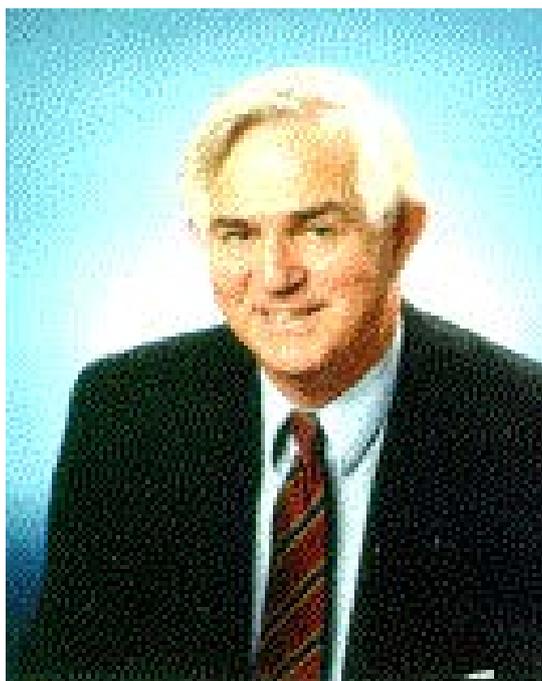




PARLIAMENT OF WESTERN AUSTRALIA

VALEDICTORY SPEECH



HON MAX EVANS, MLC
(Member for North Metropolitan Region)

Legislative Council

Valedictory Remarks

Thursday, 23 November 2000

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HON MAX EVANS (North Metropolitan) [1.49 pm]: I should just say thank you very much, but I have a few things to say. Members were talking before about speed. I said to Murray Nixon last night that I might go too fast and that he should kick me if I did. I said to him a little while ago, "Let me go fast. I might need to."

I have enjoyed the privilege of being a member of this House. For the first 28 years of my life, I lived within three blocks of Parliament House, in Richardson Street and Colin Street. I often used to wander around Parliament House and sit in the gallery. There used to be old wooden steps that led up to the gallery, and they were very treacherous. However, I had an interest in the Parliament.

I joined the Liberal Party in 1948. About 400 people attended the last state conference, but I think only 10 people put up their hands to say they were members of the Liberal Party in 1948. I joined what was called the Legion of Liberty for all the young Liberals, with some boys from Scotch College. I have had a close association with the Liberal Party. In 1949 I started working for Sir Charles Court. He was not even thinking of politics in those days. It has been a great privilege for me to be in this place, and I have enjoyed it very much. I thank all the friends I have made here during that period.

If I have been successful, particularly during the period when I was a minister, as well as at other times, I owe it to my wife Barbara. I thank her. Barbara has been the most wonderful companion, and I thank Hon Nick Griffiths for his comments about her. What she did for Hon Nick Griffiths she did for many other people at functions - she looked after them all. She can remember faces much better than I can, and she will say that this is so-and-so or that is so-and-so. Over the years when I was the Chief Commissioner of Boy Scouts, President of the Chamber of Commerce and Industry of Western Australia, a backbencher and a minister, I attended and hosted many functions, and Barb was absolutely wonderful. It made my life a lot easier. It is often very difficult for country members whose wives are not in the city. Also, my family has given me great support in that regard.

During my time in politics, I have met a lot of people. I have enjoyed the company of all my ministerial colleagues in this House. Hon George Cash started off as a minister, he was then a backbencher, and he is now the President. I also mention Hon Peter Foss, Hon Eric Charlton and Hon Norman Moore.

During my ministerial time, I also enjoyed working with my chief executive officers. They had a wonderful dinner for me after I retired as a minister. It was just great. We had a real club spirit. I did not work with policy officers; I worked directly with my CEOs whenever anyone had a problem. Vic Evans of the Insurance Commission of Western Australia and his board did a lot of very good things and made it a good, strong organisation - as good as any in Australia. We were initially presented with a balance sheet with a minus of \$330m, so there were a few problems there. Vic has been a great friend of mine. The girls at the front desk said, "Is he your older brother or your younger brother?" I said, "You can pick and choose. I don't mind." However, he is not a relation. Peter Farrell, the Chief Executive of the Government Employees Superannuation Board, probably had the most difficult job of all my CEOs. He was responsible for putting the West State superannuation scheme into place, as well as a number of other things over the years. It has not been an easy job. I thank him for his support.

Jan Stewart of the Lotteries Commission has done a marvellous job. She was appointed CEO when I became the minister. The results of her work and that of her team can be seen throughout Western Australia. Ray Bennett is another real success story with the Totalisator Agency Board. I appointed him Chairman of the Western Australian Greyhound Racing Authority. When Merv Hill left the TAB, Ray Bennett sought appointment to the TAB - I did not appoint him. He became the CEO of the TAB. He has done a marvellous job and is highly respected by his board. Alastair Bryant of the State Revenue Department has been a great worker. He has changed many things, and he accepted my recommendations to change legislation. Barry Sargeant probably had the hardest job. Before the 1993 election, a large number of highly contentious matters were raised in the racing, gaming and liquor industries. Barry handled those very well, with a lot of diplomacy. He knows the whole industry and is respected by it. Roger Williams, the recently retired Valuer General, was a great help to me on many matters, which I will deal with in a minute. I have been involved with a wonderful group of CEOs, and I thank them for their friendship over the years. I also thank their staff.

