

## **ESTIMATES OF REVENUE AND EXPENDITURE**

### *Consideration of Tabled Papers*

Resumed from an earlier stage of the sitting.

**HON DR STEVE THOMAS (South West — Leader of the Opposition)** [5.04 pm]: Before the mass exodus occurs, despite the fact that we are back into the budget debate and I am sure members are immensely interested in what is going on, I will go back to where we were on economic theory and economic policy. I am resisting the urge to recap my contribution so far, but members will be pleased to know that I am coming close to the end of my introductory remarks! We are doing well.

Before we were so rudely interrupted for the taking of questions, we had started to talk about the development of economic policy and, in particular, the attacks on the Reserve Bank of Australia. Interestingly, as I said before, the Reserve Bank was highly criticised for the dinner that it put on on the day it raised interest rates in May. The decision to increase rates was a surprise to many but not so much to me because I expected—and predicted in the media—a third interest rate rise at least this year. I should have put that on my checklist; there is another tick. I suspect that the Reserve Bank will hold interest rates for a little while to see what the impact of the current interest rate increase will be on spending. I think that is probably a good thing. Do not be surprised if there is another rise or two if inflation remains consistently high. I note there was a nice drop in the last set of figures. In fact, the Western Australian inflation rate for Perth—the consumer price index figure—dropped to 5.8 per cent, which was the lowest in the country, so that is a bit of promising news.

Of course, Western Australia is a contributor to the economy, but not the biggest contributor. We may be the biggest contributor to exports, but when it comes to consumption, we are a relatively small player and so what happens in Western Australia probably has a relatively minor effect on both the inflation rate and the decisions that are taken around the inflation rate. However, the question, then, is: what is the alternative to raising interest rates to contain inflation? We were discussing earlier that a very limited number of tools are available to the arms of government, including the Reserve Bank. Until the latest review, the Reserve Bank used to be at arm's length of government. I am concerned that the latest review seeks to potentially politicise the Reserve Bank in a way that it has not been before. Governments of both persuasions for many, many years, whether it was that fairly solid reforming government under former Prime Minister John Howard or the fairly solid conservative reforming government under Bob Hawke and Paul Keating, also put in some fairly strong economic procedures, including the Reserve Bank being at arm's length. It is not popular to raise interest rates. I think it will be really interesting in the future because raising interest rates is an unpopular process and makes life difficult.

As I started to say before the break, one of the issues is that shifting and adjusting economic policies to weaken the Reserve Bank in relation to managing the economy might see the impact on people, in the future, becoming the primary goal, as opposed to proper economic management. What the Reserve Bank Governor said at that dinner was quite right: if you do not act to tame inflation at this point, later action has to be harder and cut deeper to get the result. People do not necessarily like interest rate hikes now, but potentially they would like more significant and higher increases less sometime down the path. One thing an independent body can do is to apply pain at the time that it is probably going to have the most effect, rather than waiting for a politically expedient point when the pain created by not acting would be worse than the pain that would be felt even if it acted at the last minute. Members can imagine that system being quite disastrous. I am quite concerned about the potential politicisation of this process. I thought the Governor of the Reserve Bank made some pretty valid points on that day and particularly when he appeared before the various federal estimates and Senate committees and was very much under the pump. He pointed out quite succinctly that making tough decisions is a role of the Reserve Bank, because governments are probably too weak to do that. This comes back to the overall argument about whether economic debate across the world is shifting.

I was one of the few people at the Reserve Bank dinner who got a chance to ask a question. Most questions came from the media and very much landed against interest rate rises. I asked a question that I thought was valid. I noted that Reserve Bank modelling appeared to have gone a little astray and I thought the Reserve Bank was surprised by how high inflation had gone. The Reserve Bank had made some statements a while ago that suggested that interest rates would stay steady and not rise until at least 2024, but in fact they have risen 11 times since the middle of last year. My question was about whether Reserve Bank modelling is as valid today as it was previously. I have to say that the answer I got a back was not all that satisfactory in that the Governor suggested that the Reserve Bank did lots of different modelling and that it was as good as it ever was. I am not convinced that that was the most appropriate answer. However, the question was worth a try, because that modelling is critically important. Without somehow hacking into the Reserve Bank's secret files, I am not sure how we would find out how accurate that modelling is. It is critically important as we go forward because the Reserve Bank has to have a justification for doing the difficult thing that it does of raising interest rates and making people's lives harder. That is absolutely designed to make life harder. It is designed to take money out of the economy. Why is there too much money in the economy? Because COVID came along and the government printed a whole pile of it. It was a political response to a national

issue based around health and some economic impacts, in the sense that those health issues had economic impacts. The political response actually drove up inflation. I am worried that the ultimate political response will never be to drive it down.

I think there is something of a disjoint in economic debate these days. I see a massive switch to the left by economic commentators. I think that is actually quite disturbing. In the old days, economics was probably the realm of people more in my patch of the political spectrum, who felt that the economy was largely self-driving and needed to be looked after but not necessarily manipulated. Manipulation is more common now. The whole world debate on this has changed. Are we at the point at which the basics of economics has substantively shifted? In the old days, we used to talk about debt and deficit. Not many jurisdictions run surpluses anymore. As we discussed earlier, the state of Western Australia, under its current government, does. That is by happenstance rather than planning, but it does. It is by chance, rather than by design. The iron ore industry underpins the fact that we have surpluses, but it is by chance. Not many jurisdictions around the world have that chance. There was massive expenditure by governments during the COVID-19 pandemic but without the capacity to recoup it. This occurred not just in Australia. The debt level of other states is generally massively higher than the debt level in Western Australia. Some other states have pretty modest debt levels, but the larger, more populated states spent an enormous amount of money. This is probably seen most accurately at the moment in the debate about raising the debt ceiling in the United States. When I first got involved in the economic debate, things were a lot smaller—US debt was in the trillions. It started as a couple of trillion and now we are talking about whether total US government debt is heading to \$20 trillion or \$30 trillion. The US is the world's largest economy, depending on how we measure the Chinese economy. Let us assume that the US has the biggest amount of currency out there, although China is catching up. There is zero capacity for the US to pay its debt. It has zero capacity to form a budget surplus. Its political system, bless it, is 10 times worse than ours. Its system allows spending and appropriations to be shoved into bills as part of the political process. It is quite bizarre to watch. If members want to see politics in its most venal form, they should watch as bills pass through the US Congress. It is an amazing thing to see.

I sort of collect economists. I have quite a few whom I meet with all the time. The standing joke is whether they ever come back to talk to me a second time, and they occasionally do! I always put the same questions to them: Has the world's economy changed to the point that debt and deficit do not matter anymore? Do we now manipulate the economy for, effectively, a humanist outcome, or do the basics of economic principles still apply? I have universally got the same answer, which is, "I do not know." I do not know how this is going to pan out. Western Australia is in a good and powerful position compared with most other jurisdictions, but I do not think anybody really knows whether this new humanist economic theory is going to take over. The question is: If it does, can it work? Can countries continue to borrow money ad infinitum and not be foreclosed upon because they are so big and the world's economic structure would collapse if they were? That is a decision that we are going to have to face over the next couple of decades. It is much harder with China because it is much harder to get a measure of its government debt, because intergovernmental debt is internal and across government debt is a difficult thing to measure. Very few countries have the control over finances and money that China has, based on its government system. Everyone is in a similar boat around the world. The country with the greatest debt-to-revenue ratio is Japan, but America is not too far behind and a number of other countries are not that far away. By comparison, Australia is nowhere near those peak levels. Gross national debt in Australia is heading towards a trillion dollars. It got over \$900 billion for a while and then snuck back a little bit. There is sort of an accidental \$4 billion surplus in the federal budget. It is funny that both the federal and state budgets announced a \$4 billion surplus. I think Jim Chalmers is probably very proud of his and is waving it around, whereas I think our Premier; Treasurer is probably a bit embarrassed by his because there have been so many. The level of net debt is creeping up, but in America, it is measured in trillions and not hundreds of millions. Has the economy substantially shifted to the point that that does not matter anymore? That is an interesting part of the debate. I do not know the answer. It will be interesting to see what members think. If debt no longer matters, the state of Western Australia could be hundreds of millions of dollars in debt and it would make no difference, because it, like everybody else, would essentially be too big to fail. New South Wales and Victoria are at that level. Are they too big to fail? That is probably the case.

As we form state budgets going forward, ultimately, somehow we will need to find an answer to this question. What is the new economic system that we are putting in place around the world and how does it impact on the economies of places such as Western Australia? I would love someone smarter than me to come up with the answer for that question, but I suspect only time will tell. I know a few volunteers out there but I suspect we will have to wait. It is one of those "suck it and see" circumstances. I am not prepared to put a Nostradamus prediction on where I think it is going and I am usually not afraid of those sorts of predictions. I have done quite a few around the budget but I find that one really hard to work through.

