

COMMUNITY INFRASTRUCTURE — GOVERNMENT'S FINANCIAL MANAGEMENT

Matter of Public Interest

THE SPEAKER (Mr M.W. Sutherland) informed the Assembly that he was in receipt within the prescribed time of a letter from the Leader of the Opposition seeking to debate a matter of public interest.

[In compliance with standing orders, at least five members rose in their places.]

MR M. McGOWAN (Rockingham — Leader of the Opposition) [3.01 pm]: I move —

That the house condemns the Barnett government's poor financial management leading to cuts to important community infrastructure budgets, including capital works in the water portfolio.

The report that was released last week by the Minister for Water to this house pointed out in stark detail the fact that the poor financial management of this government over the past six years is now resulting in major cuts to essential community infrastructure. We have seen the cuts to school budgets, we have seen the cuts to staffing in health and we have seen the cuts to staffing in schools. Now we are seeing the result of the poor financial management over the past six years impacting on the incredibly important area of the provision of water to communities, to individuals and to industry across Western Australia. The report was stark. It actually says that the capital budget since 2009 has been progressively cut by the government. Why has the capital budget been cut? Poor financial management by the government in an overall sense means that these essential activities of government are now being stripped in ways they never were before.

What have we seen lately? I want to talk about the most recent developments that will make the situation worse into the future. The iron ore price is incredibly relevant, because this report states that there can be no further cuts in the future to the capital works budget of the agency. But what do we see in the iron ore price? We see a government that has been extraordinarily irresponsible in its budgeting. A couple of months ago, it budgeted the iron price at \$US122 a tonne. The government's entire budget rests upon this price. Twenty per cent of the state's revenue, the biggest revenue source in the budget, is iron ore revenue, which was budgeted at \$US122-plus a tonne, yet what do we see in the state budget itself? I want to quote the government's own budget to members so that they understand. At page 114, it states —

The iron ore price has become highly volatile after the annual benchmark pricing system ... broke down over the period 2008 to 2010.

Further on at page 116, it says —

In the short-run, prices are expected to remain volatile.

It also refers to the volatility in the Chinese steel sector. So, what does this government do to maintain a tiny surplus? It factors into the budget and the forward estimates an incredibly optimistic iron ore price. That is what the government did to maintain its surplus. What is today's iron ore price? Today, 19 August, the Treasury reports that the iron ore price is \$US93.30 a tonne. That is almost \$30 a tonne below the price at which the government budgeted it. When this issue was raised and raised and raised by the opposition over the years—not just recently but over the years—we found that the government dismissed it out of hand. On 19 August 2014, the Premier dismissed it out of hand and said, "There's nothing to worry about here. Volumes are at record levels and rising volumes will basically compensate in terms of revenue for Treasury." That is what the Premier had to say. We are seeing irresponsible budgeting here by the government, and that will impact on core services over time.

I talked about the cuts to schools and health services across Western Australia—cuts last year and cuts this year. Now, because of this situation, we again see threats of further cuts into the future. The reason this issue is so significant is that the government should have had a large surplus as a buffer, as Labor had in government. A large surplus would allow shock absorbers to be in place inside the budget for that volatility. But with a skinny, tiny surplus, the government has no capacity to move, except to make cuts over time to essential services. That is how irresponsible budgeting is coming through. The latest example of the impact of these cuts is the report that was tabled in this place the other day by the Minister for Water—the "Strategic Development Plan: 2014/2015 to 2018/2019". The report was covered in *The Weekend West* on Saturday and again today by the press. However, this is such an important issue that it needs to be placed on the record so that when there are further impacts on the provision of water in both the metropolitan and regional areas of Western Australia, this issue will have been explored in this Parliament and the government will have been on the record in relation to it.

Let us think about the history of these issues. Labor in government was determined to ensure that there was diversity of water supply. In talking about diversity of supply, I am not talking about a single source as it is traditionally thought of, or just about dams or a canal from the Kimberley or a couple of minor sources. We were

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determined to put in place a climate-independent source. That is why there are two desalination plants in Western Australia—and thank God for that! We stood up to those opposite who said it would be a waste of money. We stood up to members of the Liberal and National Parties who opposed them the whole way. I want to quote one of them—admittedly, he was not a member of Parliament then, as he was an independent “commentator”. On 27 May 2005, Mike Nahan, as he then was, the head of the Institute of Public Affairs Australia and now Treasurer, had this to say, and I quote from a column he wrote for *The West Australian* —

The train to Mandurah and the renewable-energy power desalination plant—two of the biggest capital items—will be monuments to waste.

End of quote, Mr Speaker! There we have it—“monuments to waste”, the Mandurah rail and the desalination plants. What a ridiculous, preposterous statement it was at that time, and even more ridiculous and preposterous today, as history has borne out. Thank God we had Labor in office to do those things! But now we find that since 2009, the capital budget of the Water Corporation has been cut every single year. What does that mean? I will tell members what it means according to the water minister. I quote from remarks she made on Sunday —

The report actually identifies that Water Corporation can manage the risks with the funds that are already in its current operating budget.

The report itself, though, if one actually reads it, states things such as —

Ms M.J. Davies: Which report is that?

Mr M. McGOWAN: The “Strategic Development Plan”—the one the minister tabled accidentally; the report that she did not want to release. In fact, the Minister for Water said the other day —

Ms M.J. Davies interjected.

Mr M. McGOWAN: I will quote the document. The minister can selectively quote if she likes but I will quote to the minister what the document states. There are lots of quotes in this document. It states on page 4 —

... there are significant risks over the next five-year period ...

