

ESTIMATES OF REVENUE AND EXPENDITURE

Consideration of Tabled Papers

Resumed from 14 June on the following motion moved by Hon Simon O'Brien (Minister for Finance) —

That pursuant to standing order 68(1), the Legislative Council takes note of tabled papers 4536A–F (budget papers 2012–13) laid upon the table of the house on Thursday, 17 May 2012.

HON MAX TRENORDEN (Agricultural) [3.25 pm]: I have several matters I wish to raise in my contribution to this debate, both of which highlight what I consider to be serious deficiencies in the budget. The first is the development of the midwest region. Hon Philip Gardiner and I have spent a lot of time going around the companies involved in the midwest region, local government bodies, a range of other community groups and government agencies. Recently we spoke with Oakajee Port and Rail and only a few days ago we received a very good briefing from OPR. People have been watching OPR with a fair bit of interest, and even Hon Matt Benson-Lidholm mentioned OPR in another address last week. As we go around the midwest, there is a lot of cynicism about whether or not the OPR project will happen. OPR has been very good to Hon Philip Gardiner and I, and we have had a number of briefings over the years. It has been pretty clear that since Mitsubishi has taken full control and Murchison Metals Ltd dropped out of the process the deal has become significantly focussed. OPR is a funding arrangement that allows the Oakajee port to start and for a rail arrangement, heading off to Jack Hills and Mt Weld, which was in today's *The West Australian* with Sinosteel Midwest Corporation talking about environmental approvals for that development that were apparently announced extremely recently. Mitsubishi has spent a great deal of money on that proposal. I would guesstimate somewhere in excess of \$600 million. With Sinosteel sitting close by there is a lot of talk that there will be some sort of agreement between Sinosteel or some other arrangement with the Chinese and Mitsubishi. However, in reality, it does not really matter, because if Oakajee is going to be developed, OPR will start that process. OPR has the authority of the state to move on that. I might add—this is not a political statement—that it was before the life of this government and was back in Labor's time when much of that was put together. A lot of the argument we received as we go around —

Hon Ken Travers: It was substantially changed without due process after your government was elected, though.

Hon MAX TRENORDEN: It has been changed again recently.

Hon Ken Travers interjected.

Hon MAX TRENORDEN: There is agreement; there is no time line; however, there is no point arguing about it. The point I want to make is that there is a lot of debate up there about the sort of infrastructure requirements for Oakajee and the rail line and other infrastructure that supports Oakajee. Some of those miners have said to Hon Philip Gardiner and me that it is a Rolls Royce, gold-plated service. The reality is, if they are going to start on Oakajee, it will need to be in place and operating, at a guess, for 150 years. It will certainly be a long time. If they are going to put infrastructure in that will last that period of time, it cannot be done on the cheap. The infrastructure needs to be of a status that will carry the economic development of the midwest into the distant future—not the mid-future. So the rail, the port and the type of groyne and the activity around the port all have to be up to scratch so it can withstand the ravages of time, such as the natural disasters we have seen recently right around Australia and in Japan, as the unforeseen can come quickly. These facilities have to be able to withstand all of that plus the wear and tear of running an industry over a long time.

To get the tonnages for Oakajee Port and Rail, Mt Weld and Jack Hills have been key mines in increasing the tonnages to about 40 000 tonnes a year —

Hon Philip Gardiner: Forty million.

Hon MAX TRENORDEN: Forty million tonnes; yes, it is not a wheelbarrow. Those 40 million tonnes are required to make Oakajee a viable and necessary operation.

Hon Philip Gardiner and I have spent a lot of time looking at what is below Mullewa. The reason I want to mention that is that that is outside the parameters of OPR.

Hon Ken Travers: It wasn't for the first three years of your government because of the exclusivity agreement signed by your government. You couldn't develop the southern rail line because of an exclusivity agreement given by your government.

Hon MAX TRENORDEN: The member has no idea what I am going to talk about. That is not what I am going to talk about. He has no idea what I am going to raise. We can rattle around those issues. As the member knows, I like a few interjections and I love getting into a speech, and that would probably fire up my day and make my day a bit more —

Hon Ken Travers: I'm trying to help you make your day.

Hon MAX TRENORDEN: Exactly. I am very, very appreciative.

The PRESIDENT: Order! Hon Max Trenorden has been around long enough to make his own speech, I am sure.

Hon MAX TRENORDEN: Thank you, Mr President.