I want to make this note on asset economy shifts, and a shout-out to the Keynesians out there. People think that Keynesian economics is quite left wing. In fact, my view is it is relatively middle of the road. I will give members the basis of Keynes, who diverted from where I would be but not that far. I think the major policy that Keynes put forward was simply that governments should not get in the way necessarily of private investment, that governments

would spend less when the economy was going well and not compete with the private sector, and then when the economy was going less well, governments should spend more to keep the economy turning over to maintain employment and standards of living and such things. It was a fairly controversial policy at its invention. It was a divergence from the more long-term standard economic views. With the current government's spending patterns, it has done an anti-Keynes. It has done the complete reverse of what Keynes was proposing. Unfortunately, I think it happens in a lot of governments. People like Keynesian economics until it comes to them. When governments have more money, they like to spend more, so they do not adopt the Keynesian process of getting out of the way of the private sector. The McGowan government is doing exactly that.

One of the best ways to demonstrate that is to look at the asset investment process and where the government is spending its money. If we go to the budget papers, for those who are truly interested in following at home, we see that the asset investment program is found in a couple of places. We can find it in one of the early chapters and the table on page 4, "Key Budget Aggregates". Members will notice the budget year 2023–24 has a \$10.4 billion spend repeated in 2024–25, \$9.8 billion in 2025–26 and \$8.3 billion in 2026–27. Last financial year, the government predicted a 2022–23 spend of \$9 billion and it is thinking it will probably get \$8 billion out there. That \$8 billion is higher than the \$7 billion that was its previous high point. Massive amounts of money are going in there. The government cannot quite deliver the full amount but it is still trying to invest. As the money comes in, it is trying to ramp up. We are in an economy with a housing shortage, we cannot find builders and there is a shortage of labourers and materials. Those three critical issues are driving up the cost of housing, so those are inflationary aspects. The cost of housing is an inflationary risk and the state government is driving it up because it is using the wealth that has fallen into its pockets, through iron ore royalties in particular but also those other points, to boost up two things, to boost up its asset investment program in direct competition with everybody else. So, what happens as a part of that?

Obviously, people are struggling to build their houses and it is taking longer. People are in direct competition with the Premier of the state when they are trying to construct something. It is the opposite of Keynesian economics. Keynes suggested that when the economy is good, the government steps back, and when the economy is bad, the government steps up. But that is a difficult political sell because governments want to announce things and cut ribbons and put shovels in the ground; if someone wants to get elected, they have to throw these things out there. With all the best intentions in the world, the Keynesians have a political problem because it is not politically expedient. In the same way the work of the Reserve Bank is not politically expedient, Keynesian economics in relation to construction is not politically expedient. Governments with money in their pockets want to spend it, and they want to spend it on infrastructure. We will get a bit further down the path, we will get to Metronet and some of the projects of the government, but right now the government wants to spend it.

For those budget tragi-comics who are looking through the books, the other way to look at is at page 295 of budget paper No 3. The government gets to the \$10.4 billion worth of investment, so this is where the money comes from; \$6.58 billion from capital appropriations and then a range of other moneys coming from internal funds and the very special purpose accounts. I think this is great. If we want to see the government putting its money in holes in the ground and then digging it back up to use it, page 295 of budget paper No 3 is great because we can see that in the 2023–24 the money is going back in. It is proposing \$511 million in the climate action fund. We will come back to that in a bit. There is \$233 million from the digital capability fund. It has the first \$60 million into the new women's and babies' hospital account. That is a \$1.77 billion special purpose account—last time I looked—and it is still at that the planning stage. I suspect the government is now revamping the planning and working out how to make the plans fit on a different hospital site. Whether that is the best outcome or not, time will tell. The remote communities fund has \$26 million; social housing investment fund, \$274.9 million; and softwood plantation, \$28.2 million. Then it has a smoothing provision, so it has \$14 billion of money coming in and then it takes \$4 billion of it back out. Theoretically, rather than a \$10 billion budget bill, it has \$14 billion and is shifting money around.

Again, the smoothing provision, in theory, is to help Treasury get its bill budgets right, but it can be manipulated and used, and the fact that there is a \$4 billion smoothing provision coming out of that needs to be explained. We might get to that when we get to the stage of budget estimates because I think that is interesting. But for asset investment, obviously the government competes. It is the reverse of Keynesian economics, but it is also in direct competition with the marketplace and everything that is happening in it with construction. The concern that I have when we talk about reverse Keynesian economics is that the government is in direct competition, building very hard, whilst the boom is on. That stretched marketplace in housing construction has to be there for a few more years. We cannot bring in a significant number of people through immigration to deal with natural expansion of population without a significant number of houses.

One of the biggest issues with the Minister for Police going to pick up the pieces after the Premier failed to bring people in, is that if the Minister for Police is successful, we will have to find houses for them. I want to talk about housing in more detail because a range of issues are impacting housing, not all of which are the fault of the government because it is just a reflection of the natural economy of the time, but the government ultimately has to

deal with that. While the government is doing reverse Keynesian economics and competing directly with the private sector at a time of peak private sector demand, it is making the situation worse and driving up inflation. Admittedly, national inflation will have a relatively small impact in Western Australia because it has a small population, but it has an effect. That is a problem the government will have to deal with in some detail.

The budget papers contain a run through of the special purpose accounts and they are found in budget paper No 3. These are the Treasurer's special purpose accounts. Bear in mind, as I said before, there are also departmental special purpose accounts. The new one is the asset maintenance fund, which is found at page 269. It is a brand new \$250 million fund. The others are continuations and there are only a couple of significantly interesting ones at that. By the end of this financial year, the new women's and babies' hospital is supposed to have \$1.778 billion, nearly \$1.8 billion, in funding. It will spend only \$61 million next year. It starts to spread out but even by the end of 2026–27 there will be \$1.233 billion in there. Obviously, that hospital is still going to be some way away. The softwood plantation expansion fund was supposed to be done over 10 years. It looks like it is at least roughly on track. The problem is that the government is out there buying land, but it is still a long way away from the provision of pine for those markets. I will be chasing up those requirements to produce pine, which we do not seem to live up to, when we get to the various stages around the state agreement acts. I think that is going the long way round. I would like to talk about the Westport account, because Westport is a very interesting component. Again, I want to do that in a little more detail as we run through the debate.

When we talk about the inflationary components of the budget, obviously, wages policy makes a difference. I will make only a couple of comments. Wages policy got a bit away from the government, if we go back a decade or a little more. It took until June 2016 for the previous wages policy, which saw enormous expansions of public service wages, to come back to then Treasurer, Hon Mike Nahan. He introduced a 1.5 per cent wages policy, which, when the McGowan government came in in 2017, was converted to a \$1 000 flat-rate wages policy. That 1.5 per cent was slightly more generous. The McGowan government went a bit harder.

I recognise that the McGowan government is currently in a debate with a whole range of public servants. Part of the problem that the Premier who is also the Treasurer has is that as he wades around his massive budget surpluses, he is offending not just people in the eastern states and the leaders of the eastern states, but also the public service. Since 2019, they have had to watch this government fall into mountains of wealth and not share it with the public servants of this state. I do not think I am putting myself at risk with this, because I have said it before, but it is actually to the government's credit that it has maintained a fairly solid wages policy. Perhaps it could be argued that it maintained the \$1 000 a little too long, given the wealth it was generating, and that is probably a valid argument. The current proposal across the public service of 3.5 per cent plus \$3 000 is, on a \$100 000 wage, \$3 500 in wages plus the \$3 000, so a one-off \$6 500.

With Perth CPI at 5.8 per cent, I understand the government's argument that it has beaten inflation. The issue is that it has beaten it for one year. The issue that the government now faces is the same one that it has with rising fees and charges. Yes, it has given a cash splash by handing out cash because it has it in the bank—that is easier—but it avoids the compounding effect of actual significant wage rises. This year it gave with one hand, but next year it will take with the other. With its \$400 electricity credit and the other hand taking \$150 out of their pockets in increases in fees and charges, if it does not give the \$400 electricity credit next year, it will just have its hand back in their pocket for more fees and charges. It has the same issue with its current proposal for its wages policy. It will hand out \$3 000 bonuses, but next year the \$3 000 bonuses go and it will just be a 3.5 per cent pay rise. It is a difficult and fraught issue. I try not to make wages policy a political issue to be debated. As members might notice, as the shadow Treasurer with responsibility for wages policy, they have not seen me involve myself or back in wages claims et cetera. Certainly, higher wages claims are a very dangerous place to get into. It is why the government got into trouble between 2008 and 2014. More than any other thing, it was its wages policy. Some solid wages policy for all the old-fashioned economists amongst us is really important. It remains important and sometimes to the chagrin of some of my colleagues, I am always of the view that we take a very cautious approach to wages policy. I think that is a good place to start.

Special purpose accounts continue to rise. Special purpose accounts were just a little while ago expected to have about \$8 billion in total at the end of the financial year. The government has put \$450 million to top up the social housing special purpose account, and it will add \$250 million into the maintenance special purpose account. That is \$700 million back in special purpose accounts, up from \$8 billion to presumably \$8.7 billion. It is starting to spend some of it. I have some sympathy; it is difficult to spend the housing stuff because the government is overcooking the construction market, but it is still a massive number of holes filled with gold, if you will, that this government will have to use to its own benefit when it comes around.

