place. I know what it will do: it will go out to journalists and others and say, "We had to have this borrowing. We had to have \$11 billion borrowing because of the books we inherited." Well, that is not the case. That is not true. The government does not need this level of borrowings now; if it does so, it will be of its own choices; it will be because of decisions it made.

The Labor Party has gone out and floated a lot of balloons about new revenue sources and cuts and whatnot. Let us see about that. Let us give the government time till September and beyond to see whether those happen. But let us make it quite clear: the government is asking for \$11 billion. It also has to fit within that envelope \$5 billion worth of additional promises it made. We are not sure of the details because the Labor Party did not submit them to Treasury. The government also knew what the debt and deficit level was. The government's starting point was the *Pre-election Financial Projections Statement*. That was the starting point. It was published in, I think, the second week of February. The government no longer has the right to go out and tell everybody in the public that things have gotten worse and it did not know what the budget was or what the financial position was—the debt and deficit. It does, and it is accepting the PFPS as the starting point. Any borrowings that the government incurs as a result of this Loan Bill are its; they are its choice. We will hold the government to its commitment today that it will not need another loan bill, that it will meet its \$5 billion in election commitments through other than additional borrowings and that it will meet it within the envelope of the \$11 billion Loan Bill that will no doubt pass this house today. We as an opposition, small as we are, will hold the government to account for that. We also know that that \$5 billion probably understates the government's overall commitments because it made a range of commitments, particularly in marginal seats, of which there are quite a few, that it will now be held accountable for in order to maintain those seats in the future.

The government has had a very difficult time transitioning from opposition to government. Listening to ministers in question time, we have noted that they are usually focused on what we did in government rather than what they are doing. The Treasurer probably falls into this trap. This bill signifies that the government is in charge of the books now. It has accepted the *Pre-election Financial Projections Statement* as its statement—as the starting point for its budgetary expenditure. It accepted the debt levels as its own. The growth in debt from the end of June 2017 going forward is the government's, not ours. I am sure it will go out there and try to say the opposite, but that is no longer credible. That is because we had a policy, on which we lost, to do something about it. The government had a commitment to do something about it. We are yet to see that but this bill allows it to override or break that

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

commitment. We do not know whether it will. We also know from discussions in this house that the government does not need \$11 billion. When it goes out into the community and tells journalists and others, “Shock, horror, we’ve had to borrow \$11 billion to meet the borrowing commitment we inherited”, that will be false because it does not need it. We have already agreed to that. The government does not need \$11 billion; it needs about \$5 billion until it decides what it will do in the future.

Besides promising to pay down the debt and reduce the deficit, the government also went to the election promising gold standards of accountability. This bill does not meet that commitment. If it wanted gold standards of accountability, it would put the borrowing limit within some reasonable amount of what it needs. In his second reading speech, the Treasurer basically said that he is going for \$11 billion but he will work to avoid needing it. He hoped not to need it but he did not know yet because there are a lot of uncertainties. He did not want to need it. If he was really interested in true binding accountability, he would borrow what he needed and if he needed more, he would come back. The question is: Why did the government not do that? Why did it go for \$11 billion knowing that it does not intend to and should not need to borrow that amount? The reason is that it does not want to come back to this place and indicate to the people of Western Australia that it has broken a commitment to be better fiscal managers or to pay down debt. It is an exercise in avoiding accountability. Of course, it is trying to blame the previous government for its decisions to seek the right to borrow an extra \$11 billion today. As an opposition, I know that we can do nothing about this. We are but few in this Parliament. In the upper house, where our position is stronger in terms of numbers, of course we will not amend and pass through a money bill.

This is a seminal bill for this new McGowan government. It is consistent with many things that the Premier has said to date and has done since the election. Again, I want to reiterate that this bill signifies that the government has taken charge of the finances. It has decided to get the capacity to borrow more than it needs. It has done that. Therefore, from this day on, it owns the additional debt that will be incurred by the McGowan government. It has made an explicit decision not to reduce the debt—not to pay down debt—but to incur up to \$11 billion worth of additional debt. If it does that, it will meet the outcomes—that is, very high standard levels of debt relative to revenue and a high interest bill that it repeatedly criticised us for. It does not need this level of borrowing. It can do something about it but it has chosen not to do so. The government will be held accountable for it. Both parties went to the people and admitted that the level of debt and deficit is far too high in this state and that we had to do something about it. The people elected the government to do that. They elected the government to do something about the level of debt. It is true that this bill does not incur debt; it just allows the government to borrow, but by allowing the government to borrow, it is a signal of intent to do so. If the government does so, it will be breaking one of the main reasons people brought its members here in large numbers, and it will be held accountable for it. If the government does come back for another loan bill requesting beyond \$11 billion, we will not be as comfortable with it because it did not need to borrow this much. It will be breaching a promise.

We look forward to the budget on 6 September 2017. It will be another seminal statement in the government’s fiscal plan. We hope it will be a major statement because the task that it has set out, even with this excessive level of borrowing, to accommodate its election commitments of \$5 billion within the envelope of spending, is a phenomenal change. One thing that we have also argued in that budget is that the government is committed to no new taxes. The Premier, then Leader of the Opposition, repeatedly said to the people of Western Australia—admittedly after he announced the tax on foreign investors of real estate but he made that open and transparent—that there would be no new taxes on Western Australians, full stop. The Treasurer is a bit wiser than that. I cannot remember at which event, but he was asked whether he would promise no new taxes. His response was, “No. No Labor leader can do that and be treated credibly.” He was honest. The commitment from the then Leader of the Opposition and now Premier was clear. He also went to that election and, quite rightly, focused on creating 50 000 jobs. All of us on this side of the house wish him well with that task. When asked about taxes, he said, “No, we will not be imposing any new taxes on Western Australia or raising taxes because it destroys jobs.” The taxes that are open to us are payroll tax and transfer duties of various types. They are terrible taxes. The Premier made that commitment. I emphasise that because this \$11 billion of borrowing has to accommodate \$5 billion worth of expenditure. Given the many commitments that are part of that \$5 billion—we have never seen transparency about that—my concern, looking at the balloons the government is floating, is that it will introduce a raft of increases in levies and prices in its first term to try to pay for its election commitments. It will attempt to paint them as trying to pay off the debt that it inherited.

Mr A. Krsticevic: And pay payroll services.

Dr M.D. NAHAN: Maybe. The reality is that all of us on this side must reiterate throughout our electorates that the Labor Party has come into this place committed to reducing debt and has chosen not to do so. The Labor government has chosen to pursue the Loan Bill 2017 that provides it with \$11 billion and indicates that it wants the capacity at least not to do anything about debt. It committed to going to this next budget, and probably a number

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

of budgets, and meeting its election commitment of accommodating that \$5 billion and that it would do so within the framework of the *Pre-election Financial Projections Statement*. Therefore, it will have to either find additional revenue or cut expenditure in other places to the tune of \$5 billion. I might add that the Labor Party also went to the election with a commitment to achieve a budget surplus within its term in government. It has subsequently said that that will not be possible this term and that it would be a real struggle. This state has a large structural deficit. Nonetheless, when we put all those things together, it simply does not add up. It will either have to increase its borrowing beyond this Loan Bill or raise taxes. We look forward to those debates here.