I have also been blessed with two wonderful electorate secretaries. Tina Wallace, who was my electorate secretary during the initial years when we were in opposition, and Paula Kennewell have looked after me very well. We all know how important our electorate secretaries are.

Why or how did I get into Parliament? I was a chartered accountant in practice for 28 years with Sir Charles Court at Hendry Rae and Court. I have been President of the Western Australian Chamber of Commerce and Industry, Honorary Treasurer of the Australian Chamber of Commerce and Industry, President of the Perth Chamber of Commerce, Chief Commissioner of Scouts in Western Australia, chairman of the finance committee of Scotch College and an Australian and state champion athlete.

I have four wonderful children. I thank them for the support they have given me over the years.

How and why did I get here? I was not looking for this job. I might have thought it would be a good thing in my thirties, but not at the age of 56. I was in a well-established practice doing very well when in March 1985 Richard Court and I flew out to the aircraft carrier *USS Carl Vinson*. We were waiting around at Perth Airport and Richard asked me whether I had considered standing for the Metropolitan Province seat that Hon Ian Medcalf was vacating. I told him I was too old and that it was too late in my life to consider such a step. However, things change after being catapulted in a plane from the deck of an aircraft carrier. After two hours my views had changed. I thought about the criticisms Muriel and I had levelled at Governments during our time at the Chamber of Commerce and Industry. We found fault with financial management because there was no accrual accounting, decent budgeting and so on. When I arrived home for dinner that night I put the idea to Barbara and Richard. I am very grateful for their positive response. They said that it was reasonable given that I always want to help people and do things. That was the motivating factor.

My preselection was a colourful event. Hon Barbara Scott and Hon Derrick Tomlinson were there and I thank them for their support that night and the next night. We had two ballots because the scrutineers were not sure about the first result. It was a great thrill to have Derrick and Barbara join me in this place some years later.

When I arrived in this place I had seven staff at Hendry Rae and Court who were being paid more than I was as a parliamentarian. Hon Peter Foss suffered the same economic fate when he arrived here. It was even worse when the tax rules changed on 1 July 1986.

I was very conscious of the lack of government accountability at both the federal and state levels during my time as a member of the Chamber of Commerce and Industry. I hasten to add that that has improved in recent times. My mission in life was to enshrine in government better financial management and budgeting. I cannot say that I have achieved a perfect system; I could have tried harder, but that would have taken me over the borders of other minister's portfolios. That is another story. I came into Parliament to do that, and I believe and hope I have done a good job.

The Racing and Gaming portfolio was great. I have heard that Hon Nick Griffiths asked Barry Sargeant to give him a list of all the places I have visited. When he is minister he wants to visit them too.

Hon N.D. Griffiths: It is a big list.

Hon MAX EVANS: Some other members will want to accompany him.

All jokes aside, I have been to many race meetings and owned the back legs of a few horses. I visited those venues to become a better minister. I did not believe I could do the job properly unless I knew how it was done elsewhere. Travelling to Hong Kong, Stockholm, Paris and London proved very beneficial. On my first visit I met with those involved in totalisator agency boards and lotteries organisations. When Ray Bennett was appointed chief executive officer of the Totalisator Agency Board I told him that within his first six months in the job he must visit Hong Kong, Stockholm, Paris and London to find out what was happening. He knew enough about his own business, but I wanted him to find out about different ways of doing things. That has paid great dividends. We have had a nearly 75 per cent increase in turnover at the Totalisator Agency Board from 1992 to 2000, and we will experience another increase over the next year. In the same period, Victoria's turnover has increased by 14 per cent and New South Wales' turnover has increased by only 11 per cent. That would not have been possible if a minister had not visited those places first to open the doors for the chief executive officer.

My involvement with the Lotteries Commission has also been a great experience. We have even held a world lotteries conference in Perth. Many changes have been made in that area. Unfortunately, the Finance portfolio did not present many travel opportunities. In fact, that area is pretty dull and boring. I worked in that area as a chartered accountant for many years, but at that time I travelled to visit clients overseas.

When introducing me on one occasion in London, the Premier said that he made me the Minister for Racing and Gaming because I do not gamble, smoke or drink. That is pretty well true, too. It was good and worthwhile. I remember going to the Banque Nationale de Paris, the Commonwealth Bank and other banks in London. Deutsche Bank in Germany has also helped quite a bit since then, as has knowing the people. That was my aim.

What have I done? I have tallied all the things outside my portfolios. A minister is supposed to go the races and anyone can do that. However, one of the best initiatives was to stop the \$50 levy to be placed on every resident in Western Australia for the infill sewerage program, and Hon Peter Foss will remember that - he was the minister. A great story was put for putting a \$50 levy on every household in Western Australia - good, bad and indifferent.

The Premier and others thought it was a great idea. Environmentalists said that it was a good idea and that it would cut out the septic tank problems. However, they did not ask the people who could not afford \$50. When I was the minister responsible for the Insurance Commission of Western Australia, there was a \$50 levy, and I used to sign dozens of letters every week to people who had written in and complained.