As I said a bit earlier, I was a little intrigued with the grumpiness of the Premier when he was asked on ABC news about the focus on China and diversification. I have said repeatedly that one of the failures of this government, apart from not using the money for the benefit of the people of the state rather than for its own benefit, is its failure to diversify the economy adequately. I was interested to see that it is not just me saying that around this budget.

I want to read in a couple of different statements around this. In fact, this was in today's *Bunbury Herald*. It is a piece by Adrian Lowe, who is a journalist for *The West Australian*. The *Bunbury Herald* picked this up; it is in the same group of newspapers. He is one of the business journalists. The headline is "Call for more diversification". It states —

The WA Government has pledged \$463 million to drive economic diversification in a bid to broaden the State's jobs base, but experts and industry say it doesn't go far enough.

It is not just the opposition making a political point. Industry itself recognises that. It continues —

On top of an already announced \$40m fund to push further discovery of critical minerals and the establishment of a trade office in Austin, Texas—expected to cost \$10.1m—the Budget outlined a push in boosting industrial land, international education, marketing and events, infrastructure and hydrogen.

The announcement about the \$40 million for critical minerals was good. It is not my job generally to go out and say so in the media, but when it came out in one of those pre-budget drops that governments always do, I thought that it will have a pretty good result for Western Australia. Trade offices are important. This one will be in Austin, Texas. In fact, we probably need to expand our international footprint a little, and particularly in our target markets. I was pleased that the Premier went to China. I think the trip was clumsy and he made a bunch of mistakes, but governments and oppositions should go to other key markets in Japan, South Korea, India and a number of other places. That is important. The article continues —

The economic diversification package also includes \$293.7m in road, port and electricity infrastructure, including \$126m in Western Power network upgrade planning, \$137m to enhance the Bunbury Outer Ring Road and Albany Ring Road for increased freight activity, \$15m for a mineral sands export boost by improving wharf facilities at the Port of Broome, \$10m for a boat-building precinct at Geraldton Fishing Boat Harbour and \$5.7m to replace a berth conveyor at the Port of Bunbury.

There is an issue when the bulk of the funding that the government is claiming as economic diversification funding is largely for the normal processes that governments should be delivering. The \$293.7 million for road, port and electricity infrastructure, including the power upgrade, is not visionary economic diversification; that is providing the services that a government should be providing. Again, the Premier has a massive spin department that likes to put this sort of thing forward, but the reality is that that is more spin than substance. In terms of economic development, this is stuff that the government should be doing as a normal component of government expenditure. I think it is highly questionable for the government to claim it as economic diversification.

I thought it was quite amusing for the government to include the enhancement of the Bunbury Outer Ring Road and the Albany Ring Road. The Albany Ring Road is reasonably close to being on budget; it is not too bad and not too far behind. The Bunbury Outer Ring Road started as a less than \$700 million project; it went to being a \$1.25 billion project, and we all know that \$1.25 billion will not build that project, so there is another \$100 million in the budget, which will take it to \$1.35 billion. An amount of \$1.5 billion is probably the bare basics to build that particular project.

Claiming this as economic development requires it to have an economic development focus. One of the key underpinnings of the Bunbury Outer Ring Road was to shift logistics traffic—basically, trucks coming up the South Western Highway and making it easier and more efficient for them. There is a part of the Bunbury Outer Ring Road that connects Willinge Drive, which is the port access road, with the South Western Highway, to make it more efficient. We can call that the Willinge south extension. It is a critical part of the infrastructure in terms of logistics, because it is the route via which trucks get to some of the key businesses in the Dardanup industrial estate, and that bit has been dropped off. The part for getting people slightly more quickly from Perth to their weekenders in Busselton or Margaret River is still in there. Mind you, the overpasses are gone, so that is going to be horrendous. The extension of Willinge Drive south was started, but the government did not have the money for it so there were some earthworks and then it just stopped; it does not go anywhere.

It is a long bow to draw that into diversifying the economy. The original plan was to make the logistics more efficient, which might have had a stimulatory effect, but that bit has been cut out. This is an example of investment that the government should be doing but is not doing efficiently. It has cost more than \$1.5 billion, and that is a heck of a lot of money. For more than \$1.5 billion, the overpasses and graded intersections that would have separated traffic flows have had to be cut out. When members come down to my electorate—not that it will be my electorate for much longer; it will be part of the state senate, but they are still welcome whilst it is still mine—to visit the wineries in the best part of the state, with no disrespect to other members present, they will get there slightly more quickly, but the graded overpasses have been missed.

In respect of logistics, because the graded intersections can no longer be afforded, the trucks that come out of the Dardanup industrial area will have to go out via the bypass road and do a full three-quarter turn on the roundabout, which is not the easiest thing to do in a B-double. They will potentially take up two lanes to go back up, and if they try to do that on the Friday of a long weekend—holy mackerel!—there will be some issues. That is when everyone

from Perth goes down there and we struggle to get home. The Bunbury Outer Ring Road is struggling to provide what it was designed to provide and the way it is currently being delivered is not economic diversification in action. That has become a problem.

It is not just me calling for genuine economic diversity. I have to say that the \$40 million going into rare earth development absolutely could be claimed as economic diversification money, and I think that is a good investment. I could not put out a press release attacking it because I thought it was good. But it is not just me making these comments. I refer to an article that appeared in *The West Australian* on 11 May. It states —

Committee for Economic Development Australia senior economist Cassandra Winzar said the Government needed to do more to diversify the economy.

“This includes opening up to new markets and providing foundational support to growth industries ...

...

Association of Mining and Exploration Companies chief executive Warren Pearce said a real focus on economic diversification was missing from the Budget.

“There is a missing piece that reinvests in our resources and looks to realise greater value,” he said.

It is not just me. It is obviously the case that industry is saying that what has been described by the government as economic diversity is not entirely economic diversity. There are occasional bits of it, but it will not genuinely diversify the economy.

The government might be of the view that this is just going to fall into its lap, like the iron ore boom did; the rare earth explosion might fall into its lap in the same way. I would rather see greater diversity, and diversity is not simply putting money into companies that may or may not turn out to be profitable ventures in the longer term. It is good to hand out a cheque; everyone loves that. The local companies love the government for a while and there is a media hit, but is that genuine economic diversity? When I get to what is happening around Collie, we might discover that the economic diversification model is not working particularly well, but that is something I will get to in a little while. There is work to do in terms of diversity, and I do not think the government has achieved all the things it should have during the biggest economic boom we have ever had.

I want to look at a few specific issues in relation to portfolios. Members will be pleased to know that I am done with the general economic debate; I hope the government feels suitably excoriated and will lift its game going forward!

**Hon Stephen Dawson:** What do you think?

**Hon Dr STEVE THOMAS:** We live in hope, minister! As various motions in this house have put it, we have not attacked the government; we have suggested that the government lift its game, and we are still here, trying to help it to do so. Hopefully we will see improved performance, and it is the opposition’s job to help the government get better, so I will keep trying!

I want to talk about the issue of energy because I noted last week when the budget dropped that there was one of those pre-budget drops that I thought was quite astounding, really. A year ago the government announced some money for renewable energy and it announced it again last week, on budget day. In fact, I think the first drop was two days before budget day. I was astounded that a re-announcement of the same old thing could merit the attention it did, but I think the government is feeling the pinch of its energy policy. I think the government is starting to work out that its energy transition policy will not work. I think it is a little desperate to get some good news out there, because a number of people are now starting to question whether the government can actually deliver what it says it can deliver, and I think the answer to that is starting to become more obvious.

Last year the government announced that it would close down state coal generation in Collie. On 14 June 2022, the government said that it would close the Muja and Collie power stations. In that press release from the Premier and the Minister for Energy on 14 June 2022, there is this comment —

McGowan Government, through Synergy, to invest an estimated \$3.8 billion in new green power infrastructure around the State, including in Collie and regional WA

The \$3.8 billion was announced in June last year, so it is almost a year old. Imagine my surprise when last week the government announced \$2.8 billion worth of investment in green infrastructure. My first reaction was: is the government putting another \$2.8 billion worth of green infrastructure in place? The plan that the government has to shift from coal generation and keep the gas generation but manage the expansion in renewables, particularly rooftop solar, in a way that keeps the lights on, particularly by 2030, is a \$15 billion plus exercise, towards which the government has announced \$3.8 billion. It might surprise members of the government to know that these processes and construction and development actually take a fair bit of time to put together. If the government is going to deliver what it says it will deliver by the end of 2029—if it will close coal-fired generation by 2030 and progress into the renewable management process—it is going to need a minimum of \$15 billion. It might need significantly more, and I will explain why in a bit. It announced, effectively, a budget of \$3.8 billion a year ago. Then last week

it announced \$2.8 billion. I was hoping that we could add the \$3.8 billion to the \$2.8 billion, and with \$6.6 billion, it might be one-third of the way to funding its plans for transitioning the energy system. It might be a bit further down the path. I asked a question on Thursday last week—budget week. Funnily enough, I preloaded it. I asked specifically about the energy component. I asked whether this \$2.8 billion is new or whether it is part of the \$3.8 billion that the government has already announced.

The parliamentary secretary missed it. The government announced it in June last year.