That is the third paragraph.

Mr V.A. Catania: What are they?

Mr M. McGOWAN: I will go into that. I will inform the laughing clowns down the back, who no doubt have not read it. It states on page 4 —

Several members interjected.

The SPEAKER: Member for Girrawheen, Minister for Water and Leader of the National Party, I call you all to order for the first time.

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan! The Leader of the Opposition cannot hear himself think, let alone speak.

Mr M. McGOWAN: The “Chairman’s Introduction” states, in part —

... there is an emerging shift in the overall risk profile with the capacity of many assets and schemes slowly edging towards design capacity. In particular, these risks are manifesting themselves in country regions through threats to water quality and wastewater system capacity.

That is a red flashing light to the government. That is not something to be brazenly dismissed, as the Minister for Water and her supporters over there have done. As members might recall, she said in defence of this that it can all be managed comfortably within the existing budget. This is what is said on page 7. Again, read the report. It states —

To maintain our assets within an acceptable operating risk and to meet the demands for growth, the five year capital program would need to be \$5.4 billion.

It is currently \$4.5 billion due to the government’s cuts, just so members know. That is what the report states.

Ms M.J. Davies: It does not.

Mr M. McGOWAN: It does. The minister needs to read it. That is on page 7.

Several members interjected.

The SPEAKER: Leader of the Opposition, speak through the Chair, please.

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Mr M. McGOWAN: The report details what the impacts of these matters might be. I want to take members to the key page, which is page 15. I will read it slowly so the minister understands it. It details the reductions of \$92.3 million in 2015–16, reductions of \$93.8 million in the 2013 state budget and a \$259 million asset investment program review as part of the midyear review. There are lots of reductions, totalling \$450 million. Then the report states —

As a consequence, the five year capital budget is less than what the Corporation requires to meet its desired business outcome.

Then it states that if there are any further downward changes —

This pressure will be most evident in country regions, through threats to water quality and wastewater system capacity.

It is basically saying to the National Party's Minister for Water that these big cuts to the water portfolio since 2009 to now are significant risks. It states that significant risks are manifesting themselves in threats to water quality and the wastewater system capacity.

Appendix B to the report details the impacts of all this. The risk of delivering unsafe water in regional communities is red—extreme. The risk of delivering unsafe water in metro parts of the state—the suburbs of Perth—is high. There is an extreme risk of inadequate wastewater system capacity. In other words, our sewerage system may not cope. That is all the risks on this page. One does not have to be Einstein, minister, to understand that. There it is at appendix B to the report! There it is in black and white for everyone in this house to see. It is not good enough just to skate over it and say it is all manageable. It is not manageable because of steps the minister has taken. The Water Corporation says it needs \$900 million in the next five years. In the last couple of years the minister has cut out \$450 million of its capital works budget. Since 2009, the government has cut out even more of the Water Corporation's capital budget. In other words, this government has been a water vandal over the past five years, after a period of government in which the government said, "We need to take this issue on." I was there for those debates about desalination. I was there for the diversity of supply debate when the Liberal Party said, "Don't do it; it is all a waste of money." That is exactly what the Liberal Party said.

The government's efforts in water management—in the driest state of Australia and in one of the driest states in the world—is published right before our eyes because of the Minister for Water's incompetence in releasing this report. Thank God this report was released, despite her best intentions, because now the government can be held to account in the future. If there are further errors, if regional parts of our state and community suffer unsafe water supplies, as this report predisposes, this government will be held to account for that. That is what this report demonstrates, but the broader issue it demonstrates is that poor financial management results in these outcomes, and the iron ore price issue is ticking away. That is again an issue of the government's creation due to the very small surpluses that it has put into the budget to ensure that the state can cope with a reduction in the iron ore price. That is a legacy of this Treasurer and his six predecessors within this government, and the Premier in particular.

MR F.M. LOGAN (Cockburn) [3.17 pm]: I will carry on from where the Leader of the Opposition left off, dealing with the "Strategic Development Plan" that was tabled in Parliament last week. I draw the attention of Parliament to the fact that we are dealing with the fifth water minister in six years across two governments. The Minister for Water complained bitterly to the media about the tabling of the "Strategic Development Plan". She said it was an accident and that it should not have been tabled. In fact, it is a confidential document and it should not have been released to Parliament or to the media. It is not surprising that she complained that it should not have been released to this Parliament or to the media and the general public, given what is in it. It is not surprising she wanted to keep the report secret because the SDP is a cry for help from the board of the Water Corporation—a frustrated board that has suffered ongoing capital cuts over the past six years.

Several members interjected.

The SPEAKER: Member for Pilbara, I call you to order for the first time. Member for Warnbro, the member for Cockburn can look after himself. Member for Warnbro, I call you to order for the first time. Now I want to hear the member for Cockburn in silence.

Mr F.M. LOGAN: Thank you, Mr Speaker.

It is a cry for help and a warning from the board of the Water Corporation to not only this minister, but also the government that ongoing cuts to the corporation's capital expenditure program and its capacity to operate cannot continue because something will give, and the report has highlighted the areas in which something will give. The minister has said in the house to the Leader of the Opposition by way of interjection that the strategic development plan states that the board is comfortable with the comments made in the SDP and that the Water

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Corp can deal with all the issues highlighted in the SDP. That is just not true. Let us go to another quote from the board itself, which states —

A key concern of the Board relates to the risk that in the absence of adequate ongoing capital and operating funds and an agreed pricing framework, the Corporation may not be able to perform its ongoing duties and deliver its level of service required by its Operating Licence conditions.