Luckily for me, I could read a balance sheet. That was referred to earlier, and I thank members for their comments. I knew the Water Corporation balance sheet very well because it had received a gold medal award in the preceding couple of years. The balance sheet covered everything; it was great. It indicated how much money it had. It was a very liquid organisation; it had money coming out of its ears. The developers put in \$100m. It had a double rate of depreciation, and I will tell members about that one day; the tax factor is quite interesting. It depreciated on a reducing balance and then depreciated it on a replacement cost, so it was a double whammy. The total was \$150m, when it should have been \$75m. I knew that the cash was available, and Peter and I changed all of that even though it was seen to be a very good idea. It has borrowed some money in the end, but it will have spent the \$800m. That was one of the good achievements. It happened and it was not a great impost on people.

Hon Peter Foss: It was all done out of cash reserves.

Hon MAX EVANS: That is right; it was.

Then we wanted to establish a government property register. Roger Williams, the Valuer General, was a very creative person. I asked Roger to bring the government property register when he came to see me. He said, "I don't know whether it exists." I said that for 10 years the Labor Government had criticised Liberal Governments for never having created a property register. John Horgan was there - he is now growing grapes down south - and he never created a property register. Both Treasury and the Government Property Office should have been kicked very hard for not creating one. Do members know why they did not do it? They were scared of failure. The biggest trouble with government departments these days is the fear of failure. If people say no, they will never make a mistake and will get promoted. If they say yes, they might make a mistake. Some members will have heard of Stormin' Norman from Desert Storm. He said that the biggest thing he learnt in his early years after the Vietnam War was that soldiers had to be taught to have a go; they might make mistakes, but they should not be punished if they did. We must do a lot more of this.

An amount of \$200 000 was put aside for the government property register by the previous Government in January 1992, but no-one was game to start it. Roger and I put it together in about 12 months, no trouble at all. They had only a small personal computer, etc. We had a bit of misinformation, which is typical of Governments sometimes. The President was the Minister for Lands then. We were told that the Government owned 60 000 blocks of land at that stage. God, was that wrong! It had 180 000. We had 136 000 certificates of title and all that information was put on the register. It added up to about \$12b. At least we were solvent then, and we brought it into the balance sheet. During the past five years, all these places have been inspected, and a mass appraisal-valuation was undertaken initially.

Hon Murray Criddle inherited a bonanza. When the register was created for Westrail - it was in its annual report one year - it found it had \$91m worth of land that it did not even know it owned. We should not have told it about that. Westrail owned 22 000 blocks of land. The Education Department is in much the same situation. I do not think any other State in Australia has a government property register yet. I do not know how a business can be run without one. A Government must know what it has and what it will do with it. I was very grateful to Roger Williams and his team for doing that, and it became very valuable to us.

Very soon after we came to government, I was invited to a talk for senior chief executive officers at El Caballo in Wooroloo. They all had a common theme; they wanted to see me and speak to me. I met Kerry Sanderson and people from Agriculture Western Australia, the Department of Marine and Harbours, etc.

The common theme was their dealing with Treasury. Treasury wanted to control them and made life very difficult for them; things have not changed much!

I discovered from Agriculture Western Australia and the former Department of Marine and Harbours that they wanted something called net appropriations. I never knew what a net appropriation was. Hon Helen Hodgson, a tax expert, would not have known about that either. In Valuer General's language it meant that \$10m of expenditure with \$200 000 of product sold produced a net expenditure of \$9.8m. Before net appropriations were introduced, agencies would get \$10m, sell \$200 000 of product and Treasury got it all. It was no good making \$300 000 because Treasury would take it all. It never provided money from the budget to expand the ability of agencies to increase sales of a product, whatever it might be, but it took all the revenue. So, with net appropriations an amount was deducted from the agencies' budgets and they got the benefit from it and the incentive to make more money to get better equipment to serve the public a lot better. Net appropriations revenue for the Valuer General has now been lifted to \$1m. The former Department of Marine and Harbours - Hon Murray Criddle would know of this - had the problem of getting \$2m to dredge harbours two to three years down the line. Treasury would accept the money in the first year and there was never any money in the budget when the department wanted to dredge two

to three years later. Agriculture Western Australia was afforded grants for research and so on that went to Treasury.

A few months after I became Minister for Finance, I told Hon Ian Taylor, a former Minister for Finance, that I had introduced net appropriations. He said that it was probably one of the best things we had done in government. Obviously, prior to that, Ian had been told that it could not be done. As he is not a bully like I am, he did not know how to belt Treasury over the head and make it do things. I had confidence in what I was doing. I had a lot of trouble with Neville Smith in Treasury as he did not want me to do it. The first legislation in 1993 was wrong and it came back in 1994 in the right form. Now Treasury thinks net appropriations are so marvellous that every agency must comply. However, the initial fight I had for them was amazing; and it was not the only fight I had.