Another thing that the government has done is to put off the budget to the latest period in living memory—6 September. That gives it time to make major changes; I hope the government uses it well. It is a long period before the necessary decisions will be made. It also allows a large number of decisions to be made and implemented by ministers without the transparency that a budget provides. A budget is a government's major statement of policy intent and this government will have been in power for almost six months before making its first budgetary statement. That is far too long—unnecessarily long. It follows from its decision to postpone the first session of Parliament for two months after the election. The excuse was that it was done in 2008. It was, but the government in 2008 was a minority government. Indeed, the government was not formed for weeks after the election; it was a different time. Of course, it also was not a fixed four-year term as we had this time. The issue of postponing the meeting of Parliament and the budget raises additional concern about the transparency of the McGowan government. In the run-up to the fortieth Parliament, the government made a raft of decisions of a fundamental nature that it announced in single-page press releases. They include changing the number of agencies from 41 to 25 and a range of other changes. The opposition was not able to scrutinise those when they were proposed, undertaken or completed because Parliament was not sitting. Now the budget has been put off until 6 September and a raft of decisions are being floated out there—manufactured and put out—that we will have delayed ability to debate.

If I had raised this six months ago with the Treasurer and asked him whether he would be coming to this place after winning the election to ask for an \$11 billion loan bill, he would have denied it. He would have stated quite clearly, "No, I won't do that." But this is what he has done. He is building in the capacity not to meet his solemn pledge to the people of Western Australia to cap and reduce debt. He is taking the easy route. He took the easy route with his promises, and this is what he is doing now. From statements made by the Premier and Minister for Transport, it is clear that the government is trying to use political pressure and hoping the Turnbull government will bail it out. The plan is to go to Turnbull and put pressure on him to increase the GST share in some form or fashion. There are many ways to do that. The real trick is that the government hopes it will be a win-win for them; that is, to get money from the Turnbull government in the form of a higher GST share and to help Mr Shorten gain the benefit of that happening in other states. The game plan is to get the Turnbull government to bail it out with a higher GST share. In response to that I have said that the Liberal Party will support a higher share of GST as long as the government does the right thing and talks to Mr Shorten to get him on the same page as Mr Turnbull. I do not know whether the government has done that. I wrote to Mr Shorten and, of course, I did not get a response. Without bipartisan support in Canberra, Turnbull might bail us out but what one Treasurer gives in GST share, another Treasurer can take away. Unless we get bipartisan support for a better share of GST, it will not be sustainable.

It is galling, to say the least, that I stand here and say that I will support the government on the GST. When it was in opposition it made it abundantly clear and stated over and over again that the GST was not a major issue and that our revenue issues were not caused by the GST. I think I am quoting the Deputy Premier in saying that the GST share is one great certainty in our revenue flow over time; we know what it is and it has not changed. That was always true to some extent. This year the GST share will be more than was predicted in the budget because the Liberal-National government—the Abbot and then Turnbull government—effectively agreed to a floor of 37.6c. That is what we did. It is not high, but it is a floor. We put it in there and we were ridiculed, firstly, that we did it and, secondly, that it would not be sustainable. In opposition, the Labor Party said over and over again that GST was not an issue in terms of revenue—we had a spending problem, not a revenue problem. As soon as it got into government, it flipped around and said, "It's all the GST." We have to reinforce to the electorate that this is an issue of statesmanship. In opposition, the Labor Party took the stance that anything that is harmful to the fiscal position of the state or harmful to the government of the day was good for it. That is the stance that it took on the GST. We have said that we are putting WA first and if we can assist, either with Prime Minister Turnbull or otherwise, to get a better share of GST and even if it is helpful to the government, we will pursue it. That is contingent on the Labor Party doing what is right and convinces Mr Shorten and the other state leaders to support our joint stand. So far, members will notice that when the Premier speaks about that he focuses only about Turnbull. He never speaks about Shorten. That is a clear signal that he is less interested in doing what is right for Western Australia than doing what is good for the Labor Party across the nation. This is a real test for him, and so far he is failing it. Western Australians want what is right for them, not necessarily what is right for the Labor Party

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

in the Australian Capital Territory, South Australia and Tasmania. This is a seminal issue for him and so far he has failed to take it up. Let me state this repeatedly: all substantial ideas for reform of GST have come from one side of politics—the Liberal–National side. The Labor Party federally, in the other states and Western Australia has not suggested something new that it will work upon as a party. Until it does that, it cannot work. One government of a certain party putting in policies might help us for a year but the other party might take it away. The truth is that Mr Shorten has repeatedly said that he does not see any problem with the GST, he will not put in place reforms to it, he will not even put in a floor of 37.6c and that he will not support the reforms of the Productivity Commission. The Premier went on to answer the dorothy dixer question about his solution. He has put two solutions forward in the last two weeks, both of which have been put to the federal government repeatedly by me over the years. It is nothing new but, fair enough, in this game, not everything is new. This is the test: if the Premier is really serious he should approach Bill Shorten and get him to support the idea of a Productivity Commission review of the GST, and to support in principle the implementation of the Productivity Commission’s recommendations. If the Premier does not make that effort, and Shorten does not respond or does not agree, then we will know that the Labor Party is not serious about GST reform. It wants the money, but it also wants the votes on the other side. It is not hard. I do not know what the Productivity Commission report will do. It is a good initiative, and the commission is the right body to do such a study. It must be done within a year, and if the right people are put in there, it will get a good outcome, and it is the right focus. If we go to eastern states and just say, “Gimme money”, the eastern states people will say, “You’ve got more money than we do; why do you want more?” That is what they would say, and the Treasurer knows that.

The big flaw in the GST is not so much the sharing of money; it is the incentives in the system for other states not to pull their weight, and not undertake the hard task of investment and policy decisions to grow their economies. I will provide a good example of that. Victoria and New South Wales are sitting on coal seam methane gas, locking it up and not allowing people to drill and tap it, which is causing a shortage of gas and hurting the manufacturing sector on the eastern seaboard, and losing a lot of revenue that otherwise would go to the states, because the gas is onshore, and they have royalty systems onshore. They are losing money, but they are not suffering the full consequence of that action because our GST system does not take that into consideration, and we subsidise them. The same thing is happening in Tasmania on a different front and, to some extent, in South Australia.

We need this Productivity Commission inquiry. The Turnbull government has put on the pressure, and it will be held to account on the outcomes, but we need the Premier to stand up as a statesman and say that we support that process. The inquiry will look at all the ways of achieving the outcomes, such as the ones that he suggested—there is nothing new in this game. If the Premier stood up and said that he supports the Productivity Commission inquiry and demanded that Shorten does also, then we are getting somewhere. So far, he has taken the low road of helping the Labor Party here and elsewhere rather than helping Western Australia. To be a real leader, he must change his ways. If he does that I will support him, and if that means a huge flow of money to the McGowan government from the GST or elsewhere, so be it. That is a good outcome. However, the leadership must come from him.