That is not a board or a CEO saying, “We’re quite comfortable with things.”

Mr W.J. Johnston: It’s the opposite!

Mr F.M. LOGAN: It is the opposite! It is a board warning the minister and this government that something is just about to break; something catastrophic is likely to happen. It highlights in detail for the minister and for this government the areas where something is likely to give and where there is likely to be a catastrophic failure. Of the 22 items of concern to the board highlighted in the table that is appendix B of the SDP, 15 are rated as high and two are rated as extreme. The first area of extreme concern is delivering unsafe water to regional Western Australia and the second item of extreme concern is inadequate wastewater system capacity. This is not a board that is comfortable with the situation it faces; it is a board that sets out clearly throughout the SDP that the \$4.5 billion in capital that it has going forward to 2018–19 is insufficient for it to deal with the demand that it faces from a growing population and a drying climate. That is what it is saying. The report also states that with the continued cuts to Water Corp since 2009 and the fact that it has a two per cent ongoing reduction year on year in its operational expenses and demands from time to time for greater dividend returns, it cannot continue to deliver a safe and effective service. What are we talking about? This is a resource unlike any other resource in Western Australia. It is not iron ore; it is not gold; it is not nickel. This is a resource delivered to our homes, where there cannot be a quality problem.

Ms M.J. Davies: Have we had any?

Mr F.M. LOGAN: The minister interjects and says, “Have we had any?” Luckily, with the cuts so far, no, we have not, but we have had blow-outs in pipelines, water has gone into the Swan River and Wellington Street has been flooded! These are clear examples of failures in the system because of a continual reduction in operational expenditure and a continual reduction in capital provided by this government.

Now somebody who does know what they are talking about also shares these concerns; it is not just the opposition. Jim Gill, a senior respected public servant who has now retired, is a former CEO of the Water Corp. An article in *The West Australian* of 3 January 2014 states —

... Mr Gill said the Government risked “getting bitten on the backside” if the tactic led to the decaying of critical assets.

By that, he is talking about the ongoing reduction in the capital available to Water Corp. He is reported as saying —

“Some of the assets are getting long in the tooth. You don’t want to be bursting or spilling waste-water into wetlands or rivers.

Dr K.D. Hames: He did say that 15 years ago as well!

The SPEAKER: Deputy Premier!

Mr F.M. LOGAN: Deputy Premier, the former CEO of Water Corp is exactly right. We have seen some of those problems already. The SDP that was presented to this Parliament, whether it was by accident or not, is a clear warning to this government from a board absolutely at the end of its tether from facing ongoing capital costs and being asked to deliver a high-quality service to each and every household in Western Australia. It is a warning: “Don’t play Russian roulette with water; don’t play Russian roulette with sewerage.” That is what the SDP is saying. Unfortunately, the fifth incumbent minister of this Barnett Liberal–National government is clearly not listening. She is trying to downplay the warnings that are right in front of her. I suggest that next year we will see is further cuts to Water Corp. This minister will not stand up and get money out of the Treasurer to reverse Water Corp’s problems and increase the capital expenditure —

Dr K.D. Hames interjected.

The SPEAKER: Deputy Premier, I call to you order for the first time.

Mr F.M. LOGAN: Thank you, Mr Speaker.

We will simply see a continuation of the cuts. I put this question to the minister: if there is a catastrophic failure in Water Corp or if a worker dies on the job at Water Corp, because that has also been highlighted in the SDP, will she resign?

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Ms M.J. Davies: Sit down!

Mr F.M. LOGAN: Will she resign?

Several members interjected.

The SPEAKER: Members! Member for Cockburn, address your comments through the Chair, please.

Mr F.M. LOGAN: No! All she can say is, “Sit down; sit down.” We will wait to hear what the minister says, but I can tell members that if there is a catastrophic failure, this minister needs to watch out.

DR M.D. NAHAN (Riverton — Treasurer) [3.27 pm]: I would like to make a few comments on the motion. One of the —

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I call you to order for the first time.

Dr M.D. NAHAN: What is probably the most central hallmark of this government? It is spending on infrastructure. Since 2008 when the government came into office until the current forward estimates, we have spent \$64 billion on infrastructure in both the general government and the power transmission sector—\$64 billion! That is the largest investment of any government by a country mile. Spending on water has been our second largest level of expenditure. We have spent \$9.4 billion over that period on water assets—\$9.4 billion! Of course, the largest amount spent was on Western Power, because we had to fix the under-investment of the previous government. When the previous government came into power, it was focused on reforming the electricity sector, but it did not do the essential thing—that is, invest in the poles and wire. In fact, report after report came down that said the government should invest, and it failed to do so.

Mr F.M. Logan interjected.

The SPEAKER: Member for Cockburn!

Dr M.D. NAHAN: Not only did the previous government do that, but also it put into Western Power a team that refused to undertake what it was required to do.

Mr F.M. Logan interjected.

The SPEAKER: Member for Cockburn, I call you to order for the first time. I do not want this drowning out of the member on his feet.

Dr M.D. NAHAN: The data is clear in report after report: the previous government was told but refused and failed to invest in poles and wires. When we came into government we had to change the whole management team of Western Power because the people the previous government put in place refused to do it. We then had to make massive investments into Western Power over time; we have invested, or are in the process of investing, some \$11.5 billion into Western Power—by far our largest investment. Western Power’s debt accounts for 33 per cent of the total stock of debt.