Another interesting thing occurred in this House. One day in 1991 Hon Joe Berinson and I discussed the limitations of professional liability. I motivated chartered accountants to write to Joe about the issue, which had been around for some time. Joe, in his wisdom, looked at the problem and set up a select committee, comprising Hon Peter Foss, Hon Fred McKenzie, Hon Jim Brown and me as chairman, to look at the issue of the limitation of professional liability. Insurance premiums for chartered accountants, lawyers and engineers had gone through the roof because they were being sued because they had insurance cover for large amounts. It was better for them to practise asset-bare so that they would be protected. It was a very interesting committee, which did not conclude before the 1993 election. After the election, Hon Mark Nevill and Hon Nick Griffiths joined the committee and made a great contribution. Hon Peter Foss re-wrote the legislation that we started off with, which was legislation designed by Hon John Dowd of New South Wales. The NSW Government asked us to hold back our legislation before it was passed on the last day of the previous NSW Liberal Government. A national standards council is now working on the problem right around Australia. I record my particular thanks to Hon Peter Foss for his work on the legislation. His professional knowledge and experience was great, and this is reflected in so much other legislation he has written in the past two to three years. I believe Hon Nick Griffiths, being a lawyer, would also agree with me. Working on that legislation was an interesting experience. It will be a long time before it gets improvements made from it. It was something that we all had to do together. I have contacted the Attorneys General in Queensland and Northern Territory but I am uncertain about if and when they will do anything.

When I came into the House, Hon Norm Kelly was talking about my and Hon Helen Hodgson's interest in tax. It was a very sad day on 1 July 1986. Members wore black armbands on that day because a tax on our electoral allowances under substantiation laws was introduced. Hon Norman Moore cried for days! He and Ian Lawrence were the best paid members of Parliament. They got about \$28 000 tax-free electoral allowance, being representatives of the north of the State. They lived in Perth, it was not taxed, and they did not have to substantiate its use. They then had to substantiate the expenditure. It was a sad day for a lot of members. Unfortunately, I knew too much. Members of Parliament had to substantiate the use of their cars. The Government kindly gave us \$1 500 a year for a replacement car. It decided to double that to \$3 000 which, after tax, left \$1 500. There is no way that \$1 500 a year would ever replace a car. However, there was no way that members could claim running costs, such as petrol and repairs, because at that stage under substantiation laws our home was not a place of business but was regarded as private. Hon Mick Gayfer used to drive 200 miles to his office in Parliament House but that was to be regarded as private running. Every time he drove to his electorate it was regarded as private running. We had gone backwards. Therefore, I spent some six to nine months dealing with the Australian Taxation Office in Canberra and got it to make a major change so that our home was regarded as our place of business.

Another problem was that country members had to substantiate the money they got for living away from home against their per diem rate. Some lived at the Country Women's Association, the YMCA, or at their son's, daughter's, uncle's, aunty's, boyfriend's or girlfriend's homes - I do not know, I did not worry. How did a member substantiate his costs against what he was paid? The tax department did not know. I got the tax department to accept the per diem allowance as tax free - which was like the old electoral allowance - so that members could offset the per diem rate with an equivalent amount of expenditure. Therefore, the amount received was not subject to income tax. It was a difficult time. Once I sorted out the problems concerning the home as the place of business matter and the per diem allowance, it was of great benefit to country members.

The next big problem that members probably would not all realise - some of the older ones on this side of the House might remember - was that many members were driving rust buckets. Members were given \$1 500 a year with which to replace their vehicle, but with their cars going up in value by \$4 000 or \$5 000 a year they could not afford to buy a new car. Members' salaries were not that good. At that time, 11.5 per cent of the salary went to superannuation. There was a tax deduction before 30 June. If the employer made a contribution to superannuation it was not tax deductible. Prior to 1986 Hon Norman Moore paid all his superannuation - and he got a tax deduction for it. That does not happen now. He was crying every night when he went to bed.

Hon N.F. Moore: I live like a church mouse.

Hon MAX EVANS: I put the idea to Peter Dowding that all members should be given a government car. The cars were free of sales tax and I proved that the Government would make a profit on them. Governments were all

making a profit on cars in those days. Peter Dowding and I had a bit of a tiff - he did not like the proposal the first time and tore it up. What happened was that ministers - who are always like this - became annoyed when the backbenchers, to boost their remuneration, were to be given cars to close the gap between theirs and ministers' salaries. The ministers could not accept that and also wanted another car. A second deal was done - our Liberal leader would not let us have a second car but most of the others in the previous Government had a second car. That was provided in the terms of employment. From that date, all members had a car or could access a \$5 850 allowance plus a petrol allowance - that was the way it worked out. Things have since changed because of fringe benefit tax, sales tax and other things that have come in. Members were allowed \$5 850 for a car; however, the current benchmark price of a basic car is around \$17 380. Members should not be silly enough to own their own cars. That is why I went back to a government car.

A guy called Rod Kemp, who is in Canberra, does not understand tax. He allowed the Australian Tax Office to reverse the whole system about a home being a place of business. However, it does not affect Western Australia and Victoria, where every member has a government car. Other States have not caught up. Members of Parliament in other States will have real problems when they do their tax returns this year and have to substantiate their business mileage allowance. I wrote and warned them, and tried to get the tax department not to change it. It will be a serious problem.

Hon Peter Foss: They always do that Max.

Hon MAX EVANS: Yes, the tax department always has.

I have already talked about Merv Hill, the former CEO of the TAB, who left Western Australia and went to the South Australian Jockey Club. Did any members watch *Business Sunday* last week about directors with self-interest? The Totalisator Agency Board had the Trotting Club and the Turf Club directors with self-interest. These directors are breeders and owners who are running a business in which they are trying to help their own as much as they can. There is nothing wrong with that - they are helping an industry. However, every time the TAB got a million dollars in the bank, it had to pay it out to the codes so that they could spend it to increase stake money. This had gone on for years and there were no reserves. I had to change the board after I got the right CEO in Ray Bennett, who has been marvellous, as Hon Norman Moore would have discovered. That new board has changed the face of racing industry revenue in Western Australia. This State does not have the benefit of slot machines to assist racing, which Victoria enjoys.