The concern we have is the planning aspects—this is when I will almost agree with Hon Ken Travers. The planning aspects below Mullewa are absent; there are no planning aspects below Mullewa, and that is really important. If we look at the opportunities with the Yilgarn mining groups and the midwest mining groups, and the activity of Karara and Extension Hill, both of which are currently operating mines that are not in the OPR area, we can see that they need to be included in the plans of Oakajee.

The railway line that runs out of Mullewa towards the port has been upgraded, but it needs to be reconfigured. The people to whom we speak say that that is a provisional line. It is not of the standard necessary to operate for the full life of those mines. Our interest is in seeking to get a corridor going east from Mullewa to meet up with the great northern line that finishes around Leonora. We would then have a line that goes from Oakajee to Esperance, or Oakajee to Albany, or Oakajee to Bunbury, or Oakajee to Fremantle. All those lines would be connected. The opportunity is there; in fact, it is necessary. If we are going to look to the development of the state, those sorts of connections are absolutely crucial. If we are to have those connections, the first thing that must be put in place is planning, and there is no planning currently. Let us look at the Yilgarn group of potential mines. If we want to develop those mines, the most important thing is infrastructure and for the state to get involved in the provision of that infrastructure.

We hear a lot about the state economy in the mining industry and the demand for resources. However, I want members to cast their minds back to a bit of recent history of iron ore. In 2004, the price of iron ore was \$14 a tonne. It rose to about \$80 a tonne. When the global financial crisis hit us, it was about \$55 a tonne. It peaked at \$190 a tonne, and it is now back at about \$130 a tonne. So the price of iron ore has varied significantly in a relatively short time. I guess that will always be the case with resources and export markets.

If we want that area developed—I presume that most people in this room would want that area developed—we have to think about developing a plan. In 2009, Economic Consulting Services did a report on the midwest region. It said that the area could create 1 360 jobs during the construction phase; 4 254 direct jobs in the region for at least 25 years; and in excess of 12 000 direct and indirect jobs throughout Western Australia. The report estimated that the region would bring \$1.5 billion a year to gross state product and contribute \$7 billion and \$3.5 billion in project royalties to the federal and state governments respectively over the life of the project. Those figures go back to 2009. I guess that is relatively recently, but it is still not recent. The development of Oakajee and the development of that area are absolutely critical. I am confident—I cannot speak for everyone else in the chamber, but I am sure that Hon Philip Gardiner is as confident as I am—that we will see that start. Once it starts, we will need to think about the area south of Oakajee and east of Mullewa, out into the eastern parts of that mineralised area. It needs rail, it needs power, it needs some consideration of roads and it needs consideration of water. Those things will not happen without planning. A rail corridor going across from somewhere about Mullewa is absolutely essential, because once Oakajee gets going, those mines in the Yilgarn area will be keener to export from Oakajee than from Esperance. We have Hon Wendy Duncan in this chamber. Unfortunately, Esperance has the line right through the middle of the town, and of course there are some sensitivities in Esperance about what should and what should not go out of that port. However, there will be no such sensitivities in the port of Oakajee, because it will be surrounded by an industrial area.

Hon Ken Travers: And you will have to upgrade Esperance port first, which has been delayed.

Hon MAX TRENORDEN: The point I am making, Hon Ken Travers, is that there is a lot that we have to upgrade in this state. I do not hear the Labor Party talking about a corridor east of Mullewa. I do not hear Hon Ken Travers talking about that.

Hon Ken Travers: You obviously haven't listened because I've raised it in this house before.

The PRESIDENT: Order, members!

Hon MAX TRENORDEN: It must have been a fleeting moment.

The PRESIDENT: Let us do without the interjections and the audible conversations in the chamber.

Hon MAX TRENORDEN: It is critical that planning start. It should have started before now. The planning stage is required, and the requirement of planning is to take some time. The point of planning is to do things properly and to bring in all the considerations, and also to locate sources of water that are not in the Yarragadee aquifer. I am told by some of the mining companies, and when Hon Wendy Duncan and I attended the Cue

Parliament quite a few miners pointed out to me, that there are adequate sources of water in the eastern part of the Yilgarn area that the Department of Water has not investigated. If we want these areas to work properly, it is critical that there is no competition for water between the agricultural industry and those involved in the development of residential and commercial activities on the coast. A few weeks ago, the Department of Water estimated that there is an excess capacity of 300 gigalitres of water that should be used before we start looking elsewhere for water. I violently disagree with that. If we are looking at supplying water for mining activities, we should not be looking at the same source that in 10, 15 or 50 years may be required for agriculture, and commercial and residential activity; we should be looking for that water source right now.