**Hon Matthew Swinbourn:** I will be checking *Hansard* in great detail tomorrow.

**Hon Dr STEVE THOMAS:** I will make sure he gets a copy. I will give him the date if he likes.

**Hon Matthew Swinbourn:** Can you send me some notes?

**Hon Dr STEVE THOMAS:** I can send him the press release if he wants. An amount of \$3.8 billion was announced on 14 June 2022. To my surprise, \$2.8 billion was announced. I am surprised at the run it has got. I am surprised that people do not realise that it is the same money re-announced. Obviously, \$2.8 billion is part of it, but I would love one of the government members to stand and say that it is additional money and that the government is putting an extra \$2.8 billion into the process, because it is still well behind on the actual cost of transition. The parliamentary secretary missed this bit: \$15 billion might be an underestimate, rather than an overestimate.

**Hon Matthew Swinbourn:** I could not possibly comment.

**Hon Dr STEVE THOMAS:** That is a good line; the parliamentary secretary should patent it!

I will go through why in a bit of detail. Basically, the only difference is that there is a bit more meat on the bone of what it will buy. How much more meat is interesting. One of the joys of the current Parliament is that we have a highly active Standing Committee on Estimates and Financial Operations in the Legislative Council. It does enormously good and important work. It had Synergy in not that long ago. In fact, the parliamentary secretary was there for the hearing. He was the representative of the minister at the estimates hearing with Synergy. I must say that he did an excellent job. There goes his preselection too! There were some critical components of that. I broke down what is in the plan for the \$3.8 billion. I am going to put aside the Premier's press release last week, because the press release from 14 June last year says —

McGowan Government, through Synergy, to invest an estimated \$3.8 billion ...

Certainly, in the estimates committee hearing, Synergy's opinion was that the \$3.8 billion would mostly be spent through Synergy. The parliamentary secretary might remember that we got a breakdown. In fact, \$3 billion is going to Synergy and \$800 million is going to the Water Corporation. I recognise the parliamentary secretary is a very busy man, so he might not remember these particular bits, but I am happy to send him the transcript as well. There was an issue, because the initial thought was that the whole \$3.8 billion would go through Synergy, but it will not. I will give the parliamentary secretary the date in case his office wants to reference it. It was on Wednesday, 15 March 2023. Two months ago, we had this information on the breakdown of the \$3.8 billion. In effect, the \$800 million going to the Water Corporation is going to be used to generate 810 megawatts of wind, which is effectively going to power the next desalination plant that will presumably be built north of Perth, but that bit has not been announced yet. Obviously, the Water Corporation has retained one set of dividends to put towards that and this year it will retain a second set of dividends. This is the government's cunning plan to hide money off the books so that it does not have to find additional money for that. The other \$3 billion is going to Synergy and, according to Synergy itself, it is going to buy 410 megawatts of wind capacity and 4 400 megawatts of battery storage. If the parliamentary secretary wants to check that, it is on page 13 of the transcript of that hearing. I have to assume that is right; otherwise, it will have misled the estimates committee, and I cannot imagine that it would want to do that. If there has been an inadvertent error, I am sure the parliamentary secretary's crew can look at that. Does he get a huge staff with spin doctors as well? No? He had better get the minister's spin doctors onto it. According to Synergy, the \$3.8 billion will buy 4 400 megawatt hours of battery storage and 410 megawatts of wind capacity.

The announcement last week of some of that information, which, by the way, as public information, was already known by the opposition, simply outlined that this is what the \$3.8 billion will be spent on. What was announced last week? We had the announcement about the wind farm and 400 megawatts of wind farm development, exactly as we pulled out of the estimates committee hearing. Again, that is thanks to the excellent work of the estimates committee; it does a fantastic job. We now know that there will be an expansion of the Kwinana 1 battery—members might remember that we debated the existing capacity of the Kwinana 1 battery, and we will get to the debate on the Kwinana 2 battery in a bit—and some expansion into Collie with the big battery. I put it directly to Synergy that it is looking at 4 400 megawatts of battery storage and 410 megawatts of wind capacity, and Mr Fyfe said, "That is right". I said that that is the Synergy component of that investment, and Mr Fyfe again said yes. We knew what the \$3.8 billion investment was for. There is \$800 million for 400 megawatts for the Water Corporation. There is probably roughly the same—\$800 million according to this transcript—for the 410 megawatts of wind capacity

that Synergy wants to generate, which was announced in the budget. Ultimately, there will be 4 400 megawatts of battery storage. It is hard to get the numbers out of you guys. The government does not like putting the numbers out there. If the Collie battery is going to produce 500 megawatts, and the answer I got to a parliamentary question was that it will be for up to four hours, I would like to know whether that battery will have 2 000 megawatt hours of capacity. Is that what we are looking at? It would be interesting to know. I would think it would be a simple calculation. Multiplying 500 megawatts by four hours is not complicated mathematics. I would think there would be a simple answer. I would be interested to know what the actual answer is, though. There will also be the expansion of Kwinana into Kwinana B. There was probably not as much information in the press release as was reported in the press. It was reported in the press on the Thursday when it dropped.

*Sitting suspended from 6.00 to 7.00 pm*

**Hon Dr STEVE THOMAS:** I gave some thought to doing a comprehensive recap of where we got to so far, but I am reliably told that Hon Darren West has studied the charts that were passed over him today and that if he could find some Blu-Tack to put them up on his office wall, he would, but there is apparently a shortage of Blu-Tack. On the assumption that Hon Darren West has now caught up with the debate, I am comfortable to move on to the next stages over the next little bit. Rather than a full and comprehensive recap, I will jump to where we were prior to the dinner break, as tempting as it might be. I am planning to finish my contribution by 8.00 pm, and for those who love the sound of my voice, we will then move on to the Government Trading Enterprises Bill 2022, and they will hear my continuation of remarks.

A member interjected.

**Hon Dr STEVE THOMAS:** They will probably read it very carefully in *Hansard*, member. Members also have to be in their own seat to make comment, of course, so I probably should not encourage interjections from members who are not in their appropriate place, as tempting as it might be to besmirch their record. That is what happens in politics, parliamentary secretary—someone steals your seat. If you are lucky, it is only on a temporary basis.

**Hon Darren West:** I am almost enjoying this!

**Hon Dr STEVE THOMAS:** I am sure Hon Darren West enjoyed the whole lot. We better move on before we digress into amusement rather than where we should be, which is a comprehensive examination of the budget.

Thus far, it could be argued that we pointed out the economic and financial manipulations of the government. I want to now focus on a couple of key areas. I will spend most of this next period talking about the energy portfolio, because it is close to my heart, coming from the south west and going repeatedly to Collie. I still like going to Collie. I often wonder whether I change a single vote up there, but I go up there because it annoys the Labor Party and the unions, and I think that should be enough of a hobby for any person.

**Hon Klara Andric:** How sad.

**Hon Dr STEVE THOMAS:** Everybody has to get their amusement where they can, honourable member. Certainly, I enjoy stirring people up on the left wing around Collie. I would hate to think the honourable member would deny me these small amusements.

Before we were rudely interrupted by the dinner break, we were in a discussion about the government's clean energy announcement. Of course, I am a believer in clean energy; I am one of the co-conveners of the Parliamentary Friends for Clean Energy, if you will. Around the Liberal Party I have been at various times in my career, let us say, ostracised for being a supporter of clean energy and a transition to a renewable future, but I remain adamant that that is where we will end up. I simply take the view that we need to end up there in a managed and sustainable way that does not break the budget, either of the government or the people who are buying energy, and in a way that keeps the lights on as we go. Those last requirements are ones that the government's plan for transition cannot fulfil. This is a government that will throw good energy policy onto the alter of ideology rather than practicality. I intend to spend a bit of time demonstrating precisely why that is the case. Before the dinner break, we were talking about when the state government announced last year, with great pomp and ceremony, that it would invest \$3.8 billion into renewable energy over the next little bit. As we said at the time during the Synergy estimates, we worked out exactly what that \$3.8 billion was expected to purchase. In fact, during the 15 March Standing Committee on Estimates and Financial Operations hearing on Synergy's annual report, the chair of the committee, who was quoting from the annual report, says the following, as reported on page 13 —

The State Government has committed to investment \$3.8 billion through Synergy to continue building windfarms and large scale batteries.

That was also in the media release that we have discussed. There was no doubt that the state government announced \$3.8 billion of funding. In the budget just passed, the government effectively re-announced \$2.8 billion of the \$3.8 billion of that energy funding and finally put a little meat on the bone. I said prior to the break that I was hopeful that this was an additional \$2.8 billion, because the transition proposed by the government is a \$15 billion-plus



exercise, and it has announced \$3.8 billion, so hopefully it is the \$2.8 billion plus \$3.8 billion making it up to \$6.6 billion. I am now reliably informed that during the Treasury presentation in the Legislative Assembly committee rooms today, where the budget was outlined for people who need to ask questions around the budget, there was an admission. I was preparing to have this conversation, so I could not get to it. Given that last year Treasury managed to predict a \$5.8 billion surplus and I predicted \$6 billion and it was \$6.019 billion, I do not necessarily need to go there, but there was an admission that the \$3.8 billion announced a year ago could not be justified and that it was just an indication. It was something off in the future. It was a bit airy-fairy, on the future pink fluffy cloud that is the government's energy policy, and \$3.8 billion was floated out there as something that the government might proceed with in the future.