MR D.T. REDMAN (Warren–Blackwood) [4.14 pm]: I rise to close out the debate from the perspective of the National Party and provide a quick summary of the points of argument we have taken up in this debate so far, for the Loan Bill 2017 that the Treasurer has brought to the house. In my second reading contribution I outlined the history, from our perspective, of how we got to this point. A significant number of substantial investments have been made in Western Australia, and particularly, through the royalties for regions program, into regional Western Australia. In every question time and every debate, the government—I think it has a right to do this at this point—points the finger right back at the opposition and says, “Look what you did, and look what we’ve been lumbered with.” However, members opposite talk about that in a global sense. I have not heard any discussion or seen any finger-pointing about what should have changed—which hospital should not have been built; which schools should not have been built; which investment into regional health programs should not have been made; and which public servants in regional Western Australia supporting these services should not have been hired. I have not heard any of that; I have just heard the global comment, saying, “Look what you did, and we’ve got ourselves in this situation.” For many years to come we will be able to debate the merits of the investments that the Liberal–National government made, but nevertheless we find ourselves in this position. The National Party will certainly defend its history of investments into regional Western Australia and the difference that those investments have made.

One thing that this point in time highlights is that this \$11 billion Loan Bill gives us a pretty substantial signal about the scale of the challenge. The point of the debate from both the Liberal Party and the National Party is that there is a huge challenge. The merits of how we got to this point might be debated, but nevertheless the challenge we have from this point in time forward is pretty substantial. As every day goes by, the government will increasingly own that challenge. Walking in here on day 1, the government certainly has an argument about what it has inherited, but after that the decisions, the new budgets, the investments and the cuts are all its own. The

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

challenge here is that we can see the scale of the issue. We are not going to refuse to support the Loan Bill. There is a history of parties supporting supply through the house to give the government of the day, which has an overwhelming win in the election in this case, a capacity to prosecute its arguments and take its investment decisions forward.

So far, we have seen some signals from the government about what might play out, and we have heard a lot of language about times being hard, and how we need to cut back and make changes. There have been some signals about utility prices for mums and dads going up, and some new taxes—levies, taxes whatever the government wants to call them. I am sure that if the government were on this side, it would not make any distinction, but on that side there is a clear distinction. There are also proposed cuts to the public service, which the previous government—I was sitting around the Economic and Expenditure Reform Committee table—believed that it had scoured pretty hard. Sitting around that table making those calls is bloody hard. I am sure that many of the revenue and savings measures that are being put before the Treasurer and the EERC team are many of the same measures that came before us. We made a call on whether we thought they were good measures or not. We were made to put our political marker over that, and then we came up with a budget and a plan to take to an election. Now history has brought us to this side of the house. Nevertheless, government is faced at this time with the task of delivering a budget in September that shows a way forward for the state, on the basis of commitments it made, and the language about having some financial and fiscal responsibility that it took to the election. That is the cross that the government has to bear as it goes forward.

The National Party brings to the table its concern about what history has shown to be true—that is, when budgets come under pressure, the regions lose. The most efficient part of the state in which to deliver services, and the most efficient way to deliver services, is where there is a big pile of people in one stack, and we do not have to have as many roads, water pipes, powerlines, doctors' surgeries or whatever, to deliver those services. The minute we move out into the regions in Western Australia those service links get a bit longer, the tentacles get longer to deliver and make it happen. There is much more of a challenge in being efficient in doing that. If we are going to decentralise this state, and support a position of actually growing the regions, it will take investment. I guess we are concerned that, in the environment we are moving into, the regions have the capacity to lose. We bring to the table, as the National Party, an unapologetic support for regional Western Australia, and for policy settings that will drive and grow the regions, because they are the wealth-creating parts of the state. Hence, we want to support positions that improve that outcome. We could have taken the position that many oppositions take—I am sure Liberal and National Parties have done the same in the past—that is, to stand up over here where it is all care and no responsibility and point the finger at the cuts being made, and the changes that will affect people, and bring those to a discussion in the chamber. Then, hopefully out in voter land, people will see that we are in here fighting for them, and that will change the vote.

The National Party did not think that was appropriate. We did not think it would be credible for us to go to the last election saying, "Support this program called royalties for regions, which has fundamentally recalibrated the regions in Western Australia", without having a credible narrative about the broader state budget. We have come under criticism for doggedly sticking to our position, which had an impact on the broader budget. We do not accept that, but we knew we had to bring a position to the table that was a credible argument and a plan to support the broader budget because if we had not, the regions would have lost. If we do not support the broader budget, royalties for regions comes under pressure. The finger was pointed at us, and people said, "What about you? You're the one who's holding the state to ransom. You're the party that's doggedly sticking to a position that makes it all get wrecked." That was not the position we wanted to be in, so we took to the election positions that were challenging; they were not easy, and it has probably cost us a former leader who will be sadly lost to politics in Western Australia, in my view. He is someone who made a huge contribution to this state, globally—not just in regional Western Australia.

We took two positions to the election. One was about a new revenue source, and we saw the consequence of that. Even in Perth there were strong advertising campaigns running and everyone learnt about it. As the Leader of the National Party mentioned in her speech, the Premier had highlighted in a public forum that a sentiment had been touched there, and that there was a view that this has some merits. We will continue to prosecute the argument that it does have merits, rather than making mums and dads stump up when they look at their new power bill. It will be a lot higher than it was last time, as will be their new water bill. They will also have to look at the fact that their jobs may be under threat if they work in the public service, particularly the senior public service. If they happen to have an investment property to try to get ahead, they will have another bill for \$270-something a year. That is only the start. To make a budget work, there is a hell of a lot more than that. I have seen what can show up around the Economic and Expenditure Reform Committee table and therefore the sorts of decisions that the government will have to take.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

We took that position. We also supported the part sale of Western Power, and every chance I got, I prosecuted the argument for that and got support. It made sense. I see that there have been a number of forums. In fact, the Leader of the National Party sent me an email recently about a forum with the Committee for Economic Development of Australia, talking about energy and innovations that have been brought to the table in Western Australia, and how innovations might change the way that business is done. I think there is a really good debate and discussion to be had about where this state positions itself around energy; of course, the Treasurer is also Minister for Energy. The member for Moore highlighted the merits of those innovations changing the way we do business and having support from government to make it happen.

We are not going to sit in opposition and point out all the things we think are wrong or should not be cut, because I know what challenges the Treasurer and the government have. We took a position that was credible. It supported a fairly significant asset part sale and it supported a new revenue source. That is what we are trying to prosecute here. We have made the case on a number of occasions that the government does not need to go and chase mum and dad and change their power bills; there are some alternatives that the government may or may not be prepared to prosecute. Even during today's debate, the Treasurer showed some support for the cash-out option, and even said that he is getting some advice on it. That is not the National Party's position, but nevertheless, it is something that was brought to the table as a product of what the National Party has put on the agenda. Maybe that discussion will come forward if the Treasurer and the Premier become a bit more enthusiastic about it.

The National Party will support the Loan Bill 2017. I am sure our colleagues in the upper house will have a number of discussions around the same sorts of topics we have talked about here. The big concern we have is where regional Western Australia sits in this, and we will continue to support regional Western Australia and continue to prosecute debates in this house to ensure we have long-term benefits for regional Western Australia.

MR C.J. BARNETT (Cottesloe) [4.23 pm]: I have not taken part in this debate to any great extent, apart from a few interjections. I want to make a few comments, but I will not take too long. The debate has been good—lots of ideas; lots of points of view—and, I think, if new members have listened, they have probably learnt a fair bit about the structure of public finance in Western Australia.

I would like to go back to what I see as the basics of this issue. This is about a loan bill to fund government services, to allow for capital expenditure—which is needed in a growing state—and to somehow deal with the debt situation. The reality is that, as everyone knows, in Western Australia the deficit is, according to the *Pre-election Financial Projections Statement*, \$2 billion for 2015–16 and \$3 billion for 2016–17. That is significantly less than what was thought 12 months ago, but they are nevertheless large deficits that are structurally locked into the system.