I was not intending to talk about one of my other favourite topics, but a lot of people are saying that the next boom of the world is food, and not just food but quality food. Food does not equal agriculture. We need agriculture, but we will not develop food unless we have water in plentiful amounts. Agriculture, unfortunately, does not equal food; agriculture is not food. Food is a process beyond agriculture, which we basically do not do well in this nation. If we want to get involved in a debate over agriculture equals food, equals some future boom, we need to change our ways. When I was in Malaysia last year, I was asked by a senior person in Malaysia, “What right does Australia have to deny Asia food?” That is a fair question. It was straight after the beef debacle in Indonesia. The person said to me, “If you’re going to deny beef, what else are you going to deny?” If there is going to be a future in food, we are going to have to sharpen up.

I want to get back to what I was talking about, which was the development of the midwest. The competition in water is a critical issue and needs to be sorted out. The other issue that makes my head spin is power. A 330-kilovolt line from Pinjar to Eneabba was recently built. The projections that Hon Philip Gardiner and I obtained as we went around the mines showed that the total power usage of those mines, if all their dreams or projections are included, will be 16 000 megawatts. There will not be 16 000 megawatts, obviously, but conceivably it could reasonably be 4 000. Where will that generation of 4 000 megawatts come from? It will not sensibly come out of Collie. If we are to develop power, it has to be developed in the region. If we think about it, 4 000 megawatts is not that far off the 6 000 megawatts that the south west interconnected system currently produces, including for Perth. We are almost duplicating the current SWIS. If we are to duplicate the current SWIS, we will need a significant amount of infrastructure. I would argue very strongly that we will need local generation—that is, generation in the midwest—for not only security reasons, but also viable production of power and costs. I can see the Minister for Energy looking at me. I must admit that he has been very good to me over time and has suggested that I can get involved in some of these discussions with his office as time goes by. I am concerned about what we are actually doing about that.

Hon Philip Gardiner, the Speaker and I were at meetings about fracking in Dongara and Eneabba during the week. Fracking is not the only way we are going to get gas. Two pipelines going through that area could supply gas. There are very small coalfields up there that could supply gas. There are three geothermal companies that would desperately like to get into developing geothermal energy in that area. A range of people, including the state, are getting involved in solar energy. The state has already given out \$10 million or \$20 million for solar. Was it \$20 million, minister?

Hon Peter Collier: It was \$20 million.

Hon MAX TRENORDEN: It has given \$20 million for solar in the region. We are experiencing a significant growth in wind power in the region. People are also talking about biomass and a raft of other possible generation sources. One which is not on the table of the moment but which I looked at when I went overseas several years ago is marine power. Carnegie Wave Energy is working away in Fremantle with its adaptation of wave power, and other substantial companies in the world are generating wave power now, even though it is early days for that technology.

Hon Jim Chown: What is the cheapest form of energy?

Hon MAX TRENORDEN: That is the question. That is the argument we have had in the house for a long time.

I was just reading at lunchtime in *The Australian* that Minister Ferguson says that coal will be supreme some time. This is his own admission. Why is coal going to be supreme for some time? The answer is cost. The world is really concerned about the global financial crisis. There are also issues in Europe at the moment that concern the average individual. The people out there complaining about the Western Power bills do not want those bills to go up. If we are going to go to geothermal power or wind power or biomass or whatever it may be, it all requires capital. That capital investment has to be refunded to the people who expend it. Again the issue of energy is just so critical for the development of the midwest.

There are fantastic opportunities. No-one is going to say that the development of that energy in that area is not possible, but I personally think—this is an issue that I and Hon Philip Gardiner have been pushing for some time—that it is time to think about a closed grid around the midwest—to do a photocopy of the SWIS. The

advantages of that would be that it would be brand-new infrastructure and brand-new generation. It would have cost —

Hon Kate Doust: Would you let Western Power run it?

Hon MAX TRENORDEN: Luckily we have competition, do we not? It could be Horizon Power or somebody else. That is a debate for another time and another place, Hon Kate Doust. Western Power might be the operator. I am hopeful, like most people in this room, that we will see a dramatic improvement in Western Power, and that it will be a strong agency and go off and do these things for us. That is right on the border where Horizon Power also operates. Horizon Power could be the operator, or it could be some other entity in the world that wins the contract. The advantage of a brand-new closed circuit up there is that it will be modern infrastructure for a modern, brand-new economic region of the state. It is hard to see that happening, but if we do not plan for that, I suggest we will just be shaking our heads and wondering why, when we run a pipeline from Collie to Geraldton, that causes problems and has a lot of wastage on the way and why it adds significantly to the cost of operators.