The Government sold off the State Government Insurance Office, which was also interesting. It was a very good decision by Geoff Gallop to appoint Ron Cohen to flog off - I mean, float - the SGIO. Thank God we had long delays in that 12 months it took to get to the workers compensation legislation, which made things a lot better. Instead of getting \$65m for a \$100m asset, the Government got \$135m for a \$100m asset. Ron was the luckiest employee in this world. He was in a business with huge revenue and he was the only employee. He pinched all he could from the insurance commission and then went out and set up a very good business.

There was Paul Aslan from the CSA and another two unionists who met the Premier and me. They thought no-one should leave the Insurance Commission to work for the SGIO. The Premier has said this publicly a few times since then. I said that those fellows must be mad; they would be much better off working for a hard-nosed person like Ron Cohen than working for the Government. It turned out to be true; they have done very well. They took over the SGIO in South Australia. I had known Ron all my life; we were in athletics and we trained together. He is a very good business man. It was a good decision to get him to float the State Government Insurance Office. A new board was set up; we put on Peter Eastwood, Graeme Reynolds, Frank Merry and Frank Daly, all from different parts of the community. I did not know Michael Wright, who was on the board, so I asked Peter Foster about Michael Wright who was a former partner of the member. I knew he had been very sick at that time; Peter gave him a great build-up and he was a hundred times better than the member said he was. He has been fabulous. There were all these court cases and he was chasing all this other money.

I have mentioned the WA Inc exposure. One has to be lucky in opposition to have some fun. We deal with Bills, I know that, but I had fun with WA Inc. I thank Brian Burke and all the people who created WA Inc. It was a great experience. I have boxes of stuff in my office to give to Martin Saxon for when he eventually writes his book. He is coming in next week to pick it up from me. One had to read the eastern States papers to find out what was happening with WA Inc; all the information was published over there. Because Burke was a journalist, the journalists' union would not publish anything here, but if one read the *Sydney Morning Herald* or *The Age* one learnt all about it. A lot of the stories came from my office. Ms Hewett and Brad Collis came across to write their stories. It was quite amazing. The Motor Vehicle Insurance Trust had put the compulsory third party fund together. The SGIO had cash-based accounting and did not have a clue; it did not have a balance sheet and did not know what its assets or liabilities were. It was pay-as-you-go at SGIO.

I must get this in the record too. The compulsory third party Motor Vehicle Insurance Trust had \$38m interest earned but not put in the accounts. How would members like that as an asset? An amount of \$38m was interest earned and it was not brought into the accounts; it did not want a big profit. Years ago the Perth Mint would buy all

the gold it could at the end of the year - gold was about \$500 an ounce in those days - and at the end of the year the Auditor General would let the Mint value it at \$50 an ounce. So the Perth Mint purchased enough gold to create a loss and on 1 July it was sold again and the Treasury did not take half the profits. It was great. No-one realised what was happening. That is why they did it. It was creative accounting. When they brought the two insurance companies together they had \$790m-worth of investments and by 25 April 1988, Anzac Day, next year when Kevin Edwards agreed to a deal, Robert Holmes à Court had received \$791m - \$1m more than they had the previous June. Now Janet Holmes à Court is one of the wealthiest women in Australia and we are broke. Daryll Jarvis, an old friend of mine with whom I worked for some years, rang up and said, "Max, that Max Trenorden is saying some terrible things about Janet." I said, "Daryll, it's true." He hung up after that.

Over the years, and particularly in 1989, a number of speeches have been made about WA Inc; they are recorded in *Hansard*. They included speeches on account reporting and financial accountability, with comments about the Rothwells scenario - 11 April 1989; and the Treasurer's Advance Authorisation Bill, Petrochemical Industries Co Ltd, Rothwells Bank, SGIC, Teachers Credit Society etc - 12 April 1989. In those days we only got unlimited time on a Treasurer's advance Bill or another Bill. I spoke for two and a half hours on that one - I might do that today. Another debate took place on the Western Australia Petrochemical Industries Authority Bill and a report by the Burt Commission on Accountability - 13 April 1989; the Acts Amendment (Accountability) Bill, the need for government financial accountability - 19 April 1989; the State Government Insurance Commission, on major investment decisions, which tells all that they did, and the gambles they took were worse than going to the races - 27 June 1990; a comment on the business dealings of the State Government with emphasis on the SGIC - 28 September 1989; the WA Inc Royal Commission - the royal commission we had to have - 1 May 1991; WA Inc, was it for profit or power? - 10 May 1990.

I must tell members a joke about the Clerk. I made a request to Hon Joe Berinson for information to be tabled. I wanted the details of all the deals between the SGIC, Warren Anderson and Alan Bond. The initial request ran to about two pages. Laurie Marquet came to see me and told me that I had asked for too much. The next day I put the request in again and it was half the size. The wonderful thing was that the first request went to the State Government Insurance Commission and I got all the information I wanted. Laurie never found out! I do not know why he said that; maybe he did not want me to have it. It shows that the system did not work well, because he sent down the wrong request. The files became very important for the royal commission. That is how it found out about the option that had been given to Warren Anderson on the Westralia Square site.