The budget process this year managed to put some meat on the bone. The first thing it has done is take nearly \$1 billion out of the procedure. We went from \$3.8 billion to \$2.8 billion. There is another \$126 million for planning, which I will come to in a little bit. Basically, the government's great commitment to renewable energy and a functional renewable energy transition is to pull \$1 billion out of the budget over the first 12 months. That is hilarious; that is the government's commitment to renewable energy. Well done, team! At least we have a little more information about what this money is likely to be spent on. We went from \$3.8 billion, which, as we discussed before the break, was broken down in the estimates committee of 15 March, two months ago. That was not that long ago, and well into the budget process. What did Synergy say about what was happening? It said there was \$3.8 billion, with \$800 million for Water Corporation for a 400 megawatt wind farm, and \$3 billion for the other 410 megawatts, which would go to a Synergy wind farm, plus 4 400 megawatt hours of battery storage.

Synergy understood that \$3.8 billion was going to be spent. Like me, Synergy assumed that what the government said a year ago could be trusted. It is a bit like trusting the McGowan government to put 50 per cent of iron ore royalties into the debt reduction account and \$3.8 billion into the clean energy transition process—hang on a minute! We cannot trust what this government says because that is not the case now either. But we have discovered that there is \$2.8 million and now there is a little bit of meat on the bone. I appreciate the fact that the \$2.8 billion—presumably, given what the government put out and what was reported in the media—covers a wind farm and some battery storage. Hopefully, we can trust that. It finally did appear in the budget papers. That is a positive step forward, I guess. The government has been dragged kicking and screaming to put that it into the budget papers, and it has ended up in the asset investment plan. For those members who love a budget paper—I noticed as I walked to dinner that there are couple of sets of budget papers on some of the government's benches that looked to be unopened; hopefully, they are all studying the budget papers, because that is very important.

**Hon Jackie Jarvis:** We all get a USB; some of us are up with the technology.

**Hon Dr STEVE THOMAS:** I saw one those; yes.

**Hon Darren West:** I always have mine with me.

**Hon Dr STEVE THOMAS:** Does Hon Darren West? The rubber band is still on the top of them. They do not like they have been read through.

**Hon Matthew Swinbourn:** I imagine all your colleagues are out on urgent parliamentary business.

**Hon Dr STEVE THOMAS:** They are out reading their copy of the budget papers as we speak.

**Hon Dan Caddy:** What were they doing last week?

**Hon Dr STEVE THOMAS:** They take a lot of reading. They are still reading their budget papers.

**Hon Peter Foster:** What about the weekend?

**Hon Dr STEVE THOMAS:** Yes; it takes all weekend, honourable member. There is a lot in them. It would take a bit of reading to get through the budget papers. It takes a fair while to get through budget paper No 2, volumes 1 and 2, and to then get to page 294 of budget paper No 3.

On page 294, budget paper No 3, we see that there is a little bit of meat on the bone of this transition plan. Under "Provisions"—it is not necessarily specifically funded, but at least there is a dollar amount—is the heading "Provision for Decarbonisation of the South West Interconnected System". The 2022–23 actual estimated is \$369.1 million. In budget year 2023–24, it is \$1.732.4 billion, which is one billion, seventy hundred and thirty-two million, four hundred thousand; and in 2024–25, it is \$586.2 million. When we add that up, it is \$2.688.7 billion. But when we add in the separate announcement of \$126 million for planning for the system, we get \$2.8147 billion. Okay; \$2.8 billion has been put into the system, admittedly under "Provisions" in the asset investment program, but at least it is there. The vast majority, theoretically, will be spent in the next financial year; that is in 2023–24. By the looks of it, that \$2.8 billion—I understand the briefing given to members confirmed this—will buy the \$2.8 billion package, which is the additional wind farm, the increase in the Kwinana 1 battery and the increase of the building of the Kwinana 2 battery. That will be covered. The remaining little bit is the \$126 million that will be invested in planning for the grid so we can get to \$2.8 billion. As I said—we will come to it in a bit more detail—the actual

cost of the government's transition is far in excess of that, but the government managed to get the first \$2.8 billion into the budget process by the end of the 2024–25 financial year. I would like to know how the government will fund the rest of it. I would like to know how it will fund the transition in Collie as well as getting the state to where it proposes to get it to in closing down the coal-fired power stations by the end of 2029—by 2030 is the plan. I presume certainly by the end of the 2029–30 financial year, although I do not think there is any way in the world the government has a chance of meeting those deadlines and it will not be able to do a fraction of it on the current budget. Of course, the concern is that as the budget corrects—as the free money that this Premier and this government have fallen into face first as it tripped over the rug and landed in a pile of cash—evaporates, and as things correct and we go back to a normal economic cycle, it is hard to see how the government will present a \$15 billion to \$20 billion transition over what will probably be, I suspect, more like 15 years than seven years. I think it will probably be closer to 2040 than 2030 even on the time frame the government has set itself. How will it find the funding for that? It is a really interesting question.

As we shift forward, the first of the current press releases from the Minister for Energy is from 9 May 2023 and is titled “Green energy demand to transform electricity grid”. It celebrates the release of the south west interconnected system demand assessment and announces \$126 million in the 2023–24 state budget for early planning and works on the grid. The first question I ask is this: If the planning process costs \$126 million, what will the project cost? If it is \$126 million for the government to work out what it is going to deliver, holy mackerel! I am wondering whether my \$15 billion to \$20 billion estimate needs to be substantially expanded because it is a massive amount of money. It probably is an expensive planning process and a very expensive build. But \$126 million was announced on Tuesday last week, 9 May, to look into and plan. The second page of the press release states —

To kickstart investment into the grid, the McGowan Government's 2023-24 state budget will include \$126 million for Western Power to commence planning works in the northern, central, southern and eastern corridors of the SWIS, reflecting the highest anticipated growth areas.

If we take that sentence in isolation, it would suggest that \$126 million will be spent to commence planning, not to write the plan but to commence planning, in the high demand areas. Holy mackerel! Perhaps \$126 million will not be enough to do the plan. It is absolutely astounding.

The report that was announced on 9 May was the *SWIS demand assessment: 2023 to 2042*. It is a report of the state government because it has the state government logo on it. It contains a nice foreword from the Minister for Energy. I have to make a quick comment about the Minister for Energy. I think he genuinely has a passion for the portfolio. I think he must have done something horrible to be given the portfolio suite given to him by the Premier; obviously he is not a favourite of the Premier. Anybody who is given justice, workplace relations et cetera —

**Hon Kate Doust:** He hasn't got justice.

**Hon Dr STEVE THOMAS:** He has not got justice? He has got prisons, which is part of justice.

**Hon Kate Doust:** No, it is separate.

**Hon Dr STEVE THOMAS:** It is within justice. It is the worst part of justice.

**Hon Kate Doust:** It is a separate portfolio.

**Hon Dr STEVE THOMAS:** He must have done something terribly wrong to be given those portfolio areas.

**Hon Darren West:** Either that or he's incredibly capable.

**Hon Dr STEVE THOMAS:** He has been given all the horror portfolios. I like the fact that he has a passion for energy. He understands the energy system. His biggest problem is that he has to work under the Premier, who I do not think understands the energy system in any way, shape or form. The poor old Minister for Energy gets stuck trying to deliver the ideological outputs of the Premier. I have a bit of sympathy for him—there you go! If he is going to run at the next election, that has probably killed off his pre-selection. We will see what happens.

I did notice the speculation in the newspaper.

**Hon Kate Doust:** Don't believe everything you read in *The West*, my friend.

**Hon Dr STEVE THOMAS:** I certainly do not. I do have some respect for him as a minister, even though he has some dreadful portfolios.

This is an interesting document. In this document, the government, through the agency, has looked into the demand in the south west integrated system that will be required into the future. I am going to concentrate on the SWIS just because outside of that, the systems are smaller and easier to manage and have their own particular set of issues. In its previous documents, the government took four approaches: extreme growth, high growth, future ready and base with not much growth. The reality is that both the Minister for Energy and I agree that the future ready approach is probably the most appropriate version. I do not even disagree with that.

*Distinguished Visitor — Hon Liz Behjat*

**The ACTING PRESIDENT (Hon Steve Martin):** Member, I might interrupt just for a second if I may to acknowledge in the President's gallery former member Hon Liz Behjat.

*Debate Resumed*

**Hon Dr STEVE THOMAS:** Unfortunately, I could not see the visitor at all because she was directly behind Hon Ayor Makur Chuot. Sorry. I also welcome the visiting ex-member.

Of those areas, we said that future ready growth load is the one that the department and the minister have identified, and I think that is highly appropriate. I think it will be remarkably modest growth. The issue becomes the transmission. Two things become immediately plain from reading the document. It is a government document; it is not mine. The first of the two things that are obvious is that the government's plan will require a tenfold increase in generation capacity to meet even a modest growth in demand, because renewables, as acknowledged in the document presented by the government, cannot deliver and maintain a supply. It is a highly variable energy source.