Personally, I would like to see some of the more proven processes. I went to Germany a couple of years ago and saw geothermal energy in operation. I am sure that if the companies around Dongara can prove they have prospective ground there, geothermal power will be one of the solutions. Companies such as New World Energy and Green Rock Energy say that they can produce 100 megawatts of baseload power from geothermal energy alone. If they do that, their capital would have to be repaid.

Our argument is that the mines currently are speaking about having to put their own capital into their own, probably diesel, generation at their mines. If we could do a deal whereby they could purchase from another provider at higher than the average cost per unit but would not have to put their own capital in, it would actually be cheaper for those mines to operate. That sort of planning is not evident at the moment. I am very keen to talk to the Minister for Energy and others. Firstly we should be starting the planning in the midwest. None of this will happen without appropriate planning. There has to be a vision of linking the railway line. There needs to be a corridor from somewhere around Mullewa east to join up with the great northern railway line to make sure that linkage works, not just for the mines but for the whole state. I would have thought that was pretty simple and one would not have to be a Rhodes Scholar to work that out. But apparently it is not on the agenda.

Hon Phil Gardiner and I have spoken to operators who are prepared to put a lot of capital into these areas. What has happened in Queensland in recent times is very similar to what we are talking about in the midwest. New railway lines have been put down in Queensland, new operating arrangements have been put down in Queensland, and new shipping arrangements with ports have been put down in Queensland. So there are places from which we can learn just how to do this properly. I am hoping that we will get some action out of the state government. I know that the Premier is pretty hot and keen on OPR. But there is a big void physically below the operations of OPR, because in the Mullewa south area there is no planning at all, except for the City of Geraldton, which has been quite interested in developing these arguments—to its credit—and also the Mid West Chamber of Commerce and Industry and others up there, who have been talking about these matters for a while. There has certainly been no planning by the state government.

I will now get off that issue and get onto one of my other red-hot favourite issues. This is one of the issues that astounds me. I have been a member of this Parliament since 1986 and I just do not understand how this works. When I was at estimates last week I found out that shared services has cost us \$560 million. Are we worried about that? Apparently not—apparently we are not worried about that at all. It is only \$560 million. That is all. If we add to that TRELIS, CADCOM, and the Department of Health —

Hon Jim Chown: Whose idea was it?

Hon MAX TRENORDEN: We could get into that argument as well. If we add those others on top of that, north of \$1 billion has been blown on information technology. Do we see this state government concerned about that? Do we see the previous administration concerned about that? No, we do not. Do we see any debate about what we are going to do about making sure that the next IT procurement is done properly and is managed properly? There is absolute silence about that. And, to pick on us, have we seen this chamber do anything about it? I guess people could say: have we seen Max Trenorden do anything about it? I would not mind getting my little committee onto this, but we have a few issues on our plate already, and I will probably be gone before we can start worrying about IT procurement. But \$560 million of shared services has been blown.

I now want to give members a few quotes from the *Hansard* of Wednesday, 29 November 2006. The debate stars that very well known, outstanding politician Max Trenorden. The debate was about the procurement and shared corporate services reforms. The key speaker was the then Treasurer, Hon Eric Ripper, the person who was responsible for the introduction of shared services. Hon Eric Ripper said during that debate —

It is worth noting that the 2004–05 report was subsequently closely scrutinised by the Auditor General in his performance review of the procurement reform program. ... In his review the Auditor General

found that the estimated savings attributed to the procurement reform were reasonable, and indeed conservative in some instances.

Why have we not had a chat to the Auditor General about that? The Auditor General was a key individual with the Under Treasurer in the introduction of shared services. So that would be a worthwhile thing to do, I would have thought. Even if we were not going to pick on what went wrong with shared services, it might be worthwhile asking the question: what are we doing now? What is the plan now? If any members are aware of a current plan, they are miles in front of me, because I know nothing about a current plan for how we could get involved in the procurement of IT. In fact, I went to see the Auditor General and the Under Treasurer a couple of years ago, having read what the previous Labor administration in New South Wales put in its plan, and I thought that was a reasonable plan for how we could introduce IT into this state without losing hundreds of millions of dollars—in fact, north of \$1 billion in this state. We would think we would have a plan. But, if there is a plan, I do not know anything about it—and this is the house of review.

To keep quoting Hon Eric Ripper —

From a financial perspective, the procurement reform program remains broadly on track in terms of its savings targets and budget. Direct savings for 2005–06 are estimated at more than \$90 million.

That might have been the estimate, but that \$90 million never turned up. He goes on further —

Indirect savings and efficiency benefits valued at more than \$17 million have also been quantified.