Another good thing I did in recent times involved Homeswest's financial management. Homeswest had 40 000 houses and several hundred blocks of flats, but it had no idea of the value of the properties, the rents that should be charged or the cost of repairs, rates and taxes. Information on the 40 000 properties was stored on computer, but it could be extracted on only one property at a time. I got Homeswest to change its systems and it can now print out on a region-by-region basis information about rents, the ratio of maintenance costs to rent and so on. It is operating much more like a business. All regional managers must now submit a "Max Evans report". They also have exception reports, which relate to homes that need repairs worth more than 80 per cent of the rental income. I told Homeswest that it would go broke allowing that to continue. Another exception report lists all the properties valued by the Valuer General at more than \$200 000. Homeswest uses it to decide whether the properties should be sold and the revenue used to buy cheaper properties.

Hon Peter Foss will remember trying to get a \$25m budget for a lyric theatre. He did not get very far. Everyone in the community told him that a big 2 000-seat theatre was needed. Several years later I approached the Burswood Resort Casino, which had a fabulous auditorium. After I convinced it, the resort operators spent \$5m replacing all the seats with theatre seats, extending the balcony and installing lighting and pulleys. We got a lyric theatre for nothing, whereas before there were further costs for parking, land and other items and it would have been in competition with Burswood. It is a far better lyric theatre than Star City in Sydney, which has a few hundred seats from which people cannot even see the full stage. People in the audience cannot look over anyone's shoulder as the seats are too wide; they must take a cushion to sit on to see what is going on.

I have a few reflections on why I want better financial management. I have already talked about net appropriation, property registers and other things. I remember working with Hon Muriel Patterson on the Standing Committee on Estimates and Financial Operations. Hon Eric Charlton and I taught her all the tricks of the trade. She has carried on from there.

Hon Muriel Patterson: I remember you doing all the talking.

Hon MAX EVANS: I remember asking Treasury for four-year budgets. I was told that we could not have four-year budgets because the Federal Government would know what we were doing. I said that I did not care about that - I wanted to know what I was doing! Treasury just would not do it - maybe it did not know how to! It was scared that the chief executive officers might be able to run their businesses properly - maybe that is the reason it did not want them. Ministers in this Chamber know it is important to get some certainty so that the agencies know what they will be doing four years down the line. I wanted to give them certainty so that they could plan without

changes being made every year by Treasury. A good job has been done on four-year budgets, but Treasury had to be dragged screaming to do it.

I also wanted to work on accrual accounting after coming into government. I did not know anything about government property or net appropriation before I occupied the Treasury bench. We had to bring in the assets and Neville Smith told me that accrual accounting was not possible as there was no fixed assets register - he had done nothing about it. That did not bother me, and I said we could do it without the register. Long service leave, sick leave and annual leave are now included in the accrual accounting. Debtors and creditors are also included. It is an attempt to make the accounting more meaningful. It does not really make the accounting any better; accounting is only good if people analyse expenses each month to see what they are doing. I may be giving away secrets here: Most people list expenses in alphabetical order; that is, A,B,C expenses and so on. Agencies' accounts were not grouping accommodation, communications, travel, etc. Our accounting firm never set out accounts in alphabetical order. The accounting fees are always at the top, and clients read that first. The biggest expense is now always at the top, which is wages!

I had to get my agencies to break the accounts up into sub-departments. We then started analysing the accounts. Every month agencies were still putting out "balance left to spend". This was still happening last year. The computer worked it out for them. Chief executive officers said, "My God, we have that much to spend! Let's go!" Most of them had not even broken down their wages between higher duties allowance and other components. In my day, we performed the higher duties for no extra pay to gain more experience. The components were higher duties allowance, sick leave, annual leave - 48 from 52 weeks and other ratios - and agencies did not have them broken down.

The agencies worked out actuarially how much long service leave they should have. Instead of bringing in the amount paid out each month, they brought in the actuarial figure for each month and the pay debited to provision, so we could not measure how they were going. We found that the provision for long service leave and annual leave was getting bigger and bigger, which is correct! The Government told agencies to reduce that figure by 10 per cent. There is nothing as simple as that, so I spent some time on the figures. We needed a ratio benchmark of long service leave and annual leave as a percentage of total wages. Strangely enough, the two biggest budgets of Health and Education had the best ratios because their staff take their leave every year. In some of the other agencies in which the chief executive officers had not taken their leave for years, the ratio was up to 60 or 70 per cent of wages. We now have mechanisms in position to identify the problems.

Another aspect was to carry forward expenditure. I had clients who used to build cyclone fences at the end of the year. The Government would spend a fortune issuing them cheques on 30 June to build the fences two or three months later. If people did not spend the money by the next 30 June, the Treasury would take it away from them - even this Government used to do that before I changed the policy. We changed the system so that agencies could carry forward under-expenditure to the next year. It is the simplest thing in the world. With accrual accounting in business, one did not worry about that sort of thing because it increased the profit on which one paid the tax, etc. The Government had worked on a cash accounting basis, and then the carry forward of under-expenditure was agreed to.