Two things have to happen: there has to be massive storage and there has to be massive generation. The modest plan that I think the government has correctly identified as the most likely will require a tenfold increase in generation, the vast majority of which it will rely on the private sector to put on in terms of rooftop solar. Some of that will certainly happen, but it will be a massive increase in renewable generation capacity and certainly a massive increase in solar photovoltaics, which it thinks will occupy almost one-third. Of the 55 000 megawatts of capacity, well over 20 000 megawatts will apparently come from rooftop solar. Just think about that—55 gigawatts of capacity. At peak demand in the SWIS, we currently hit about 3 500 megawatts. We hit 3.5 gigawatts at peak demand. For the government to fulfil its plan, it will have to get to 55 gigawatts of production. That is a tenfold increase, and it will come at enormous cost. Just think of those numbers. The government is putting \$800 million towards constructing 400 megawatts of wind capacity—\$800 million. For 4 000 megawatts, it will cost \$8 billion. Based on the government's own numbers, if that is just constructed out of wind, it will cost \$80 billion. It will not be that expensive because the private sector will do some of it, but the numbers involved in this are massive. There will need to be a tenfold increase in renewable generation. Yes, the private sector will build most of it, because 20 gigawatts of that will actually be put in place through rooftop solar, and it will grow. I have a rooftop solar system. I think it is great. It keeps my power bills down. When you have four daughters, three of whom still live at home and take very long hot showers, the electricity bill can be pretty damn high! We absolutely enjoy keeping it down as much as we can. Twenty-five gigawatts of solar is a massive investment.

There is another issue highlighted in this report that the government has been very good at simply glossing over to date. It is on page 10 of the report. I think members should read it; it is very important. Under the heading "Network augmentation", it says —

A future ready transmission network is critical to deliver Western Australia's world-class wind and solar resources to major loads. The location of world-class renewable resources at the fringe of the grid, coupled with the huge footprint of the SWIS, means more than 4,000 km of new high capacity transmission lines could be needed over the next 20 years to meet industry's demand for greener energy.

More than 4 000 kilometres of new high-capacity line will be needed. Those members who have had to install transmission lines or distribution lines—there will not be many who have had to install a distribution line, but a few members, particularly those with some farming history, might have had to shift a powerline around—will know that the base price for the very basic single-phase transmission line is \$1 million a kilometre. If the government wants to put in a 330-kilovolt ampere line, which it would need under the circumstances, it would be more like \$2 million a kilometre. Its 4 000 kilometres of distribution network—the government's own report, not mine, says that 4 000 kilometres is needed—at \$1 million to \$2 million a kilometre, will cost \$4 billion to \$8 billion in transmission lines. This is not my report; it is the government's report. That is just for the south west interconnected system, which goes down to Albany, across to Kalgoorlie, up to Geraldton, although not necessarily reliably up to Geraldton but at least it gets there —

**Hon Darren West:** Kalbarri.

**Hon Dr STEVE THOMAS:** Kalbarri, yes. It goes a bit further north. The government needs another 4 000 kilometres of distribution lines. It will cost \$4 billion to \$8 billion just for that. The Minister for Energy very much enjoys talking about the previous Liberal policy on energy.

**Hon Stephen Dawson:** Because it's a good policy to remind people about!

**Hon Dr STEVE THOMAS:** Members will be pleased to know —

**Hon Dan Caddy:** Because you haven't got a current one.

**Hon Dr STEVE THOMAS:** Was that a pun—no pun intended?

**Hon Kate Doust** interjected.

**Hon Dr STEVE THOMAS:** I am on the public record. I described it as the worst policy the Liberal Party had ever developed.

**Hon Darren West:** No; it is the second worst. Privatising Western Power was the worst.

**Hon Dr STEVE THOMAS:** No; that was a much better policy. I have a limited time frame, because I said that I would get it done. We could do an hour just on that.

The Minister for Energy loves talking about the distribution costs and that policy costing \$15 billion or so. I think he has exaggerated a bit. I think that policy was worth at least \$8 billion, but that was my back-of-the-envelope figure.

**Hon Kate Doust:** We think that's where your whole policy was written, wasn't it?

**Hon Dr STEVE THOMAS:** There is no point in asking me that.

This policy is an immensely expensive policy. The government is looking at \$4 billion to \$8 billion in distribution costs, and probably most of it because of the big distribution lines. The government is looking at probably closer to \$8 billion. I want to run through some numbers just so that members understand how problematic the proposal is. Again, I do not blame the Minister for Energy. I think he understands this. I will blame the Premier, because the Premier is asking for a miracle. He is asking for a Rolls-Royce on a Toyota Corolla budget. I do not think it is deliverable. I do not care whom the government gives this job to; it could give the job to me and I do not think I could deliver the parameters that the Premier wants. I think it is an absolute nonsense. As long as it is being run out of the Premier's office, I do not think anybody has any chance.

One of the other interesting things that we got out of the estimates process were some numbers for what it will cost to build wind farms and batteries. For all the press thinking it had a scoop two months later, we had this stuff two months ago. This is what Synergy told us, just so that members are aware of this. Synergy built the Kwinana 1 battery. It is basically a 200-megawatt hour battery. It gets very complicated because people love to put out different numbers. It would be far easier if we all used megawatt hours: how many megawatts are generated for how long? With a 100 megawatt battery, is that 100 megawatts for one hour, two hours or four hours? One would think it would all be standardised. Some people say it is four hours, but it is not. Even Synergy confirmed that during the estimates process. The Kwinana battery storage system 1 is 100 megawatts and 200 megawatt hours, according to Mr Fyfe from Synergy; I reckon he would know. When asked if this was confirmed at 200 megawatt hours, Mr Fyfe said yes. I asked whether the 100 megawatt Kwinana battery was actually a 200 megawatt hour battery. I was told that was right. That cost \$172.7 million to build, according to Synergy, and there was a close to \$20 million blowout in the cost, but let us use what it actually cost. The battery is currently undergoing testing; it is not really in operation, but it will be in operation soon we think. The cost of 200 megawatt hours was \$172.7 million. It is a fairly simple calculation to divide out. It was \$863 500 per megawatt hour. The government's plan under its original \$3.8 billion cost was to build 4 400 megawatt hours. It was to cost them the same price—that is, \$863 500 per megawatt hour. What does that cost for 4 400 megawatt hours? It will cost \$3.8 billion, which is the entire budget originally set aside for the renewable energy transition. This will just buy the batteries and nothing more. It cannot buy the two wind farms that have to come from that. It cannot put forward \$8 billion worth of transmission lines. It cannot do any of that. The \$3.8 billion budget that was announced just buys the batteries—if that.

**Hon Darren West:** Providing they do not get cheaper or get it built at a larger scale.

**Hon Dr STEVE THOMAS:** That is a really good question—and I do not say that often. I looked at the South Australian big battery as well.

**Hon Darren West:** It's not as big as that.

**Hon Dr STEVE THOMAS:** No, it is not quite the same size. If this battery was \$863 500, the South Australian big battery cost \$880 000 a megawatt hour. The member is right—that is \$880 000 down to \$863 500—in that it got a little bit cheaper in the years between.

**Hon Darren West:** It can produce all the materials here.

**Hon Dr STEVE THOMAS:** It got a little bit cheaper, and that is kind of nice. It is a little bit hard in the new process announced by the government to work out exactly what the government will build. I asked questions about it, and, as usual, the government obfuscated, because that is its go-to position. I asked the government on budget day: is this the same money as the \$3.8 billion? I had a dreadfully vague answer in reply. That was on 11 May. The answer was —

This is part of the state's pipeline of investment for wind and storage to replace the state-owned coal-generation capacity, which is due for retirement by 2030.

Is that an answer? No, it is not, but I am used to not getting particularly good answers. However, the answer did state —

The battery systems are estimated to cost a total of \$2.3 billion, with specific costs for each project subject to finalised business cases.

Bear in mind that what the government is announcing is hard to measure, but it is possibly 2 000 megawatt hours in Collie, because the media release, again, tries to make it a bit fuzzy. It is a 500 megawatt battery that could apparently last up to four hours. Let us be optimistic and say that it could get back and build it to its peak. There is 2 000 megawatt hours. The expansion of Kwinana battery energy storage system 2 potentially adds another 200 megawatt hours to that unit. That is potentially 2 200 megawatt hours for \$2.3 billion. Admittedly, it is just a budget at this point, but even the member's government has recognised that it is close to \$1 million a megawatt hour. In fact, that budget is slightly more than that. The government is not budgeting for it to come down any significant amount. Of the \$2.3 billion for up to 2 400 megawatt hours potentially at most, it will still bring it in at about \$900 000 a megawatt hour. By the time it gets to 4 400, that entire budget will be spent, and it has to be expanded.