The opposition criticises us on a daily basis over debt levels; how often have members heard the opposition criticise us for building up the debt levels? Why did we do that? In the main, it was to invest in infrastructure. The second largest investment was, in fact, in Water Corporation. This matter of public interest motion accuses us of underspending on water, while other opposition MPIs accuse us of failing to manage the state budget, particularly debt levels. The opposition cannot have it both ways; it cannot criticise us for investing and incurring debt and investing —

Several members interjected.

The SPEAKER: Member for Fremantle, I call you to order for the first time. Member for Mandurah, I call you to order for the second time. I want to hear the minister. We heard the opposition side in relative silence; can we extend the same courtesy to the minister?

Dr M.D. NAHAN: In one MPI after another, members opposite have criticised us for debt levels—which are admittedly high—that have been incurred by investing in water, electricity, housing, Main Roads, LandCorp, and the Public Transport Authority. There have been record spends on all of those over our period of government, but now the opposition is criticising us for not spending enough! What is that? Are members opposite just a bunch of sirens, always whingeing about something, anything, even if it is inconsistent?

To return to what the government has done: stand by. We came into government after periods of sustained underinvestment in infrastructure and we did the right thing: we invested heavily in infrastructure, mostly infrastructure related to urbanisation. We have had very rapid population growth and very rapid urbanisation, and we have invested heavily in that. I might add that our investment in water does not include a large number of

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the gifted assets put in by companies and developers—built and paid for by them, and given to the Water Corporation and Western Power. Those are substantial. The opposition argues that the government has cut back on spending; we have not. We have had sustained high levels of expenditure and investment into Water Corporation. There are record levels of subsidies to rural services; \$2.4 billion over the forward estimates to subsidise rural water, for both operating and capital costs. Record levels, yet here we have an MPI criticising us for doing that. The takeaway from that? It was to ignore it. They know not what they do; they are just sirens yapping in the air.

But there are some challenges out there in water, and there are challenges fiscally. Firstly, rapid urbanisation and the high cost of infrastructure have led to increasing growth in the demand for infrastructure and the cost of infrastructure. That has been a challenge. The real blessing we have in Water Corporation is having one of the finest CEOs in all of our government business enterprises, Sue Murphy, and one of the finest boards. They manage Water Corporation well and with an eye to identifying risks and addressing them on both operating and capital sides, and making sure they do so with as little cost as possible. I make no bones about this: we have pushed them to make sure they stretch the \$900 million we have invested in Water Corp each year, year after year, to give maximum advantage. That is good fiscal management, and they have done it. We put in place a two per cent efficiency dividend on operating costs, and last year the Water Corporation more than met that, it exceeded it. Is that a criticism? No. It is a sign of good management, from our perspective and from them; otherwise it is just waste. What did Water Corporation do with its savings? It provided it in additional capital.

That is good management, but there are some challenges, and one of the biggest challenges and biggest tasks we face—as somebody on the other side mentioned—is diversifying our water sources. The evidence in Western Australia is undeniable: there has been a decline in the traditional sources of water. It has rained less, the dams are not as full, and the aquifers have been used up excessively, so we have had to look for alternative sources. Before I got into Parliament, I argued that we should have been tapping into the Yarragadee aquifer, which was an aquifer of lower cost. I acknowledge that members on my side would now not agree with that, particularly the member for Bunbury, but nonetheless, the experts were at the time saying that that was the best, lowest cost means of getting water into the metropolitan area, in preference to desalination plants. The government of the day went for the desal plants and the Yarragadee has been ruled out by both sides; we move on. What did this government do? It build another desal plant. What are we also doing now? Wastewater injection. We have gone out there and very successfully de-risked our water supply. That was our biggest risk; when the other mob was in government, this was the issue that was highlighted, and we have largely addressed it.

Because of royalties for regions and our focus on regional development, we have also had very rapid growth in regional areas. Some of the infrastructure in those areas is rudimentary to non-existent. Through royalties for regions and through the Water Corporation, we have invested heavily in providing brand-new infrastructure and significantly upgrading the quality of existing infrastructure and the quality of water and wastewater servicing across the board. I am sure that my colleagues could go up and down the length of this state and illustrate the number of towns and areas in which we have invested. That is what we have to do. We have experienced rapid growth, and our policy has been one of decentralisation and developing the regions, and one of our major areas of focus has been investment in water. Members opposite can complain about that, but we know, when it comes to the ballot box in those areas, who they are going to recognise as having invested in their water facilities and the quality of their water facilities. What the opposition says about that does not really count, but I am confident that where it does count, we will be ahead, because we have actually done the hard yards. We will let the people in the regions know that we were criticised by the opposition for investing in their towns; we were criticised for providing them with good waste treatment and safe drinking water. That is the Labor Party.

We have invested in a range of other areas that Labor basically left aside, such as housing. There has been massive investment in housing. Why a Labor government would not invest in housing, particularly public and social housing, given the intensity of the need for it in its own electorates, is beyond me, but that is essentially what it did. We went out, with the assistance of the Rudd government, and invested heavily in housing, land, transport, roads, Western Power and other areas. There have been phenomenal investments in those areas, and we will continue to invest as we have. As to the sewerage treatment plant, some risks were highlighted and, let us face it: there are risks in every aspect of life. It was identified, particularly in regional areas, that there is a substantial risk because some of those areas have no infrastructure; for example, Onslow. The facilities in Onslow were decrepit and archaic and we needed to start from scratch. Chevron put in some investment and so did we. The massive expansions in Karratha, Port Hedland and other areas required massive investments and will continue to require massive investments in the future. The Water Corporation has acknowledged that there is a risk out there and that it needs to be addressed. Do members know what? We are doing it.