Our debt at the end of the last financial year, 2015–16, was \$27.3 billion. I stress that it was not \$40 billion, as the Labor Party repeatedly said and as the media consistently reported—debt of \$40 billion. It was not that; it was \$27.3 billion net debt at the end of the last financial year. The latest projections say \$33.2 billion at the end of 2016–17; it could be less than that. Nevertheless, we have a big debt issue and a big deficit issue.

In simple terms, to correct a debt, we really have two choices. The ideal solution is to run a surplus. That allows us to fund services, capital works and, hopefully, to repay some of the debt. The other choice is to sell assets. The Liberal Party went to the last election with a policy of selling assets, and particularly selling half of Western Power. Why? It was because we could not see a prospect of achieving a surplus, so of the two options, only one was left—to sell assets. I think it is well known that I was very reluctant about the sale of Western Power. I think there are some significant regulatory issues attached to that and I was extremely conscious that the public would not like it. That did not come to me as a surprise, and it did not come to me as a surprise that the unions ran such a strong and, I have to say, effective campaign on that. There was no surprise in that, but I think it was an honest thing to do to take such a major policy decision to an election, just as John Howard took the GST to an election. In this case, the voters overwhelmingly rejected the part privatisation of Western Power, so of the two options, that leaves us with no options left. We cannot run a surplus in the medium to coming years, and the public will not accept the sale of assets—certainly not a major asset like Western Power.

I would like to recap a tiny bit of history; I will not dwell on it. In the early 1990s, Western Australia had a rapid rise in state debt. From memory, it got up towards \$11 billion. That was a result of the after-shock of the late 1980s share crash and of the \$1.5 billion or so lost as a result of WA Inc. In the early 1990s, \$11 billion was probably comparable to the situation today, 20 years later. It is not unprecedented, but in relative terms, it is probably comparable.

I will not labour the point about Western Power, but in respect of how the sale was designed—a part sale, selling it to Australian superannuation funds and, if you like, mum-and-dad investors—it may have been that, over a greater length of time, it would have been acceptable to the public. The Labor Party and the unions campaigned heavily that selling part of Western Power would mean higher prices. The evidence was that prices would actually not go up and, if anything, given the experience in other parts of Australia, might have come down. Nevertheless,

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

the scare campaign—that is politics, and I accept that—was that there would be higher prices. A lot of people, me included, will find it fairly ironic if we see big increases in electricity prices over the next two years, having not sold Western Power and having not repaid at least \$8 billion in debt. It will make people think, “Well, why the price rise?” But the sale was unpopular and was rejected. Like any good politician, I accept the verdict of the punters and that is not going to happen.

In respect of the budget surplus, during the 1990s, when Richard Court was Premier, there was a mixture of surpluses and deficits, neither of them particularly large or small. The state got through that difficult period when the economy was very uncertain and the effects of the share crash of the late 1980s lingered on through the 1990s. The government of the day survived and funded capital expenditure and other things by selling assets—Bankwest, the State Government Insurance Office, AlintaGas, and the Dampier to Bunbury natural gas pipeline, which at the time was Australia’s biggest-ever privatisation. That got us through that period. We then got to the early part of this century; the time of the Gallop and Carpenter governments. In that sense and in terms of public finance, they were the Goldilocks years. We could not have had a more benign, friendly environment in an economy such as that of Western Australia. There were no great external shocks; there was no share crash; and no 1997 Asian financial crisis, which hit this state very hard because of our trading relationship. Through that period, it was pretty benign. The mining industry was going quite well, commodity prices were not at their record highs but they were strong and there was a property boom in Perth so there was a huge flow of taxation through land tax, stamp duties and the like. That largely generated significant surpluses, which Eric Ripper is very proud of, and good luck to him, but it was a very friendly, benign period.

Indeed, the issue that is being talked about so much now relating to the GST was part of that. I will refer to a couple of figures. When the GST was introduced by John Howard in 2000–01 it was well accepted by the states and it started at a fair and reasonable base. Every state seemed to get a pretty good deal. There was a bit of horizontal fiscal equalisation built into it, but there was nothing extraordinary. It was accepted and it worked well until around 2008–09 and then the system got into the problems that everyone has been talking about. I will tell members what the relativities were. The former Liberal government was elected in September 2007, so in 2007–08 Western Australia’s relativity under the GST was 94c in the dollar. In fact, in the time leading up to that, it had been basically around \$1, so in that first decade of this century, Western Australia was pretty well getting a good deal. By 2015–16, it had fallen to 30c, as we all know. That was the radical change, and by 2016–17 it is still at that level. In 2007–08 Western Australia got \$4 billion of GST and in the 2015–16 year just completed, we got \$1.9 billion. Our GST has halved and, as I think everyone knows, if we got a full per capita share of GST, we would be getting \$4.7 billion more than we get today. In other words, if we had full GST, we would be in strong surplus; we would not have a debt problem. Even if we were able to get only 75c in the dollar, which I argued for in the last five years, we would be in strong surplus and have a very manageable debt. That is the reality.

I know it suits the Labor Party politically to say we wrecked the books and everything else.

Ms J.J. Shaw: That’s true.

Mr C.J. BARNETT: The dilemma members opposite have is that they face the same set of books, and I will say to members that there is absolutely no circumstance under which Western Australia can achieve a budget surplus so long as we get a GST share of 30c or even if it improves to 40c in the dollar. There is no circumstance in that case under which a surplus can be achieved. That is the problem we faced and the problem members opposite face right now. I cannot see the GST, either naturally or through the Commonwealth Grants Commission process, getting back to anything reasonable within the next five years, maybe longer. I cannot see a political resolution of it in the same period. I have argued this for years and years. I started the argument probably around 2009–10, and I think I have won the argument. No-one in Australia realistically defends the grants commission process. No-one seriously believes 30c in the dollar is fair or reasonable. Even now, the Productivity Commission report could change the angle a little bit and say that maybe it is holding back Australia. Of course it is holding back Australia to have such an uneven distribution of income out of assets. That is where it is at.

There is no ready solution. The Labor government will not sell assets. Even selling assets, whether it be BankWest or Alinta in the 1990s or whether it was half of Western Power today, all an asset sale really does is buy time, because so long as we continue to have a deficit, we will continue to accumulate debt. An asset sale buys time. The selling of 50 per cent of Western Power for a suggested \$11 billion and retiring \$8 billion of debt would buy time. It would probably buy the best part of five, seven or eight years. If the underlying budget improved, obviously, that could get us through but it would not solve the problem. Similarly, as members opposite are going about as a government looking for ways to save money, they can cut expenditure as hard as they possibly can. They will find it difficult, as any government would, but there is no way they can sufficiently cut expenditure to make up for the fundamental deficit that is a result of the GST share. They will not get within a bull’s roar of —

Ms S.F. McGurk: Will you ever take any responsibility for the deficit?

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

Mr C.J. BARNETT: I will make my speech and answer questions if the member for Fremantle wants to ask me questions.

I am pointing out that there is no way in which we could have avoided debt. There is no way members opposite can avoid continuing debt and this Loan Bill is seeking a massive further increase in debt under the watch of members opposite, not my watch. There is no way they can avoid that unless they get the budget back into surplus and there is no way they can get the budget back into surplus while the GST is where it is at.