**Hon Darren West:** Are you suggesting we should not do this?

**Hon Dr STEVE THOMAS:** Not at all. I am a believer that the transition will occur. The only question in my mind is: over what time frame and what cost does the transition occur? The reality is twofold. The government cannot bring itself to look at this, and, again, I think it is being driven by the ideology of the Premier. It will cost a massive amount more. If only \$2.8 billion, plus the \$126 000 planning money, so nearly \$3 billion, is in the system to date, it is probably only \$15 billion short. The government's capacity to deliver this by 2030 is non-existent under these circumstances, and it will get worse if the budget corrects as the Premier, who is the Treasurer, keeps identifying in saying that we will go back to a more normal budget cycle. I do not know where the money will be found to deliver it, and it certainly cannot be delivered by 2030. I suggest the government might struggle to deliver it by 2040. If \$15 billion-plus is needed—it might be significantly more than that—the government will need \$1 billion a year from now to 2040 to get the job done. Then the government will have to get through an approvals process, which you guys keep making worse. The government cannot deliver what it said it was going to deliver. Whether or not the Minister for Energy runs at the next election, I do not think he will be in Parliament by 2040, and I certainly do not expect to be, either. That might give Hon Kate Doust a heart attack, but I suspect he will not be here in 2040—neither of us will be.

**Hon Kate Doust:** I imagine his wife has got better plans for him by then.

**Hon Dr STEVE THOMAS:** I would hope that she did.

He cannot deliver what has been put forward. He cannot deliver on a \$10 billion budget. A \$10 billion budget will not build a distribution network and the batteries and wind farms required on its own, let alone all the attached on-costs. He could not do it. I could not do it. None of us could do it. It cannot be done. A realistic look at what is required is absolutely critical. I thought it was really interesting in the estimates committee when we looked at Synergy—Hon Dr Brad Pettitt was also there—and discussion eventuated about how much energy generation was required. I said at the time that in no way, with an extra 810 megawatts of wind capacity, plus growth in rooftop solar, can the government deliver anything like what it has proposed. Hon Brad Pettitt agreed. He said that 4 000 megawatts, not 400 megawatts, of wind was probably needed, and 400 megawatts of wind will cost \$800 million, and 4 000 megawatts of wind will cost \$8 billion. It is pretty simple maths. That is the generation side. Then there is the transmission side, which is probably another \$8 billion, plus batteries, which we have already worked out is \$4 billion. It is getting up around \$20 billion to deliver what the government proposes, and it supposedly will put this in place by 2030 so coal-fired power stations can be closed down. It is an absolute nonsense. I feel sorry for the Minister for Energy, because he is passionate about the energy portfolio. I think that he understands the dog's breakfast he has inherited from the Premier; it is an absolute mess. As a good example of this absolute mess, I simply throw this up. The Labor Party imported 100 000 tonnes of coal from Newcastle to Collie. Everybody should be bursting out laughing just at that particular statement.

**Hon Dan Caddy:** If any of your colleagues were here, they probably would!

**Hon Dr STEVE THOMAS:** They are probably laughing while they are busy studying their budget papers. Why did it import 100 000 tonnes of coal to Collie? Because I suspect the Premier told the energy minister, "Despite the debacle of the system, you need to keep the lights on over summer", so it was an act of desperation. There are some issues around coal mining in Collie and the survival of the Griffin Coal company is something of a running joke, and that is fine.

**Hon Darren West:** You might have found your answer there!

**Hon Dr STEVE THOMAS:** It is interesting that the member says that. The government is probably lucky that it had no days over 40 degrees in the south west land division; it probably helped. But if the Premier told the Minister for Energy, "You have to keep the lights on, pay whatever you like", the government will not tell us how much it cost, but estimates vary anywhere from \$300 million to \$600 million to import 100 000 tonnes of coal, when we are paying \$50 a tonne for Collie coal. But there is a funnier part, because there is a punchline at the end of this. The joke gets better. I have asked in recent weeks how much of that coal has been burnt. The government imported 100 000 tonnes to keep the lights on over the summer stress period, and members can go back and read the press release if they do not believe me; it was to keep the lights on in January and February, in the peak of the summer.

It is in the press releases and media statements, and it has been said by ministers out there. The government said that it burnt less than half. Half of that coal is still sitting there, unblended and unburnt. The government was hoping to finish using it by October this year. Maybe it should hold it over to next summer in case the system is as big a failure this coming year as it was the year before. It is probably going to get worse. Maybe the government needs to hold it over until the end of next year, because in 2024 the government will shut down unit 6 at Muja power station, and perhaps the risk will be even higher then and it will need that coal even more. There are 60 000 tonnes of Newcastle coal still sitting in a stockpile in Collie at Muja, waiting to be blended so that it can be used, and the blend ratios have shifted out from five to one, six to one, seven to one to 10 to one at the last report, because they have different parameters. It is a different quality of coal. The government is trying to chuck in a bit of Collie coal as well and burn it as best it can, but it does not burn well—it has ash issues—and it was a disaster of a decision to make. At one level, I am glad, because my media in Collie on this is fantastic. If you want to pour scorn on the Labor Party in Collie, let us talk about the Labor Party importing coal into Collie. As I say, do not blame the minister, he inherited a basket case, but it is some of the best publicity we will ever get. It is fantastic. The Labor Party imports coal into Collie from Newcastle. The memes on that alone are just brilliant. That is the standard that the Labor Party has now set. It is importing coal into Collie. It has a transition plan in energy it cannot deliver. It is almost unfunded. Its time frames are ridiculous and it is surely an embarrassment. If anything will drive the Minister for Energy into retirement, I suspect it might be having to manage the Mark McGowan energy transition process the way the Premier is demanding he do it. It would take a miracle to deliver anything like it. It is just ridiculous. I am very pleased to see that we are able to have a frank conversation about this policy.

I could talk about energy for some time, and the good news is that when I am finished here, we will have the debate on the Government Trading Enterprises Bill 2022, which will probably give me another opportunity to have that discussion, but I will move on relatively quickly to a few other bits and pieces and other portfolio areas that I want to mention.

In the area of transport and imports, I asked a question today about the potential for a roll-on, roll-off facility in Bunbury. I think it is a neglected area that might be delivered. There is a bit of money available for Westport, but the Westport proposal at this point is probably equally fanciful as the energy transition currently. The government is completely wedded to it, of course, because its choice was to continue to work at Fremantle port, and, of course, that is what the unions preferred. The Maritime Union of Australia was highly supportive of additional work at Fremantle port. There was a bit of dissent amongst the members of the Labor Party. MUA put its position forward. But, of course, if the government is going to maintain Fremantle as an operating port, the logistics do not work unless we have Roe 8 and 9; that has now been killed off completely, and I suspect it might be dead. If that is dead, that will be really interesting, because the government tied the state into the development of Westport and the southern port down in Cockburn Sound, for which I suspect the government will be unable to get environmental approval, but time will tell. I suspect that the government will not get even close to much development there for another decade to 15 years, by which stage not only will most of the members here, including me, be long gone, but also we will probably have swapped sides at least once or twice in that time, and all sorts of things will have gone on. This is like the debate when Len Buckeridge wanted to build a private port in the area. Of course, there were changes in the government and the new incoming Labor minister did not like Len; then there were changes back and the new incoming Liberal minister did not like Len either. There are a lot of personalities involved in that. I think we will go round and round in circles here, people! I see a very similar situation emerging whereby there is a port that is probably on the books that the government cannot deliver, it has effectively isolated Roe 8 and 9 so that it can never be delivered, and it will be stuck. I look forward to watching that, most of it potentially after my retirement, because I think I can say with certainty that I will not be in this place long enough to see that project fall over—I certainly hope I am not. I will watch that project fall over from outside, long after the energy transition project falls over or receives the massive boost of investment that is required to deliver it.

I think the government will have some issues here, but it could have a decent look at roll-on, roll-off vehicle processes around Bunbury port. When the Westport process was being developed, the people came down to Bunbury, delivered their review, and basically shafted Bunbury. Of the 30-odd proposals that were put forward for development, the last four were for investment in Bunbury. Everything else went first. But it is an opportunity. I think it was absolutely planned that way; I think it was deliberate.

It would not be a budget reply speech this year without some mention of Metronet. I know it is the Labor Party's heart; it is the process that got the Labor Party on the table in 2017. As I understand it, the process was largely written by Hon Ken Travers, former member of this place, but it is embraced by all in the Labor Party these days. It is an interesting process. It started out as a \$3 billion project and it has become a \$10 billion project. I note that the government has again put a bit more money into it. What is it now? Is it a \$12 billion project? It might be heading for a \$13 billion project. Once again, the government has an issue with a minister who cannot deliver any of those projects on time and on budget. It is an issue because construction is overheated and the government is competing with the private sector and both are trying to build. I accept that has an impact but the government is making things worse for private construction, including homebuilders, and is completely unable therefore to deliver the projects it wants to deliver on time and on budget. That is absolutely the case with Metronet. We have seen the energy

process blow out and the port process blow out; we will see the Metronet process blow out as well. You guys probably have a bit of a vested interest in the boom not being over too quickly because it might be the only way to balance the government's budget in the longer term. The government has major issues, major pitfalls and hurdles in front of it that at this point are underfunded and unmanaged. I, for one, am very interested to see how that goes forward.