There is a little trick. The government uses four-year forward estimates. Over those four-year forward estimates \$4.5 billion is invested in the Water Corporation. The “Strategic Development Plan” is on a five-year term. If the

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expenditure of the forward estimates of the last year is added to the SDP, the government more than meets the investment required by the Water Corp—as the government has. I might add that over the past year or so there has been a substantial reduction in the cost of construction, not only in the mining sector but also across areas in the CBD, engineering, construction, Water Corp, Western Power and, indeed, builds for the Department of Finance. For the same structure, we can get in the vicinity of 10 to 20 per cent reduction in costs, and the government will harvest that. Some of it we will put back into new infrastructure and some of it will be saved. That is good management. The government did that in the last budget. There was a five per cent reduction because the data showed that the cost of builds relative to forecasts was coming a good 10 per cent below forecasts. Therefore, five per cent of it was harvested. If that continues, the government will harvest more, but the build—the items that the government was committed to build—is built in full, at a lower cost, on budget and on time. How anyone could criticise with a straight face this government's commitment to investing in infrastructure is beyond me. It has been at record levels. It leaves every other government in this state for decades for dead, and this government will continue to do so.

As to statements, I have been waiting a long time for a comment on iron ore prices. Many members of the opposition have said things on that—some completely foolish, but that is to be expected. I put on the record that Treasury does not forecast iron ore prices; it just takes received forecasts. Over the past two years there has been huge volatility from month to month. Within each year, there has been, on average, a 50 per cent variation from top to bottom in a single year. The Leader of the Opposition claims to be able to forecast that movement, but that is just foolish; it is just silly.

Mr M. McGowan: Did I say that?

Dr M.D. NAHAN: Yes, the Leader of the Opposition did. He accuses the government and, implicitly and directly, the Treasury of fudging the figures. There is no fudging. The Treasury forecasts are detailed in the budget. When Treasury puts in a forecast, it uses the actual spot market price for the year to date of the forecast, and then for the remainder of the year it uses the Singapore spot market. Treasury uses either the actual or Singapore spot market; it does not forecast anything. For the four-year forward estimates, it uses consensus economics that cobbles together about 30 of the major forecasters, asks them what they think the long-term forecast price is, and it uses that. In other words, it does not really put the forecast together; it has a mechanism to project what the market says and what the forecasters say. There is huge volatility. I know the opposition is trying to get the government to panic on this issue, is trying to get the government into scaremongering on this matter and is trying to make the government do some extreme things, but the government is going to hold its mettle and work through it. In 2012, the iron ore price went down either \$86 or \$87. Under the opposition's suggestion the government would have panicked, and under the opposition's bidding and following the opposition's line the government would have underspent on health, education, welfare and slashed the budget significantly. The government is not going to do that. It will work through this issue, like our electors want, with maturity and an understanding of the issues. One thing the government will not do is go around and blame Treasury and come up with projections that are not reliable; the government will work through this.

Several members interjected.

Dr M.D. NAHAN: The board of Synergy is doing well.

Right from its inception this government has been focussed on infrastructure expenditure. Water has been our second largest individual investment. It will continue to be. The SDP is an indicator that there are risks, but it says that the government is meeting those risks comfortably with a well-managed firm and with a good board and good minister.

MS M.J. DAVIES (Central Wheatbelt — Minister for Water) [3.45 pm]: I would like to start by saying that this is an incredibly lazy motion from the opposition. However, I welcome the opportunity to talk about the water portfolio. I do not get many opportunities because the opposition has been so interested in this portfolio and so interested in the challenges that it has identified that I have had two questions in this house!

Mr P. Papalia: You were so interested in the report, you say you haven't read it!

Ms M.J. DAVIES: When did I say that?

Ms R. Saffioti: You're so lazy, you haven't even read it.

The SPEAKER: Member for West Swan, I do not want to hear from you again.

Ms M.J. DAVIES: The opposition can always be relied on to raise the tone of debate in the house.

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka, I call you to order for the first time.

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Ms M.J. DAVIES: Instead of taking the time to understand what the “Strategic Development Plan” is and to understand the implications of and the information that is provided in that document, the opposition has chosen to be lazy and alarmist. It does not understand. The comments made not only in this place but also in the media over the past couple of days demonstrate clearly that the opposition has not taken the opportunity to try to understand what the “Strategic Development Plan” is all about—so I will tell the house what the “Strategic Development Plan” is. That document contains assumptions and predictions; it is about a conversation that occurs between me, the Treasurer and the board about managing and completing the Water Corporation’s due diligence. It is absolutely the board doing its due diligence and working on projections and making assumptions so that it can manage those risks appropriately. The opposition has gone out and told everyone that tomorrow we will have to be boiling our water. That is absolutely untrue.

Mr R.H. Cook: Who said that?

Ms M.J. DAVIES: The shadow Minister for Water has said that. He is so interested that we cannot see him in the chamber during debate. The other thing that the opposition continues to do —

Mr M. McGowan: You’re a verballer.

Ms M.J. DAVIES: Just like the Leader of the Opposition is doing now.

The SPEAKER: Leader of the Opposition.