I will refer to another table and the history of the GST. I do not want to bore everyone with other details, but Western Australia got \$2.3 billion in 2000–01, the first year of the GST distribution. In 2015–16, we basically got \$1.9 billion. We are getting fewer dollars today than we got in 2001. We can bang on about our share falling from 90c down to 30c or whatever else, but we get fewer dollars. Western Australia gets fewer dollars while the number of dollars for every other state and territory has gone up by two or three times. That is the reality. It does not matter how hard the Treasurer works in trying to save money and cut costs—good luck to him with that—he will not get it back into any sort of balance or surplus budget. That is why he has introduced a loan bill for \$11 billion.

Mr T.J. Healy interjected.

Mr C.J. BARNETT: The member for Southern River may giggle but how will the government maintain the school ratios of staffing, the huge increase in disability, mental health and child protection expenditure in this state? How will it cope with the extra 500 000 people who have come to this state since 2008?

Ms S.F. McGurk interjected.

Mr C.J. BARNETT: I will continue for a while. I will not take the member for Fremantle's interjection. I have a few minutes left.

I am trying to say that the only solution that can work for Western Australia, work for government and work for public finance, whether it be a Labor or Liberal-led government, is a solution to the GST.

As I said, I have been arguing that for a long time. I will claim that I have won the argument but I have not got the result and neither has the government. For so long, and very disappointingly, the argument coming from Canberra by successive Prime Ministers was, "Well you can't change it unless the states agree." That was never, ever the case, as I pointed out years ago. It disappointed me that federal politicians from Western Australia repeatedly said the same thing until very recently, knowing it was false. While a change to the GST, whether it be the rate of GST or the coverage—for example, should we include fresh food or not?—those decisions require the states' agreement. The distribution—the sharing of the GST tax collection—is solely the province of the federal Treasurer and the federal government.

It took years for the media to grasp that point nationally but it is now accepted. Any reasonable commentator around Australia, whether they be a political or economic commentator, will have come to the point that the GST system is broken at the very least. It may have served Australia quite well over the last 80 years but it no longer serves that purpose. It is cumbersome, complicated and not understood by everyone. It is a black box. It is a mystery. It is no longer functional for a modern Australia.

When this debate started in earnest, I suggested a floor of 75 cents in the dollar. I notice that the now Premier repeats that figure. That seemed to me to be a fair balance from the point of view that Western Australia is the most prosperous state in the country. We have the highest income levels, the highest exports and we have a brighter future. I accept that Western Australia benefited historically and that it can play a role in supporting South Australia or Tasmania. I do not think we should support the Australian Capital Territory or Queensland, but that is where the argument can go on. The GST floor was a good way to draw attention to the inequity, because it was easy to understand that 75 cents in the dollar gave away a quarter of our GST—it was being pretty generous—but it compared unfavourably with the other states. At 30 cents in the dollar, it is now grossly unfavourable. It worked in the sense that the public understands it. Setting a floor, or quarantining, as the Premier argues, a quarter or a third of mining royalties will all help. The Productivity Commission might tweak the formula, which would help too. Maybe gambling tax revenue in the other states could be treated a little bit differently and that might help too, but will that solve the problem? No. It is just tinkering that might bring a benefit, but it will not solve the problem. The problem requires a fundamental reform, not tinkering with the GST formula, not a reincarnation, not life support for the Commonwealth Grants Commission, because GST is an institution that has outlived its purpose in a modern Australia.

Three years ago, we got the closest we have been to getting on a pathway to fundamental reform. It was when the four big states met—New South Wales, Victoria, Queensland and Western Australia. Each Premier —

Ms S.F. McGurk interjected.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

Mr C.J. BARNETT: I am not listening to the member for Fremantle.

Ms S.F. McGurk interjected.

The DEPUTY SPEAKER: Member for Fremantle, I think the member for Cottesloe has made it pretty clear that he does not want to take an interjection at the moment. He has offered to take them at the end of his speech, so we will let him keep going. Thank you.

Mr C.J. BARNETT: At that point about three years ago, the four big states had an agreement. Each of the Premiers of the day signed a simple document to say that they supported, as the four big states of Australia, a fundamental reform. That reform was pretty simple—modern, simple and easily understood. Out of the \$60 billion a year of GST that is now collected, the majority of it—say \$50 billion to keep it simple—would be allocated on a simple population basis. The more people in a state, the more schoolchildren it has and the more hospital patients it has, the more GST it would get. John Howard introduced the GST for running services related to population. Through some sort of grants process, say \$10 billion of the \$60 billion could be allocated to give some sense of fiscal equalisation across the country. Of the \$10 billion, South Australia, Tasmania and the Northern Territory would get more than their pro rata share. Every state would know that if it had a strong economy and a growing population so its GST would keep up. It would get rid of all the mumbo jumbo of trying to measure Aboriginality and isolation—when Hobart is identified as being isolated because it is not Melbourne. All that absolute rubbish could be swept away in one simple measure. Those four states represent 90 per cent of Australia’s population and 90 per cent of Australia’s economy. Debate has been about the political will and worrying about seats in South Australia or Tasmania, but when 90 per cent of the Australian population and 90 per cent of the Australian economy are singing the same tune, we are well on the way to achieving the result.

My strong suggestion to the Premier and any other Premier, whether they be Liberal or Labor, from those four big states, is to go back to where we were three years ago. I suggest they try to get that consensus amongst the four big states. That is where we need to go. With the four big states, Sydney, Melbourne, Brisbane and Perth are on board and the rest can be raffled. We can achieve it because the four big states have the numbers, the economic force and the population numbers. That is where we need to go, rather than the Productivity Commission and more reports, more reviews and more tinkering. That will not do the job. I strongly recommend that the Premiers of the states get together and get onto that line.

Mr W.J. Johnston: It worked well when you were Premier.

Mr C.J. BARNETT: I got the four big states to sign up. The job was not completed, but it was the closest we have ever got to resolving the GST.

Ms S.F. McGurk interjected.

Mr C.J. BARNETT: If we could get back to that—there are different governments and different Premiers in place.

Ms S.F. McGurk interjected.

Mr C.J. BARNETT: I am not talking to the member for Fremantle.

Several members interjected.

Mr C.J. BARNETT: You can see the problem, Madam Deputy Speaker, because when I get up —

Mr W.J. Johnston: He’s just the emperor now! He’s no longer the Premier.

Withdrawal of Remark

Mr S.K. L’ESTRANGE: The member for Cannington referred to the member for Cottesloe by a name. That is not parliamentary; we know that. Can you please ask him to withdraw it?

The DEPUTY SPEAKER: I am sorry. I did not hear anything I thought was unparliamentary, and I do not think the member would have thought that either. There is no point of order.

Debate Resumed

Mr C.J. BARNETT: I am not fussy; I have been called far worse in this house. I am not going to get sensitive at this stage. Members can either treat it seriously or they do not, or they can laugh me out of town. I do not care.

Mr W.J. Johnston: We don’t treat you seriously.

Mr C.J. BARNETT: Members opposite may not treat me seriously, but I am telling the Premier —

Several members interjected.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

Mr C.J. BARNETT: Members opposite can play their politics and that is what elections are about. They have ruled out the short-term solution of privatisation. It may have got them through the next four years. The government has ruled that out in every respect.

Ms S.F. McGurk interjected.