There are a couple of other key topics that I want to mention. The housing issues are problematic. The government is trying to get houses out. It has a massive social housing construction project going on, but it cannot deliver it to the level that it wants to deliver it so it has put another \$450 million into the special purpose account. That will drag it out for a few more years and the government will eventually, potentially, get there. I understand that. It would be helpful if the government did not demonise landlords and residential housing investors as a part of the process. It is not just the state government; state and federal governments have demonised investment in residential real estate for far too long. It is an attack on what actually puts a roof over people's heads. The ingrained federal Labor hatred of negative gearing makes it more difficult. Most of the residential housing investors I know are desperately trying to get out of the industry.

**Hon Martin Pritchard:** Can I ask you a question?

**Hon Dr STEVE THOMAS:** Yes.

**Hon Martin Pritchard:** What are your thoughts about negative gearing on Airbnb-type investments?

**Hon Dr STEVE THOMAS:** It is hard because Airbnb is a completely different style of investment. Airbnb absolutely distorts the marketplace. The member raised a really good point.

**Hon Martin Pritchard:** I shouldn't do that or we will never finish.

**Hon Dr STEVE THOMAS:** I know; we are going to run out of time.

The member raised a really important point. One of the things that people are doing to exit the residential housing market is go on Airbnb because they can charge a higher price for a shorter period of time. They are not putting people in their residence who have a pet that could potentially destroy their house and fill it full of grot and the tenants cannot substantially alter the place. A person's ability to manage their property is so much higher under Airbnb and it therefore becomes a disincentive and distorts the rental marketplace. I understand why people go there. If they can get anything like the same amount of money without the risks to their property, they are going to do that. There are risks around Airbnb as well, as there are with all short-term rentals, but they are lower. The government should be very careful when it talks about making it harder for landlords. My view is that residential investment for many years was a completely legitimate wealth creation device. I am right wing so I am not afraid of saying "wealth creation". I do not think it is a sin for people to want to become well off. I am not jealous. It does not worry me in the slightest. If a person wants to own 20 residential houses, that is fine. Good for them! Manage their finances and manage it. If it is a good thing to invest in residential real estate, people will start to do so.

Another issue is the massive number of houses that sit empty for a whole range of reasons. One of those reasons is that people have been turned off because they are not empowered to control their own property in the residential housing market. The rules that have been talked about and proposed will make that worse, not better. We have to make it attractive. I think 84 per cent, or something like that, of renters rent in the private marketplace. Everyone I know who owns one of those houses is trying to get out of it. They would rather invest in commercial real estate for which the rules are stricter or they are putting in a temporary tenant. Throughout the south west, in Busselton, Peppermint Grove Beach and all those places, people are saying it is too hard in the end to put people in their rental properties so they are just keeping them empty. There is a bunch of houses like that. They might go there only four weekends a year or whatever, but they would rather do that because it is just too much hassle. It has to be hassle free. We have not been good federally at supporting people who invest to provide residential supply. Do not make it worse at a state level by making it more difficult and tougher, which is what is being discussed, because it will drive more people out of the residential market.

As much as I would like to say that we can build hundreds of thousands more houses in Western Australia, there is a whole pile of issues around doing that, but let us not make it worse. In terms of housing, let us stop demonising landlords. That would be a really good first step. Like every organisation, even in politics, I think most people try to do the right thing and there is always the exception who is there for the wrong reasons. I am not going to point any fingers but those things happen. The 80–20 rule of life applies. I think 80-plus per cent of landlords actually would like to permanently have good tenants who look after their property. They are provided a house. Let us support them rather than attack them and demonise them as part of the process. I think that is important, too.

I want to make a couple of comments on law and justice. I understand the Premier's position on things like Banksia Hill Detention Centre but I think there are too many negative messages around now and we have to find a circuit breaker around this process. I understand that it is very hard for a Labor government. I think the Premier lives off polling. I have no doubt that the Premier sees that the polling says that probably 80-something per cent of the populous believes his hard rhetoric. The funny thing is that I am right wing so I hold fairly similar views, but it is hard for a Labor government, which is ostensibly left wing. It is one of the differences between left wing and

right wing. The right wing believes in individual reward and individual responsibility. The left wing would have people believe that all reward should be shared equally, and when a person goes astray, it is everybody's fault. It is pretty tough for the left wing to accept that individual responsibility is important. I find myself agreeing quite a lot that people who are in detention for multiple serious crimes need to obey the rules. That is my starting point. I think the Premier clumsily tries to deliver that message but he does it in such a political way that it gets lost. It is important that we maintain that process. I absolutely believe that a tough upbringing is no excuse for breaking the law.

I thought it was a bit weird that the Premier basically said that there needs to be a certain standard of behaviour and then the Minister for Police said at one point that these events are occurring because of 60 000 years of history but there is no excuse. He gave such horrible mixed messages. He basically said it is an excuse but it is not an excuse. He completely undermined his leader's message. I thought that was pretty weird as well. Obviously, this will not change. I am intrigued by the media rhetoric around undermining the Premier's position on this issue. In lots of ways, I think he does not do a very good job. He is the accidental hero rather than the planned one. In this case, I think we need to give some serious consideration to reinforcing the rule that ultimately personal responsibility is paramount. People are responsible for their actions and their behaviour, and we need to keep that message. If there is a wider community role in the process, in my view, it is as much to reinforce that a person is responsible for their behaviour as much as they are a victim. People are responsible for their behaviour and they need to accept the standards that are applied. Yes, people have rights within that system and those rights apply when they behave according to the minimum standards. I do not see that I am extreme on that in the slightest. I do not see it as an Aboriginal argument versus non-Aboriginal, either. There is a standard for everybody.

We accept the rules of society in which we exist and we have to therefore require them. It appears to me that there is an encouragement to bad behaviour. I suspect that those people who are behaving badly take great support from the angst that is expressed in the media reports saying that if they riot in Banksia Hill, that is the Premier's fault or society's fault, or ultimately, if that is the case, it is our fault. I think they gain support from that and that concerns me greatly. I think that is an encouragement. I want to see them encouraged to accept the rules that we all have to accept. Whatever community they exist in, that community should reinforce that and we as an entire community should reinforce that. The kids who think that they are rebelling against society by behaving the way that they do, particularly stealing a car and running into police cars or by committing crime, are not assisting the communities from which they come. They are damaging them. They are damaging the reputations of the communities that they represent. They are damaging not just that but also society and their own people—their families. They are causing damage. As a united group, if we start to say, "These are the standards by which we expect people to behave, including young people" and if we as an entire society say, "If you step out of bounds, these are the penalties" and the penalties are applied, then maybe we have a chance of getting improved outcomes. This is probably the one area in which the Premier and I actually agree; the first step is the minimum standard of behaviour. It has to be requested, it has to be demanded and it has to be supplied. For all those people who are outraged at that particular concept, I am not sure how they think society works. That is how it has always worked and I think it should continue to do so.

I could continue but I want to comment on just one last point before I sit and then stand again. I want to make a couple of comments around health. Health remains a particularly difficult area. One thing I saw in recent times that I think was a positive step was, in effect, an attempt to demand manage. Nobody talks about demand management of health. It is like the National Disability Insurance Scheme federally. Health will bankrupt the country without some demand management. We never talk about that. I got into politics by being involved in health administration. We were talking about demand management 30 years ago. When I was involved 30 years ago, we wrote the south west health plan. It was not quite 30 years ago but probably 25 years ago. When I first started, the requirement for GPs, for example, was one GP per 1 000 people in metropolitan Perth and one GP per 2 000 people in country towns. We were trying to get to the 1 000:2 000 rule. The population has gone up since but the demand for GPs in the metropolitan region, I understand, is now one per 200 people. On top of population growth, the demand for service has had a fivefold increase in the 25 to 30 years I have been involved in the system. That is a massive explosion in the demand for health services and the question is: where does that end?

Everybody says that we have to take the advice of doctors on this but doctors and the medical profession, funnily enough, have a vested interest in the outcome so we have to be a little bit careful. Going from one to 1 000 to one to 200 in Perth is a massive increase in the number of GPs. I think health, a bit like social work, is subservient to Parkinson's law in which the amount of work available expands to fill the number of practitioners who are there. If there is one GP per 1 000 people in a population, they will fill the books; if there is one to 200 people, they will fill their books; and probably if there is one to 100 people, they would fill the books. I think Parkinson's law applies but at some point we need to see some demand management. Some of that occurs in the health system. It applies as much to ambulance ramping as it does to bed numbers, GPs, and specialist surgeons. A whole pile of other things in the health system need to be addressed. Specialist surgeons have a really good way of limiting the number of specialist services floating around to make sure, again, there is a limited supply. The first time I saw this in recent times was probably in the most recent announcement around ambulance ramping in which the government actually finally looked at demand management. If the government does not look at demand management in health, I do not



think it will ever come close to fixing the problem. It is twofold; it is the supply of services and demand management. We have stopped talking about demand management in the health system. Everybody basically wants perfect health all the time, today. We do not talk about demand management as a tool to use in health administration. It would be really useful if we had a very sensible, sensitive conversation around demand management, which might have a better impact on the budget. That is something to leave members with to take home and think about.

Again, there are a lot of areas I have not got to tonight but I am keen to progress to the Government Trading Enterprises Bill and excoriate the government in those terms as well. With those few, brief comments, I will leave the debate to others to continue.

Debate adjourned, on motion by **Hon Peter Foster**.