Ms M.J. DAVIES: The other thing that the opposition continues to run—I think this was the first question I received in this house as Minister for Water—is about cuts to the budget. Opposition members would know if they took time to go back and have a look at the answer that I explained that they were not cuts. He continues to perpetuate that myth.

Mr W.J. Johnston: Who is he?

Ms M.J. DAVIES: The shadow Minister for Water, and the opposition continues to perpetuate that myth. I have already answered that question and I do not want to spend any more time on that.

I want to spend time today talking about the Water Corporation’s incredibly good record in delivering safe and reliable water to Western Australia; this will not be compromised. Anything that this state government does will not be compromised because water is a very important resource. The Water Corporation has 100 per cent compliance when it comes to delivering safe and reliable water. That is not the case in other jurisdictions in Australia. Western Australia has a high percentage of compliance—100 per cent—because it goes through due diligence and identification of risks, and then has the conversation about how to mitigate those risks. Anyone who is in engineering—the Water Corporation is a company of engineers—will know that we have to go through and identify the risks that the business is likely to come up against in the long, medium and short terms.

Ms J.M. Freeman interjected.

Ms M.J. DAVIES: I want to put on record that the public can be very confident that they will continue to be —

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka!

Ms M.J. DAVIES: The public can be assured, because I want to mitigate some statements that have been made over the last couple of days.

Ms J.M. Freeman interjected.

Ms M.J. DAVIES: I want to mitigate the untruths that the member’s side —

The SPEAKER: Member for Mirrabooka, I call you to order now for the second time.

Ms M.J. DAVIES: Let me talk about risk, because I do not think anyone in the opposition actually understands exactly what is in that document.

Ms M.H. Roberts: That’s a bit arrogant.

Ms M.J. DAVIES: No, I am absolutely crystal clear on the comments from the Leader of the Opposition, from the shadow Minister for Water and from the other opposition members. When the Water Corporation goes through its business, it identifies over 2 000 risks; there is a snapshot of them in the “Strategic Development Plan”. The corporation goes through all its business units, identifies its risks and goes through a process of ranking them. I have the document here and I am happy to table it so that opposition members can do risk management 101, if they do not understand it already.

Several members interjected.

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Ms M.J. DAVIES: It is not secret; it is a standard document to manage risk used by corporations all the way down St Georges Terrace. I am not sure that anyone on that side of the house actually understands that; they have never understood it. Let me give an example of why the opposition is misleading the public and being unnecessarily alarmist when it comes to delivering safe and reliable water in this state. Let us take as an example dams, which were identified; a dam failure was identified as a catastrophic risk. If a dam fails, it is catastrophic. Communities are wiped out and that would be catastrophic. Things are measured along a continuum of likelihood.

Ms R. Saffioti: It has nothing to do with that.

Ms M.J. DAVIES: It does absolutely; look at the table at the back of the document, member. The likelihood of that occurring is listed as unlikely or rare. When we get medium or a high risk, which is a very standard way of identifying a risk, funds start to be applied to try to mitigate those risks.

Mr F.M. Logan interjected.

Ms M.J. DAVIES: Absolutely. Just so we are clear, there can be an extreme risk rating, particularly for regional water supplies because we have isolated communities that have one source of water. I think everyone on the other side of house would agree that if there were a failure of that source of water and someone became ill and potentially died, it would be catastrophic. It has been identified in this particular SDP that it is possible for that to occur. Therefore, we try to mitigate that risk by applying the capital provided. If we went back in time to when the Labor Party was in government, we would see a number of these red extreme risk profiles, as they appear in this document, sitting against the delivery of water for the metropolitan area. We did have a drying climate then and we do have a drying climate, and we need to address that. To give credit where credit is due—even though I am told that our former Minister for Water, Hon Kim Hames, was very keen on the desalination plant—an investment was then made to try to mitigate the move away from climate-dependent water sources. We have continued to mitigate that risk. There are now two desalination plants and we have moved to full production on the groundwater replenishment scheme. Might I add that we have done that with a saving of \$24 million to the taxpayer. The Water Corporation is incredibly astute and risk averse. It is conservative in the way it plans and rigorous in the way that it goes about it. I hope that opposition members are clear on this and that when they read that document, they do not create unnecessary concern in the community about the fact that tomorrow we might be issuing boiled water notices, because that absolutely will not happen. As Minister for Water I can absolutely guarantee that we are managing the risks identified in that document. Quite frankly, we would be having a completely different conversation if the opposition were accusing us of not doing the due diligence and the board were not identifying those risks. The Water Corporation is in a monopolistic position and needs to apply greater scrutiny to its business than perhaps do other organisations. Therefore, it is entirely right that it goes through that process.

I want to move on because there was discussion about the risk to regional water supplies and we have identified why that fits into an extreme-risk profile. Over the last couple of years we have recognised that there are some concerns and that that risk profile has changed and the Water Corporation is moving to address that. Government investment, and a greater percentage of the Water Corporation's investment, has been directed towards regional spending. In the Warren–Blackwood region we are moving to integrate the water supply scheme. We are linking towns so that if there a single water source fails, that town is not left without a water source. That is about mitigating risk and moving that risk profile to a lower level. We are looking at duplicating the goldfields and the agricultural region pipeline, so an alternative five-kilometre water main is being constructed. We are undertaking remedial work on the Logue Brook and Denmark Dams. We are drilling bores across the state, thanks to royalties for regions and the Department of Water, to investigate new water sources so that we can abandon high-risk or unneeded water sources that we have in the system already. The Water Corporation is in the process of completing the “Water Forever: South West” planning, which is another planning document—one of many from within the organisation—that will continue to work to meet the demand for water in the south west. There is absolutely no need for alarm. The Water Corporation is shifting its capital spend to address the risks that have been identified in this document. As I said to the media over the weekend—I will say it to this house—I am very comfortable talking about all of the issues in this document, because we are an open and accountable government and we are happy to stand by that document, as is the board of the Water Corporation—absolutely. It is absolutely and completely the right thing for the corporation to have created it; it is required to create it. I might add that we also tabled the statement of corporate intent, which explicitly states what we are doing this financial year.