They might have been quantified by someone, but they did not turn up; they never occurred. He goes on —

... these efficiency benefits have now been reviewed by the Office of the Auditor General and two major consultancy firms, and have been found to be appropriate and typically conservative.

Well, \$560 million later, just how appropriate were they? To quote further —

This means that since 2003–04 quantifiable benefits valued at around \$167 million have been achieved across the general government from procurement reforms.

I would like to see where that \$167 million is, because it never turned up. To quote again —

The original business solution and implementation plan endorsed by cabinet in December 2003 aimed for cumulative targeted savings of \$150 million by the end of 2005–06 and a planned savings harvest —

Harvest! —

of \$130 million. These were subsequently revised upwards to a three-year cumulative savings target in the range of \$165 million to \$180 million, and a cumulative harvest over the same period of \$143 million.

These are large sums of money that never, ever came to be.

I am actually not one of those people who like to say that we should be shooting people for past mistakes. But I would like to know whether someone has looked at what mistakes were made in the past and whether there is a plan for what to do currently and in the future. These pages of *Hansard* go on to show where millions of dollars were highlighted to come to the state, but they never, ever did. To quote Hon Eric Ripper again —

My final comment on the procurement reform is that at the outset of this initiative some people were forecasting doom and gloom.

Guess who those people were! One of them was me. I was arguing very strongly in this chamber against shared services and the Oracle program. Hon Eric Ripper then went on —

Those concerns have clearly not come to fruition.

Well, they have, unfortunately—we have had \$560 million of shared services disaster. He then goes on to talk about how small companies have not been locked out, and the like.

We purchased a system called Oracle, which we were told would run all these services. I will now quote to the house what I was told at the time and what I told the house about Oracle. I said at the time —

Those representatives told me and the government that the Oracle business program would not work for this process. The government was told by a number of senior people in Western Australia that the Oracle business system would not do the task. ... The Treasurer's statement indicates that \$68 million has been put towards that system, but it will not work.

They were my words at the time. Now that I have been here for a few years, I could say, "I told you so." That is not the point. If I could work out that Oracle was not going to work after speaking to a range of people involved

in the industry across the state, why could the state not work out that Oracle would not work? Why did we have to blow an obscene amount of money? We have had debates in this chamber about a lot less money than \$560 million. I went on —

In other words the Oracle business system will not fit the bill and it will continue to not fit the bill. The Treasurer will have egg on his face when it is found that his much-vaunted attempt to save this system will not work because the technology that his team put in place is faulty. There is a desperate need to have the Oracle system tested by a third party to ascertain whether it will deliver or be like CADCOM, which resulted in the waste of millions of dollars over many budgets to try to get it to work.

That is precisely what has happened. I have only picked on TRELIS, CADCOM and the health system but there are other glaring examples. Back in my time, before shared services and CADCOM came along, the Department of Agriculture and Food also had a debacle when putting an IT program into its agency. I cannot remember how much money that cost. If we go back and look at it, it started in the days of—Hon Ken Travers might help me here—the Department of Computing and Information Technology, back in the Labor days, when there was going to be centralised processing for the procurement of IT. That idea did not work so it was disbanded. We then left it to agencies to do their own thing. The agencies were overseen by a subcommittee of officers from the Office of the Auditor General and from Treasury to see whether the provision of these IT services were of use to the state. That has failed. It has not just failed once but three times. It adds up.

I say it again: why are we not concerned about blowing \$1 billion? Not only that, in the case of TRELIS, why are people still ringing up and complaining about their bills and the fact that the locations are wrong? It is five years since TRELIS has been in place. It is still not running smoothly. It might be running mostly okay.

I have not heard about CADCOM, the police system, for some time. We read in the paper that if police cars follow a particular vehicle, the police can lock onto that numberplate and obtain details about the owner quickly through their communications. Maybe CADCOM has sorted out its teething problems and is now working. That cost at least \$100 million more than the projected design cost. How did we do this? Out in private enterprise corporations are buying and putting IT programs in place on a constant basis. We do not hear about shareholders of those corporations getting really upset because the corporation has lost \$560 million from a computer program. I presume it does not happen, or rarely happens. There are some places in banking institutions where information on banking deposits and credit card transactions goes astray from time to time. I understand that that is a security issue more than anything else.