Mr C.J. BARNETT: It is now talking about tinkering around the Productivity Commission, which will not deliver the result. It might get some tweaking, but the Premier has an opportunity as a new Premier—a clean skin on the block—with some colleagues on both sides of politics federally. I know them all well. When the Premier goes to his first Council of Australian Governments meeting, hopefully he will attend a dinner beforehand when the real discussion takes place. If the Premier can recreate that goodwill between the four big states, which is not punitive on the small states, he can get to the practical solution. If the Premier can get back to the point where we were three years ago when the four big states agreed that was the way to go, he will have the practical solution.

Mr W.J. Johnston interjected.

Mr C.J. BARNETT: Madam Deputy Speaker.

The DEPUTY SPEAKER: Minister!

Mr C.J. BARNETT: The Premier can then get to an in-principle agreement. Every sensible economist and commentator around Australia knows that per capita distribution is the only way of fixing this; it is fair for Australia. Queensland will get worried, and New South Wales and Victoria are now worried about their GST shares. It will get all the uncertainty out of the Australian Federation and Australia will be a stronger economy. We will not waste effort on this silly debate that has gone on for probably a decade too long. Once the Premier has that agreement, which I think would be comparatively straightforward and I think he would get in-principle support out of the commonwealth government, then he will get to the tricky bit of how to transition to that. I do not have the answer to that. It will take time. It might be a decade of slow, gradual transition. It might require a guarantee from all parties, including the commonwealth in particular, that no state would be any worse off in any subsequent year. It might be that the commonwealth has to take a greater responsibility for its territories. Why should the states fund the Northern Territory? It is a commonwealth territory and the commonwealth can step up and take some responsibility for its territory, and let the states deal with it properly.

Ms S.F. McGurk interjected.

Mr C.J. BARNETT: Ask me a question—I am ready for you. Come on; bring it on!

Ms S.F. McGurk: Not one word the former Premier said outlines that he understood that problem when he was in office and that he responded to that problem in his management of the budget—that spending was restrained and that he understood what the GST share would be. The former Premier has not addressed that in anything he has said today.

Mr C.J. BARNETT: The Gallop–Carpenter government did not have the external shocks that took place. It did not have a global financial crisis or a collapse in mining royalties. That is a reality—good luck. That was a benign Goldilocks period. The former government had those shocks. The global financial crisis happened in 2008. That was seen around the world as the greatest shock to the world economy since the Great Depression. Indeed, if members look at some of the problems in Europe today, they will see that the after-effects of the global financial crisis are at full play in countries such as France and in other parts of Europe. They are still struggling. In the middle states of the United States the GFC still shows its ugly face in depressed property markets, unemployment, major underemployment, collapsing industries and the like. Western Australia has seen a high rise in unemployment since the minerals downturn and we have major fiscal problems in our budget, but they were primarily delivered by external shocks. My friend at the time, Kevin Rudd, came to the party. I did not agree with all parts of his national stimulus package, but the part that he and I negotiated for Western Australia, like sinking the rail line through Perth and the Ord River expansion, worked well. The former government made a very conscious decision to have big capital works spending to avert the threatening disaster of the global financial crisis. We got through it far better than anyone would have anticipated.

Members opposite may object—yes, I am conscious the former government spent, but if it had received a resolution to the GST issue, or at least a pathway, we would not have had the deficits. The point I make and where I started is that the problem we grappled with has not gone away. Members opposite may criticise, laugh and ridicule, but it has not gone away. It is there right now and it will continue for years to come. I accept this government's philosophical policy position that it will not sell major assets, but it has no alternative. It cannot even buy time, unless it does that. The Labor Party may criticise spending. I know members have a social conscience. Do they blame me as a Premier for increasing spending on disability by 120 per cent? Do they blame me as a Premier for increasing spending on mental health by about 90 per cent? Do they blame me as a Premier for increasing spending on child protection by 90 per cent? Do they blame me as a Premier for protecting the

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

Kimberley for generations to come? Do members blame me for any of that? No, they do not. I am past the political debate; I am not doing that. I laid down a way for this government to go forward. If it does not work on that, it has no solution and this will not be this government's last loan bill. It will have further loan bills and it will face what we faced and experienced. The AAA credit rating will not be recovered, as Richard Court did in the mid-1990s. The government will lose a further rating level. That is absolutely inevitable unless it has some way of buying time or unless the Premier can now achieve what I was able to achieve, albeit modest, three or four years ago. If the government wants to tinker at the edge and debate exempting bits of mining royalties, it will all provide a benefit but does it reckon it will win the day? Not a snowball's chance in hell.

MR A. KRSTICEVIC (Carine) [4.53 pm]: I will say a couple of words in closing my contribution to the Loan Bill 2017. I thank the Treasurer for his answers during consideration in detail. As he indicated, this is the largest loan bill in the history of the state—\$11 billion. It is obviously being borrowed for the requirements of the consolidated account until 30 June 2021. Even though the member for Cannington said it is not an appropriation bill, it is a bill to ensure there is adequate access to funds required to continue to provide public services and infrastructure investments. In other words, the money will be spent; the money will be appropriated. It is interesting how, two and a half months after the state election, the government came to the figure of \$11 billion. The Treasurer indicated he went to the *Pre-election Financial Projections Statement* that the previous government prepared and, after looking through it, said, "That adds up to \$11 billion, so we'll take that. That sounds about right; we can work with that." He did not actually go through the hard work of justifying what is needed. The money being asked for is for the entire period of this government. Parliament will not have the opportunity to scrutinise what the government is doing, apart from at budget time when we have budget estimates. That is probably the only time we can really go into detail to try to find out where this money has been allocated and how it is being spent through the system. As members would have learnt this morning, the committee process obviously gives us another avenue to scrutinise Parliament, especially the Public Accounts Committee, to work through what is happening. I am sure the Premier is confident that it will not do its job considering it is government-dominated; therefore it will be rubberstamped through this Parliament, but I hope that is not the case.

It is also very important to reflect on some of the comments made by the member for Cottesloe about the headwinds the former government dealt with after its election in 2008. It had to work through a global financial crisis and it had to deal with a mining construction boom. Because of a shortage of workers in Western Australia, it had to get people from overseas to fill jobs. Half a million people came to Western Australia, which required a massive infrastructure spend. To compete with the private sector, there was a requirement to pay public servants more to keep them in their jobs. There was also a fall in the iron ore price as well as the GST issue. Of course there were all of the other issues around land tax, stamp duty and payroll tax, property prices and the collapse of the property market. All these things happened in that period and needed to be dealt with.

We are dealing with the finances of Western Australia. It is not a household budget; it is very complex. There are lots of interrelated components. A lot of people have trouble just managing their own household budgets. Imagine managing the entire state and all of the relationships that go with that, the bureaucracy, the private sector, the federal and local governments and all of the mechanisms that make up this state. It is not easy. As I have said to members before in this Parliament, they will hear lots of statements made but will they really know the truth? I will give one example about the state's finances. We talk about electricity prices and the fact that this government is looking to raise them by 15 per cent or more over the next two years. When the Liberal Party came into government in 2008, electricity prices had not been raised since the 1997–98 financial year. That was effectively when they were frozen. The Liberal Party was elected in 2008. For 11 years electricity prices did not go up in this state.