Mr D.A. Templeman interjected.

The SPEAKER: Member for Mandurah, are you with us?

Mr D.A. Templeman: I am indeed.

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Mr Bill Johnston

The SPEAKER: Please, no more interjections.

Ms M.J. DAVIES: This is a lazy motion because the opposition has not done its homework. It has not applied scrutiny to the water portfolio.

Several members interjected.

The SPEAKER: Members!

Dr K.D. Hames: They don't care.

Ms M.J. DAVIES: The opposition does not care; it has never raised it. I have had two questions in this house and some very superficial questions through estimates. The opposition does not care.

Mr M. McGowan interjected.

Ms M.J. DAVIES: No, the opposition leader is lazy and he does not understand the document.

Mr M. McGowan: Are you calling me, as opposition leader, lazy?

Ms M.J. DAVIES: The Leader of the Opposition has just demonstrated his complete —

Several members interjected.

The SPEAKER: Members!

Mr M. McGowan interjected.

The SPEAKER: Leader of the Opposition! Through the Chair, please, minister.

Several members interjected.

Ms M.J. DAVIES: It is a lazy motion.

Several members interjected.

The SPEAKER: Through the Chair!

Mr M. McGowan interjected.

The SPEAKER: Leader of the Opposition!

Ms M.J. DAVIES: The Leader of the Opposition is either lazy or he does not understand, but it is one of the two. He does not understand the document, he does not understand the assumptions behind it and he does not understand the projections —

Several members interjected.

The SPEAKER: Members! Leader of the Opposition!

Ms M.J. DAVIES: I can assure the public of Western Australia that the Water Corporation is doing its due diligence. We as a government have very mature conversations with the board about how we manage the risks it identifies. I am very confident, and the board is confident, that it can meet the risks that it has identified. I can assure this house that we will continue to deliver safe and reliable water sources for Western Australia, because that is the core business of the Water Corporation.

MR V.A. CATANIA (North West Central) [3.57 pm]: I think we should be tabling more of these reports because this is the first time that the opposition has mentioned regional Western Australia.

Several members interjected.

The SPEAKER: I call the members for Albany and Willagee to order for the first time. Member for Armadale, I call you to order for the second time.

Mr V.A. CATANIA: Like I said, it is the first time the opposition has actually mentioned regional Western Australia in probably the last 10 years. Members opposite, I think there is a lot to learn here. Looking at the pressures that regional WA has been under for so many years, finally we are seeing a government with a focus on ensuring that we are growing our communities that put pressure on our regional towns.

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I do not want to hear from you again.

Mr V.A. CATANIA: Opposition members can only joke and joke and joke about regional Western Australia, but the joke is on the opposition, because the level of investment that has occurred, particularly in regional Western Australia, has been huge. I would probably need another two days to talk about the investment that has

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occurred in water across regional Western Australia, but the Treasurer pointed out the investment that has occurred in Onslow to make sure that there is a proper water supply where there has not been one forever and a day—that is, the upgrade of the Cane River bore field. We will ensure that this state can develop by making sure that companies such as Chevron invest in and grow our communities. That is why we need the partnership between the resource sector and government. Many towns have benefited from this government's investment in facilities such as the upgrades to the Carnarvon pump house, the Exmouth water treatment plant and the Coral Bay water supply.

Mr B.J. Grylls interjected.

Mr V.A. CATANIA: This is just a touch of what I know about the minister's caring.

It is a shame that the member for Bassendean is not here to make an argument. Perhaps the Leader of the Opposition is about opportunism and making sure the member for Bassendean is not here.

Mr M. McGowan interjected.

The SPEAKER: Members! Leader of the Opposition, I have given you some leeway.

Mr V.A. CATANIA: Perhaps I have touched a raw nerve.

Several members interjected.

Mr V.A. CATANIA: I think we should table internal issues showing what the Labor Party is the doing at the moment. The opposition has clearly shown its lack of knowledge of and interest in water and its lack of vision and intent for regional Western Australia.

Mr P.B. Watson interjected.

The SPEAKER: Member for Albany, I call you to order now for the second time.

MS R. SAFFIOTI (West Swan) [4.00 pm]: What a contribution from the other side with the member for North West Central talking about opportunism! He was born and bred in Highgate and has sucked up to every factional leader to get preselection but comes in here and accuses the opposition of opportunism.

Mr B.J. Grylls interjected.

Ms R. SAFFIOTI: Give us a break, member for Pilbara!

Several members interjected.

Point of Order

Mr W.J. JOHNSTON: The member for Pilbara is yelling at the member on her feet.