What is the plan? If someone is going to replicate shared services from now on, what is the plan? I do not know about any plan. I am not at all sure that I would want to trust the Auditor General or the Under Treasurer. It is not that I dislike any of those individuals; in fact, I have a bit of time for Mr Marney. I think Western Australian Treasury has a good record in developing proper accounts and running the state efficiently. That is not the question. The question is: what do we do about the procurement of IT? That matter is very much up in the air as far as I am concerned. It just amazes me that those of us in this chamber and in the other chamber do not seem to be concerned about it. I repeat: when this government was newly formed, I saw both the Auditor General and the Under Treasurer and suggested that one of the committees of this chamber look at putting together a program, though not to look at who is at fault because we always love talking about who is at fault. The whole point of looking at the past is so that we can judge where we are going in the future. I would have liked a committee of this chamber to get involved and look at what is the best program and whether the program put into New South Wales a couple of years ago is workable. I will not speak about that program. Both the Auditor General and the Under Treasurer resisted that point of view, as did the Premier. That came to nothing. I still ask the question: where is the IT plan?

Before I sit down, I refer to a magazine that I found on my desk this morning put out by the Australasian Convenience and Petroleum Marketers Association. It includes an article on the availability of liquefied petroleum gas as a transport fuel in Australia. That is another area where we are short on planning. We would think the federal government would have a really strong attitude to LPG. Those members who follow energy with a bit of interest will know that America has been a net importer of energy since 1957 until fracking came in. It is now an exporter of energy. The Americans are very heavily using LPG and natural gas for transport, particularly trucks and the like. They have an interest in the security of the United States as against the cost of that fuel. Their prime interest is ensuring there is an alternative fuel source if one of those crashes that we read about from time to time occurred and we were unable to get gas, petrol and diesel from the states. As everyone in this state is aware, we are an importer of petroleum products, not an exporter, but we do have plenty of LPG. I was pleased to read this article. It points out that the efficiency of LPG is 70 per cent of diesel and petrol. That is a manageable amount. It means that LPG can be carried by vehicles, it can be efficiently burnt by vehicles and the emission of those vehicles will be somewhere between seven and 15 per cent better than diesel or petrol. It really does need the federal government to do this. Do we see the federal government trying to move Australia towards security in transport fuels, and getting Mr and Mrs Jones into LPG vehicles so that fuel is contained

within our own nation and the infrastructure is within our own nation? No, we do not. I was pleased to see this article. I hope that somewhere along the line those people who think about planning for the future of this nation will think about using LPG for transport.

HON MATT BENSON-LIDHOLM (Agricultural) [4.10 pm]: I welcome the opportunity this afternoon to make my contribution to the motion that the Legislative Council notes the 2012–13 budget papers.

I start by acknowledging the excellent contributions of my own opposition colleagues thus far. Hon Ken Travers, as always, presented a very thorough analysis of this year's budget and I have drawn on some of those comments. I do not expect rapturous applause, honourable member, but the contribution Hon Ken Travers made was thorough, to the point, and it certainly captured the opposition's point of view on a number of issues, which I intend to pursue. I also acknowledge the contributions of Hon Jon Ford, Hon Linda Savage and Hon Helen Bullock.

I will make mention of some of the comments that Hon Max Trenorden just made. Like Hon Max Trenorden, I am a big fan of Geraldton and the midwest, or at least the future of that area and the possibility for it to make significant contributions to the Western Australian economy. My speech today is all about infrastructure; it is about physical infrastructure and also social infrastructure. I lead into my contribution today by saying that all too often social infrastructure in our society plays second fiddle, I suppose understandably in some respects, to physical infrastructure. However, what Hon Max Trenorden said about Geraldton and the midwest struck a chord with me. He mentioned Oakajee and the work that he and Hon Phil Gardiner have done. I commend them for doing that sort of work; I have done exactly the same. Hon Max Trenorden suggested that there is some cynicism around the future of Oakajee. I think he is right; there are certainly big issues associated with getting Oakajee off the ground. I will talk more about that in a while. Hon Max Trenorden mentioned something about the poor planning thus far, and I think again he is right. He indicated that Oakajee offers much; however, thus far without the requisite infrastructure, not much will be delivered without big changes. The point that the honourable member made was that the potential is enormous; however, I will speak more about that in a while.

Hon Max Trenorden also mentioned the south west interconnected system. Although I agree with a lot of things that the honourable member said, I think we could take the energy generation potential of the midwest significantly further. I know from discussions with the honourable member that he has this idea that we need a closed grid around the midwest. I think that has a lot of potential. I will make mention of Greenough River Solar Farm, which will provide solar energy for some 3 000 households. That is terrific in situ, but the point that I will make a little later—this possibly gets back to the planning issue—is that if stage 2 of the 330-kilovolt powerline all the way through to Moonyoonooka, Geraldton is to be advanced, that will give this area the capacity to deliver into the SWIS. I say that because, as I think Hon Max Trenorden mentioned, solar, wind and geothermal power supplies out of that area very much can contribute to the energy security of the entire south west of Western Australia. Although I do not necessarily disagree that in situ proposals of the sort that he mentioned need to be advanced, and they are currently being advanced, one of the main reasons that they are going ahead is that will not be possible until at least 2018 at the earliest. Therefore, all the enormous energy prospects that exist in Geraldton and the midwest will be lost to the rest of the state, but that is not to say, of course, that they cannot be utilised locally.