The Treasurer talks about subsidies. I think this year's subsidy is about \$300 million. When we came to government, I am pretty sure in 2009 the subsidy was about \$1 billion. That was the sort of subsidy we were giving. What did we do as far as trying to bridge that gap? I think the Treasurer also said he is looking for contestability in that sector. He wants to reach parity of cost reflectivity. He is heading down the same path. We came to government in 2008. In 2009, there were two increases of 10 per cent and 15 per cent and in 2010 there were electricity increases of 7.5 per cent and 10 per cent. In 2011 the increase was five per cent; in 2012 it was 3.5 per cent; in 2013 it was four per cent; in 2014 it was 4.5 per cent; in 2015 it was 4.5 per cent; and in 2016 it was three per cent. I am not sure that the figure of 90 per cent is correct, but the government is saying that over the course of 18 years electricity prices have increased 90 per cent. When looking at any other increase over 18 years, we note that 90 per cent is not a big figure. This is the part about being transparent and honest about what is said in Parliament. Members can say that electricity prices have gone up by 90 per cent, but no-one has said that that was over 18 years. No-one has said that at the time the Liberal Party came into government, the Labor Party policy was roughly 10 per cent a year until parity was reached.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

The Labor Party said it was going to increase electricity prices by 10 per cent a year until parity was reached. We did not go to quite that extreme; however, due to the fact we did not have billion-dollar surpluses, we needed to plug that hole. These are the complications and issues that the Treasurer and some of the more experienced members on that side will know about. They are difficult issues to deal with while trying to balance all of this.

When the Premier attacked us in 2016 for increasing electricity prices by three per cent, I have to admit that I laughed. The current Treasurer, especially when the now government was in opposition, indicated that it was heading down the same glide path. As we know, it is very easy to throw stones in opposition, but members need to do different things when in government. The current Premier indicated, as late as February this year, that knowing the fiscal projections and *Pre-election Financial Projections Statement* figures, he was happy to say that there would be a surplus in his first term as Premier. Realistically, we know that is not going to happen; there will not be a surplus. Well, there may be a surplus; it just depends how many new taxes and charges the government introduces, and how much expenditure it cuts out of the budget. The Premier may well achieve that. I cannot realistically see that being the outcome.

Even though we talk about raising electricity prices by between about 15 to 17 per cent to get parity, the whole objective is to have a free market in the electricity sector so that prices can go down. They have to go up before they go down. I just do not understand why they need to go up before they go down. If we are talking about 30 per cent reductions in the gas sector, again that argument amuses me to some degree because I am sure we can look at cost cutting and efficiencies with the current level of funding in that sector. To be honest, if we really want efficiencies in the electricity sector, solar panels are going up at a rate of knots out there. The more we tell people that electricity prices will be going up at unrealistic levels, guess what? More people will get solar panels and less money will come into the coffers. Unless we change the way we charge for electricity, unless we charge for the actual transmission along the lines and have a separate charge for that, it will not really help the situation. The government will have to increase the price by a lot more than 15 per cent to get cost reflectivity. Not only that, that assumes all the other components fall into place, and the federal government does not require the state government to still meet these carbon targets and efficiencies through that avenue. They are all costs to the way things operate.

I really do not think that is going to help the government, and I think it will hurt people. We hear and see every day that people are struggling out there. They are struggling, and we are looking to slug them even more. One of the cutbacks is the halting of wages growth in the public sector. Again, apart from the fact that it is a broken election promise, I do not think that is actually a bad decision. I think we all need to tighten our belts at the moment, and we all need to take a deep breath and then try to get things back to reality. We are in a difficult position at the moment, albeit that the rest of Australia seems to be doing reasonably well. There is obviously not this driving desire among our colleagues in other states to be fair and equitable in sharing the burden with us when we are struggling and finding it a bit difficult after they obviously benefited from our success. Obviously, the other part of it is being discriminated against for doing things and being innovative and growing our resources sector. We are getting less of the goods and services tax share because we tried to grow our economy, the economy of this country, and we tried to share that prosperity with everyone around Australia. I think that is a little disappointing.

The good news is that the Treasurer indicated that he was not looking to fund his election promises outside of the loan of \$11 billion. I got the impression that the Treasurer was not looking for another \$5 billion to cover those, and he was looking to contain those within the \$11 billion Loan Bill 2017. No doubt we will see that through the respective budgets that come through. I am looking forward to the budget in September to see how the Treasurer will deal with this issue. Like I said, I do not imagine that the Treasurer will be delivering a lot in those budgets, unless of course the federal government comes to the party and starts throwing a lot of money this way. That could happen; I hope it does. I hope it does start throwing a lot of money towards Western Australia because we deserve it. The federal government should have done that a long time ago, so that we did not have to have as much pain and suffering throughout this state. If that is the way the Treasurer finds this extra money, so be it. But the federal government should hurry up if it is going to do that.

As the Premier has indicated, he is very keen on transparency, financial accountability and looking at the financial consequences, which is why he has initiated a commission of inquiry. That commission will obviously not be genuine in what it is doing or its approach, but just looking at the shallow words and sentiment around that inquiry, I think the sentiment is great but the reality is that that is not what is expected to be delivered. That commission is not really going to teach us much about how we can improve the state of our finances and manage our accounts in a better way.

It is interesting. I saw that the Treasurer was swayed by the argument to reduce the loan amount down to \$5 billion. He was not allowed to support that because, as we could all see on this side of house, the member for Cannington was hovering over him, making sure that he did not waiver in his resolve to try to go with what the opposition was proposing. Obviously, the Treasurer will struggle to keep those sorts of people at bay and to make sure they do not get their wicked way with the state's finances. As I said, if the Treasurer ever needs any support, we are always

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

happy to stand in this Parliament and support the Treasurer when it comes to defending the finances to make sure that his colleagues do not take advantage of him when he is not paying attention.

As we indicated, our trajectory was not to head towards \$41 billion or \$44 billion; our trajectory was to sell—privatise—51 per cent of Western Power, which I know the Treasurer was not that long ago very supportive of. That would have pushed it back down to around \$29 billion.

We had a plan. I am happy to take responsibility for all the decisions we made up the election, bearing in mind the direction we were heading in after the election had we won. We all know there will be a honeymoon period. There will be a period of time when the Treasurer can just blame someone else for everything. It is not about blaming people; it is about understanding the circumstances. We go around and talk to the people of Western Australia. I talk to people in my electorate and say to them, “These are the areas in which the former state government invested money. Is there anything there that you think we wasted money on? Is there anything we shouldn’t have put money into?” Surprisingly enough, Elizabeth Quay is the only thing they really say to me, because that is what has been brainwashed into them through the media; that is what they used to hear every day. I tell them the story of Elizabeth Quay and I tell them how the jigsaw puzzle fits in, and they stand there and say, “Why isn’t anyone telling us that? Why isn’t anyone telling us that in the media? Why aren’t they telling us it’s a great investment? Why aren’t they telling us that it’s going to help tourism? Why aren’t they telling us it’s creating jobs? Why aren’t they telling us it’s actually not costing us money, but that we’re making money?” It is quite interesting to have that discussion with people on a one-on-one basis and give them a little more information and background. They do not understand why they are not getting that message. They say, “Why isn’t the media putting these stories out there?” Obviously, they are not sexy stories; success is not something that the media likes to portray or people like to gloat about. We like to talk about doom, gloom, depression and sadness for some reason, rather than talking things up. That is what we need to do at this point in time—we need to talk things up.

Several members interjected.