Debate Resumed

Ms R. SAFFIOTI: The Minister for Water has come in here and talked about people being lazy. Which minister tabled a document in Parliament that was never meant to be tabled? She is so not in touch with her portfolio that she tabled the "Strategic Development Plan". I raise another key point. This document was not even approved by the minister. There is a gap in it. It was not approved by the minister; we saw a draft and there is no signature. Uh, oh! The minister did not even look at it. The minister's office tabled the document that was not finally approved because the document says it was not. The draft went to the minister but it was not approved by the minister. There is a gap—just a dot and a space. As I understand government processes, this SDP came up for final approval and members opposite tabled it. They did not even read it and note that there was a gap where it should have included "Approved by the minister".

Ms M.J. Davies interjected.

The SPEAKER: Order, minister!

Ms R. SAFFIOTI: There was nothing there. The minister had her chance and she was useless.

Ms M.J. Davies interjected.

The SPEAKER: Minister for Water, I call you to order for the second time. Member for West Swan, through the Chair, please.

Ms R. SAFFIOTI: The minister had her chance and she did not refer to the key points. First of all, she did not explain why she came to table the SDP. I understand the role of the SDP; it is a medium to long-term forecasting document for government to use internally. It contains a state of corporate intent. These were all introduced with the corporatisation of the government trading enterprises. I understand why they are there. I understand that strategic development plans are not meant to be tabled and that the minister should read them. I have been

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around government. I have read this document and I understand what it says. In Water Corporation language it says, “Danger! Danger!” We never see in writing, “This is terrible! Quick, fix it.” No bureaucracy does that.

Let us go through some of the key facts. I refer the Treasurer and the member for North West Central with his significant contribution and the Minister for Water, who refused to highlight “the Government has cut the capital budget over the last five years”, to page 4 of the SDP. It does not refer to eight years or nine years, but the last five years. Basically in every budget introduced by this government the Water Corporation capital works budget has been cut. The document states further on —

The Government initiated progressive cuts to the capital budget since 2009, rejecting requests for additional capital ...

The Minister for Water was very impressed with the colourful charts in this SDP, which I will refer to in a moment. The document then lists all the projects that have been deferred because the minister and the government cut the budget. It then goes on—the minister was impressed by the colourful chart, so I will refer to the colourful chart at the back, which shows the levels of risk—and highlights the significant risks to regional water supply and the sewerage system. The government wants this document to be just brushed off because it does not actually say “Danger! Danger! It will all collapse.” Of course it does not; that is not done. The minister has come in here and attacked the opposition while showing complete failure of process, first of all by tabling this document and then not addressing the key points. It took the Minister for Energy, the key defender on this issue, 10 minutes to talk about water. For the first 10 minutes he talked about Western Power. I thought we were on last week’s motion for a second.

Several members interjected.

The SPEAKER: Members! I do not want any more interruptions; we have limited time.

Ms R. SAFFIOTI: I will pick up on a couple of key points the Treasurer made. He walked in and said, “There have been no cuts.” He did not refer to the government’s report, which I do not think he has read, even though he should have. He came in here and said that there were no cuts. The government’s report—the one the government tabled—states that there were cuts and deferral of expenditure, year upon year, upon year, which has created significant risks. This is what this government is all about: short-term gain, caring about the media opportunity for tomorrow, deferring key expenditure, being obsessed with the sexy projects and being not keen to address the key projects needed to keep the state running. The government keeps deferring key expenditure on things such as public transport and water to build the sexy things. It is creating a problem for future governments.

Several members interjected.

Ms R. SAFFIOTI: Members opposite had their chance and they failed to provide any defence for cutting, cutting and cutting.

Division

Question put and a division taken, the Acting Speaker (Mr N.W. Morton) casting his vote with the noes, with the following result —

Extract from *Hansard*
[ASSEMBLY — Tuesday, 19 August 2014]
p5467c-5478a

Mr Mark McGowan; Mr Fran Logan; Dr Mike Nahan; Ms Mia Davies; Mr Vincent Catania; Ms Rita Saffioti;
Mr Bill Johnston

Ayes (18)

Ms L.L. Baker
Dr A.D. Buti
Mr R.H. Cook
Ms J.M. Freeman
Mr W.J. Johnston

Mr F.M. Logan
Mr M. McGowan
Ms S.F. McGurk
Mr M.P. Murray
Mr P. Papalia

Mr J.R. Quigley
Ms M.M. Quirk
Mrs M.H. Roberts
Ms R. Saffioti
Mr C.J. Tallentire

Mr P.C. Tinley
Mr P.B. Watson
Mr D.A. Templeman (*Teller*)

Noes (33)

Mr P. Abetz
Mr F.A. Alban
Mr I.C. Blayney
Mr I.M. Britza
Mr T.R. Buswell
Mr G.M. Castrilli
Mr V.A. Catania
Ms M.J. Davies
Mr J.H.D. Day

Ms W.M. Duncan
Ms E. Evangel
Mr J.M. Francis
Mrs G.J. Godfrey
Mr B.J. Grylls
Dr K.D. Hames
Mr C.D. Hatton
Mr A.P. Jacob
Dr G.G. Jacobs

Mr R.F. Johnson
Mr S.K. L'Estrange
Mr R.S. Love
Mr W.R. Marmion
Mr J.E. McGrath
Mr P.T. Miles
Ms A.R. Mitchell
Mr N.W. Morton
Dr M.D. Nahan

Mr D.C. Nalder
Mr J. Norberger
Mr D.T. Redman
Mr M.H. Taylor
Mr T.K. Waldron
Mr A. Krsticevic (*Teller*)

Pairs

Mr B.S. Wyatt
Mr D.J. Kelly
Ms J. Farrer

Mr M.J. Cowper
Mrs L.M. Harvey
Mr A.J. Simpson

Question thus negatived.