The contributions, particularly from a number of government members, have been quite predictable, with the litany of expenditure commitments to be expected. It was rather like listening to the Minister for Energy's training comments in last week's non-government business motion. However, I am still to be convinced of the government's strategic direction, especially on these big-picture issues that I talk about in relation to physical infrastructure. Areas such as the Pilbara, the midwest, the Agricultural Region, the Kimberley and the goldfields, where I believe big-picture items need to be looked at, represent enormous opportunities for this state to go so much further. Out of those regions, I will now talk about the region that I represent—that is, the Agricultural Region—and my special impressions of this budget.

Having talked about the litany of points that the energy minister came up with last week, I will now go through a litany of points about the issues that I have with this budget. I will not necessarily talk about these at length, because I will talk about the more important ones a little later. Extending from this year's budget papers are issues that pertain to, for instance, Oakajee, that need to be addressed. The budget papers, I believe, do not deal sufficiently with these issues. I already mentioned the second stage of the 330-kilovolt powerline project from Eneabba to Geraldton. Tier 3 railway line retention is another significant issue. I know the two honourable members that I talked about have been very active in that area as well. There are the utilities price rises, local government reform and a significant tourism downturn that I think this budget needs to look at further. Skilled labour shortages, housing construction, rental prices, house prices, small business viability and the future fund also need significant investigation. There are Aboriginal health and welfare issues that this budget could spend more time looking at. There are emerging issues in education, particularly the government's hesitancy about Gonski. Jobs in the manufacturing sector, certainly in Geraldton and the midwest, is a big issue, as are youth

unemployment rates. But I think the killer issue of them all has to be the significantly increased levels of state debt. That is a fairly comprehensive list of issues that this year's budget has failed to address significantly. These issues impact very heavily on the daily lives of people living in regional, rural and remote parts of the state. Remember that this is where the bulk of the state's, if not the nation's, wealth is currently generated—that is, the non-metropolitan areas. Therefore, the plight of the bush should be of great concern to all of us. Given the issues that I have mentioned already, it is hard to imagine the Barnett government turning things around—certainly not in the next 12 months.

There are some questions that this house needs to ponder. What if the Chinese slowdown continues or even accelerates? That seems like a bit of a contradiction, I know, but that certainly is a significant problem that could confront this government, if not the entire country. What if Europe disintegrates further into economic chaos? Again on state debt, state debt levels are heading into the stratosphere and we have a false budget surplus. Hon Ken Travers made that point. How long can we sustain our current credit rating if the global economy starts to spiral downwards? What happens if we are forced to endure a credit rating downgrade? Our state's economy is based more and more on mining. The question then is: what is the state government doing to restore any semblance of a manufacturing industry? There are enormous problems in Kwinana and indeed in the midwest. How we can return to a diversified economy or whether we will just stay one of the world's biggest quarries are questions that stem from those issues. These areas like Kwinana and the midwest should be jewels in the crown of a diversified and modern productive economy, but I fear, as we go down this pathway of digging more holes in the ground and sending mineral ores to China, Japan and South-East Asia, that all that these areas represent will be lost opportunities.

Another significant issue, as far as I am concerned, is bankruptcy and business closures, or firms operating on skeleton staff, which is increasingly common. We are told that the solution lies partially in a future fund, but that will be paid for by borrowed money. How can borrowed money to have a future fund be good for Western Australians? Money is borrowed and what happens? It costs money and it has to be paid back. What is the gain? I, for the life of me, cannot see an enormous future in that. We borrow the money and we get less back in the future; it just does not make sense. What is the solution to the big debt and the diversification problem that we now confront? We certainly need to reduce debt. We need a better deal from Canberra; no-one would argue with that. But there is no point in blaming Julia Gillard, or John Howard for that matter—governments need to get active. We need to invest in physical and social infrastructure that pays—that was my introductory point—in everything from Oakajee to renewable and non-renewable electricity sources, to transport infrastructure, but especially in education and training. We also need to invest in Aboriginal health and welfare issues. One of the issues I had last week with the non-government business motion was the fact that there appears to be little or no long-term strategic direction associated with Aboriginal education and training in this state.