Mr A. KRSTICEVIC: It is obviously important to acknowledge the difficult situation we are in; there is no doubt about that. A lot of that is not of our making. There are global factors, federal factors and a whole lot of things. Obviously there are some decisions we make as a state government that we have control over, but a lot of it is outside our control. That is the difficult part about trying to move with the times, I suppose. It is a bit like doing the budget forecasts; the experts tell us what the iron ore price will be but it does not even get close to that. The figures that we are working with are very rubbery. They have always been rubbery. I am sure that the Treasurer will find that the figures will be worse rather than better. Again, as he takes control of the Western Australian economy, as he starts managing it and as his ministers start taking control, they will find that they have these headwinds as well. They will find that there are lots of things that they cannot control or influence. When they look at the things that they can influence, they will say, “We have to cut services; we have to cut back on our hospitals, police and teachers.” The government does not want to be cutting the things it has control over. It wants to make sure that people have access to those services and it wants to reinvest and give confidence to the private sector so that it will invest in the economy, take its hands out of its pockets, open its wallets and spend some money and invest, like it is in Elizabeth Quay and lots of parts of the state. I think all these things are great.

It will be appropriate occasionally for the government to acknowledge some of the good things that we have done—some of the good things out there that are value for money. It is very easy to criticise. It is very hard to do things. A lot of government members already know that. They have been ministers before and they have been in government before. Others understand exactly how difficult this all is. There is no doubt that the next four years will be challenging. As I have indicated and as we have already seen, there will be a lot of broken promises but I think the people of Western Australia deserve to be told up-front: “We have made all these promises. It’s going to be difficult for us to deliver, not because we did not know what the finances were”, because it does, “and not because we did not realise what the revenue source complications were”, because it did. The government cannot say that it did not know what was going on. It cannot say that it was asleep in opposition and that it had no idea. It cannot say that it did not understand all the budget documents that were being produced and it could not see what was going on. The reality is that it did know what was going on; it did know the situation. It does not mean that it necessarily liked it and it does not mean that we can necessarily influence a lot of it. The government needs to accept that and be honest and up-front with people and tell them what the issues will be. Maybe it can take different revenue sources on board. That is important. I think it is critical.

I genuinely wish the Treasurer all the best. I hope his mother-in-law appreciates being referred to in the same sentence as me. We can only have our best interests at heart and those of the people whom we love. I am sure she is exactly the same. Like her, I am sure the Treasurer will give the same level of care to the people of Western Australia.

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr Colin Barnett; Mr Tony Krsticevic

MR B.S. WYATT (Victoria Park — Treasurer) [5.13 pm] — in reply: I begin by thanking everybody for their contribution to the Loan Bill 2017 over the last two days. When in opposition and now in government, I always found that when people are willing to engage, the consideration in detail process is quite a useful dialogue between government and opposition. I hope that at the very least I was able to provide answers to questions that were put. Clearly, there is a difference of opinion around the size of the Loan Bill that should now be passed by the Parliament. Inevitably, in the past I think I may have moved similar amendments; I cannot recall. Hopefully, at the very least I explained for the people in this place and the public more broadly the reason we are seeking authority of \$11 billion. I just wanted to emphasise the point again that this does not authorise me to spend one extra cent. That is the purpose of supply. We will go through that budget process in due course as budgets are presented to Parliament.

During this short contribution, I do not intend to revisit all the issues that were talked about. I think they were revisited at some length during discussion on the member for Moore's amendment last night and the Leader of the Opposition's amendment today in respect of a couple of different points, basically doing the same thing of trying to reduce the amount that we are seeking to authorise to borrow. The arguments were slightly different but trying to seek a similar outcome.

I want to quickly respond to some of the comments made by the member for Cottesloe. Basically, he is right in that a surplus will only return once GST is higher than it currently is. Thankfully for the first time in a long time, our projections are upwards, admittedly not as fast as we would like them to be but certainly they are upwards. Ultimately, I was interested in the position of the former Premier, the member for Cottesloe, that asset sales effectively buy time. Just reflecting on that comment, he is probably right on that as well, particularly in a scenario with a projected operating deficit, which we have and which we are all familiar with. The one point that I will make is that the member for Cottesloe was not a passive observer to all this. I note that the member for Cottesloe is, rightly, proud of spending what he did, and he outlined the increases. That is fine; a government can own the spend but it must then own the consequences of that spend. Ultimately, everybody accepts the unfairness.

The point I made time and again in opposition, and I will make it again now, is that the GST glide path was always predicted. We always knew what it was going to do. The former Premier, the member for Cottesloe, was right. In about 2009–10 he started making this an issue publicly. With respect to the 2012–13 budget, in particular—he said it again this afternoon—he said that if his government had more money, things would be better. Yes, I get that. If we had more money, we would not be in deficit. If we had more money, we would not have such high debt. Despite the warnings that were coming to the former Premier, the member for Cottesloe, he continued down the path he took. That is not rejecting the comments that he made. Ultimately, I think he is right in how difficult it is to get to a surplus position and that asset sales will buy time, perhaps already reduce the amount of borrowings over the short to medium term if an asset sale can be put away. Admittedly, there are probably few assets as large as Western Power that will generate such a return on total public sector net debt. The former Premier was around for a long period.

I quoted in this place many times the former shadow Treasurer, the then member for Belmont, Eric Ripper, warning the government and the member for Cottesloe that if they did what they did with the GST—that is, take more state revenue and put it into a pot that is then subject to equalisation from the Commonwealth Grants Commission—it will equalise, and as a result we were equalised. The very warnings that Eric Ripper gave way back in 1999 came to pass. The then member for Belmont, Mr Ripper, put that specific question to the member for Cottesloe during question time. When he asked him whether he thought the Commonwealth Grants Commission was the right body to be making decisions around the redistribution of this income, the member for Cottesloe responded, "Probably not but that is a question for a future time." Unfortunately, he missed that huge opportunity when the federal government was desperate to win on that GST debate back in the late 1990s. That was the time to correct it. The comments made by the member for Cottesloe are right; it is going to be incredibly difficult to find a solution to this issue. My view, for what it is worth—the member for Cottesloe said this—is that the GST allowed the commonwealth government to fundamentally get out of its fiscal responsibility to the Northern Territory. Prior to the GST, the commonwealth government assumed fiscal responsibility for the Northern Territory. The GST process effectively allowed the commonwealth to evacuate its finances out of that and the GST went in and filled that hole. That is not a critique of the spending needs of the Northern Territory but it is a critique of what the commonwealth government did in respect of the state's GST. Many billions of dollars are now flowing into the Northern Territory that has allowed the commonwealth government to escape its historic role in funding its own territory. I have spoken about this enough.

Again, I thank all members. I thank the shadow Treasurer, the Leader of the Opposition, the Deputy Leader of the Opposition and the Leader of the National Party. I think it has been an interesting debate. As I said, I hope that I have at least tried to answer questions during consideration in detail. Members may not have liked some of the answers I gave but I gave it a crack. I commend the bill to the house.

Extract from *Hansard*

[ASSEMBLY — Wednesday, 24 May 2017]

p530b-550a

Mrs Liza Harvey; Mr Vincent Catania; Dr Mike Nahan; Mr Ben Wyatt; Mr Dean Nalder; Mr Terry Redman; Mr
Colin Barnett; Mr Tony Krsticevic

Question put and passed.

Bill read a third time and transmitted to the Council.