Treasury had said that on 19 March, agencies must advise what their bank balance would be at the end of the year and how much they would carry forward. Roger Williams told me that it was absolutely ridiculous. I asked John Langoulant if he could tell me precisely what he and his wife would have in their bank account on 30 June. He said he could not and asked me why. I told him that someone in his office said that all the CEOs must tell Treasury on 19 March exactly how much cash they would have at the end of the year, because they were still working on a cash accounting basis.

Those are the sorts of traumas I had to go through. It was a very hard life for me when I was handling these matters. However we sorted it out. The next year Treasury said that agencies could carry forward only 3 per cent of their budget. Three per cent of the Education or Health budget is huge. The Valuer General's Office budget is not very much but probably far more meaningful when one thinks what the agency might want to do with it. We removed the 3 per cent idea as well and came back to commonsense.

Those who know anything about accounting would have loved the government accounting system because one could not do any journal or stock entries; it was merely a cash accounting system. How much agencies had spent and how much money was left to spend was summarised. Andrew Weeks said that in New Zealand one branch of Wespac managed all the Government's accounts and every agency had subsidiary accounts. Every night they would sweep it off and know exactly what was in the bank. They did this 20 years ago when the government accounting system was set up. The Government wanted to get all the interest and not lose it because of money left in other accounts. Thank God for Rob Hurrell, who was the State Manager of the Reserve Bank. He made Treasury move on this one because his bank had the technology and was the only bank that could do it at that stage. It did it very well for three years before the tender went to the Commonwealth Bank. He then transferred his staff to the Commonwealth Bank, and the system has worked very well. The other States are following with something

similar. It is commonsense and ensures that government does not lose the interest earned and maintains some control. I was very grateful to Andrew Weeks for giving me the idea in 1993, but it took three or four years to get it through. Rob Hurrell's involvement was the key. While I was dealing with this matter, I heard on the grapevine that government was calling for expressions of interest on a new accounting software system at a cost of \$4m or \$5m - this was for the accounting system I was trying to get rid of!

The problem with getting money out of Treasury was that agencies such as the Commonwealth Parliamentary Association had to write each month for another \$1 000 or \$2 000. If money was left over at the end of the year, it was to be paid as levies to Westminster. I said, "For God's sake; give them one cheque a year and just trust them." The Clerk is nodding as he knows what I am talking about. The attitude had to change. I hope that if I have done anything, I have caused a lot of that attitude change.

Presenting the budget to Parliament arose as an issue in 1993 for 1994. We had problems after the budget meeting - Hon Peter Foss was present - and I told Treasury that the budget would be presented to Parliament before 30 June 1994. Ron Hazell said that it could not be done. "You cannot do 12 months' budget in nine months." I said, "Do it in eight months and you'll have a month to spare." I had never heard of a budget taking 12 months to prepare. If one takes 12 months, the budget is out of date before it is finished and one must start again. The budget was in by 8 or 9 June that year. I said two years later that we must get the budget passed before the end of June. That was sacrilege. The Premier would not go along with it. John Langouant convinced the Premier that I was wrong. He did not know how to cope with it. If the budget is passed before 30 June, one knows what capital expenditure will be and the new capital expenditure can start on 1 July. We used to pass the budget on 24 December on occasions, and under the Westminster system no new capital expenditure could be entered into until the budget was passed. It backfired in the first year because of earlier expenditure. I spoke to John Langouant for a long time, and eventually we convinced the Premier it was a good idea. It worked out well and is now accepted as normal practice; it is expected that the budget will be passed before the end of June. It dragged on until the end of the year in the old days.

I talked about the financial reporting of agencies. A disappointment is not converting them to adopt 13, four-week accounting periods. I said that we should pay all government employees on a monthly basis, as most of the real world does. Blue-collar workers could remain on a two-week pay period. Treasury said it was too hard and did not know how to cope with the notion. If people are to be paid fortnightly, why not have 13 four-week periods? It was too hard. They had not thought of that, as they were all economists. Every four-week period is the same today and 10 years down the line with the same number of days involved, and wages need not be adjusted. Otherwise, one has three two-week pay periods for two months of the year, which throws people out.

Hon Peter Foss: Or have 27 pays.

Hon MAX EVANS: That was the problem. If I had still been the responsible minister in January, I would have given written directions to my agencies to make them adopt this system, and told Treasury to go to hell. The officers could not work out how to cope with a quarter if one has four-week periods. They had reported, since the Niemeyer statements and the beginning of time, on a quarterly basis. What is a quarter? It is three moons, which has nothing to do with the real world. I will work on it. The Auditor General, Westrail and most mining companies operate on that basis. I wrote to the Premier and indicated that his old man had four-week accounting periods in the financial management system in Brown and Burns Bakery in 1948, which was better than that in most government agencies today. It is a matter of getting people to change.

State Revenue has achieved a lot of changes. Chrissie Sharp spoke about legislation. There were many anomalies in the stamp duty and payroll tax legislation, and I wanted to put them right. Mr Fellowes, who was at the State Revenue Department before me, did not write one letter to the minister in 10 years telling him to rectify the anomalies in the system - not one. State Revenue was hated more than the Australian Taxation Office at the time I joined because it was so difficult to deal with. I will give members an example. A group of doctors would get together and share their overheads. The Commissioner of State Taxation grouped them together and charged payroll tax at the maximum rate and penalised them retrospectively for up to five years. That amounted to a lot of money. It took me a long time to convince the commissioner that a medical group was not a group of doctors avoiding payroll tax.