I now turn my attention specifically to what I consider to be the big issues in the 2012–13 state budget and the statewide nature of these issues. As I have indicated before, the single most significant issue facing the state of Western Australia and its citizens is the rapidly escalating electricity tariffs. No-one is spared the pain of these increases. Since the Barnett government took power, electricity prices have skyrocketed some 62 per cent. The former Treasurer has taken pity on us all and slowed down the immediate cost impost slug by a whopping 3.5 per cent, but he reminds us in the budget papers that cost reflectivity will still necessitate a further 25 per cent cost increase in the near future. That is not a consumer price index rise, but a real cost increase of a further 25 per cent. There are real rises to come and, for the life of me, the people who contacted my electorate office will find their payments nigh on impossible to achieve. Then this government went arguing to the Industrial Relations Commission for a restraint in minimum wage rises. The question then is: why not tell the people that the government will also do its bit and forgo dividend increases to the various utilities it draws income from? The reason is that that will not happen. Is there a way forward? Can we stop the rot or at least slow down the rate of increase in electricity costs? My answer to that is, yes, and the midwest is the reason we can address that cost issue. I have already alluded to this in my discussions about Hon Max Trenorden's contribution today. It is important to understand the drivers of electricity price rises in WA and indeed across Australia. There are basically two reasons. Firstly, there are network costs, including things like replacement of ageing network assets, increased demand services, improvements to network reliability, and particularly the edge and end of grid sites and the escalation of costs of operation. Secondly, and this is the area I particularly want to focus on, there is the introduction and development of statewide and national schemes that encourage the development of renewable energy sources and the inevitable reduction of greenhouse gas emissions stemming from conventional generation of electricity. The questions then for the minister and the government are obvious: How do we ease pressure on prices given those sorts of situations? How do we stop the escalation? Remember, we are supposed to have another 25 per cent increase to produce or to give us some sort of cost reflectivity. I believe the solution, or at least part of the solution again lies, and can be found, in the state's midwest. I will discuss this point later in my speech, but certainly in relation to a big-picture issue, the escalation of electricity prices is most significant.

I now want to focus on the budget bottom line—that is, what has been referred to as an underwhelming surplus of \$196 million. That is associated with state debt, which is set to increase from \$15.16 billion this financial year to \$18.54 billion in 2012–13 and to hit \$23.156 billion some time in 2014–15. That will represent something like a \$20 billion increase in state debt over and above that left by the Gallop and Carpenter governments. At the end of the 2008 financial year, I think the figure was in the order of \$3.6 billion. That debt is part of every Western Australian's existence; everyone here is making enormous contributions by way of that particular debt. This is a legacy that Western Australians should not have to endure. Something like \$16 million more debt is added to this state's bottom line a day. We need to ask: with such debt hanging over our heads, what happens when, or if, China slows down? The decreasing demand for steel in the United States and in First World European economies will impact markedly on Australia, and particularly Western Australia, and then what will we have to show and what will be our bottom line? More debt. What happens then to a future fund, particularly given, as I have indicated already, that it is built on borrowed money? The answer will be obvious. We either abandon the future fund or slow it down to a trickle—the alternative is to continue to pile up more and more debt; we just keep borrowing. Maybe there is a hidden privatisation agenda here. One often wonders how much more Serco can run in this state. Whatever the government decides to do, we would have to think that in this day and age, privatisation would not deliver much. Who would want to buy into such assets in a state that is heading in the direction of more and more debt? Maybe the former Treasurer said it all when he suggested in his post-budget speech that the best way to spend this money is not to spend it at all. It is a pity he did not spend a little less himself and avoid the massive debt trap that he appears to have delivered.

I now turn my attention specifically to the Agricultural Region and to some of the issues I mentioned at the outset of my speech. I am particularly keen to place on record my thoughts on a number of different issues. I have mentioned the 330-kilovolt powerline and I certainly want to have a look at the drawn-out funding and construction of stage 2 of the Eneabba to Geraldton line. I want to talk about tier 3 grain freight railway lines, utilities dividends, regional road funding and indeed Oakajee. Pivotal to the success of the economic development of the midwest and Oakajee is the provision of an improved and substantial energy system; and obviously I have alluded to this already. It is reassuring to see stage 1 of the midwest energy project about to be built from Perth to Eneabba, and payment for the works between Eneabba and Three Springs has already been made by Karara. But stage 2 to Geraldton, originally funded and committed to by Labor in 2008, is still a waiting game and there is nothing in the forward estimates. Stage 1 without stage 2 sells the state and the midwest short, despite the comments made by Hon Max Trenorden.

Debate interrupted, pursuant to standing orders.

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