Another area involved discretionary trusts. When he was in Opposition, Bill Hassell endeavoured to have passed an amendment on discretionary trusts in the Assembly. A beneficiary of a brother's or father's discretionary trust has no financial relationship; however, if the person dies, the department wants the money to go to the family. The commissioner considered that a beneficiary of a discretionary trust should have his business grouped for payroll tax purposes with the discretionary trust. One family was hit with a \$124 000 payroll tax bill, including penalties, because it was supposed to be grouped with the others, yet there was no financial interest in it whatsoever. We had to change that legislation. I know of a similar case right now which I cannot do much about.

I turn now to intergenerational farm transfers. Hon Peter Foss will have found that this happens. Members have all seen what happens with country people - dad gets to 60, 70 or 80 and marries the local barmaid, and the kids ask

when will they get the farm. The father tells them that he is sorry but they might not get it. We brought in intergenerational farm transfers. The family would get it free of stamp duty when the old man died. That stamp duty on the family transfer could be \$20 000, \$30 000 or \$40 000. That is one of the good things. State Revenue created problems by bringing in discretionary trusts, but that is another story.

We amended the land tax scales. We have scaled back the land tax every year for the past five years. Self-funded retirees were to benefit on properties valued from \$200 000 to \$700 000. They would pay less tax if the value of the land had not increased. There have been few objections over the five years. We introduced a land tax exemption for hobby breeders and hobby owners in the racing industry. Commercially, they could not get a tax deduction from the Australian Taxation Office, but we gave them the land tax exemption.

The State Revenue Department needed funds to develop the state revenue collection information system. Mr Fellowes did not have any clues about it. When one complains to the Commissioner of the State Revenue Department, one writes an objection, and he knocks it back. An appeal can then be made to the minister. I asked Mr Fellowes what happens next and he told me that I should take his advice. I told him that his advice was wrong and that I would get legal advice against him. He saw Mr Digby Blight the next week and quit. That is a true story. I asked how much the state revenue collection information system would cost. I was told \$10m but it actually cost \$14, which worried me.

Mr Fellowes left and I spoke to Alistair Bryant. I told him to bring in Martin Thomas of Deyken Industries for help. My advice was to keep a database for the payroll stamp duty and land tax simple. That is the way he designed it. It has been so successful that the licence has been sold to New South Wales, Victoria and Queensland. State Revenue officials have visited Washington, Japan and Switzerland to give briefings on the system. It is the type of system that can be designed for larger populations. I was pleased to be able to do that. I have had a lot of fun.

The Insurance Commission is suing the banks for the losses that were incurred. Originally it was suing for the rorts that occurred. I will put members in the picture. The banks were owed about \$270m by the Bell Group. They found out when the group went broke that they had no security. They took the security and after six months sold all the assets. The lawyers have found all the letters containing different legal advice telling them it could be a fraud. That is why it has is no longer a case of suing for \$270m; it is now a fraud case. The current directors of those banks are now becoming aware of what it was all about. That is why the liquidator is suing the banks for \$1b on behalf of the ATO, Belgian dentists and the Insurance Commission.

I entered Parliament to make many changes to the government on financial matters; these are some of the extra things I was able to do which made my job a lot of fun. I have helped many ministers and I have enjoyed that.

Although I have enjoyed my time here I am looking forward to a break. I thank everybody here for his or her friendship, particularly the class of 1989. I keep asking Cheryl how many more days we have to go.

Hon Cheryl Davenport: There are 178.

Hon MAX EVANS: Hon Cheryl Davenport has the dates worked out.

Life in Parliament has been fun and we have done some great things. I always thought that if knighthoods came back Eric Charlton should be the first to be knighted because of his stand on the Western Australian Petrochemical Industries Authority Bill. I can recall the occasion on which I had been stirring up the debate on the Treasurer's Advance Authorization Bill, because the Labor Government was assuming it could give a government guarantee to the PICL financier. The PICL authority Bill had to come before this House to allow the Government to guarantee the money. In its wisdom, the other House had passed that Bill; no-one had fought against it. The National Party was told that the petrochemical industry project would be good for the State, so it should agree to it, but the Liberal Opposition was dead against it and argued accordingly. Sandy Lewis sat behind the Labor Party and the National Party members were just to the left of Sandy on the other side. The bells rang and while Sandy was slowly wandering across he said, "You guys should be over there; you are voting for it." They duly went across the Chamber. Then in rushed Eric, who was frantic about the possibility of losing hundreds of millions of taxpayers' dollars on the PICL project. He convinced his members to vote with the Liberals. Joe Berinson crossed the floor and sat next to Eric to demand the reason for the change of mind. The bells stopped and we instantly said, "Claim him" because he was on our side of the House. So we claimed him. The then President was pretty weak and let him go. I have always said to Eric that he should receive a knighthood for saving the State hundreds of millions of dollars.

I have enjoyed my time in Parliament very much and I have been happy to help members with queries on tax or racing issues. I have done exactly what I wanted to do in Parliament, which was largely to sort out the State's finances. However, there is much more to be done; I could have done a much better job. We will see what happens next year.

[Applause.]