

## **ESTIMATES OF REVENUE AND EXPENDITURE**

### *Consideration of Tabled Papers*

Resumed from 12 September on the following motion moved by Hon Stephen Dawson (Minister for Environment) —

That pursuant to standing order 69(1), the Legislative Council take note of tabled papers 469A–D (budget papers 2017–18) laid upon the table of the house on Thursday, 7 September 2017.

**HON TJORN SIBMA (North Metropolitan)** [3.09 pm]: It gives me some pleasure to rise to speak to the budget. I do not think I will take as long as my esteemed colleague Hon Dr Steve Thomas, but I want to make some comments and observations and raise some matters of concern. However, it is certainly not my intention to detain the house any longer than absolutely necessary.

At the outset, however, I want to articulate my personal approach to assessing this budget. I bring this up due only to the speculation inherent in the Treasurer’s speech about how the opposition and the crossbench may respond to the budget. I say quite clearly that the Liberal opposition and I are taking a measured and responsible approach to evaluating this budget. We will be scrutinising all proposed measures—both the revenue and the expenditure measures—very closely because that is what we are paid to do. That is our job and that is what the public expects. We will not be taking the government’s words and claims at face value. I think over the last three and a half or four months on repeated occasions it has become an established fact that we cannot take for gospel the answers that the government provides to questions. It is true. More to the point, it is obvious that this government has broken a number of key election promises, so we have extra motivation to scrutinise this budget in detail.

**Hon Alanna Clohesy** interjected.

**HON TJORN SIBMA:** Yes, we do. I thank the member, Hon Alanna Clohesy.

**Hon Simon O’Brien:** It will be a long committee stage.

**HON TJORN SIBMA:** I believe it will be an exacting and forensic examination—absolutely.

I am a fair person and when I see good work, I will applaud it, but where we observe deficiencies, of which there are more than a few, we will identify them and seek to examine them. That is what the government would expect us to do, I imagine, and that is what the Labor Party did so effectively over the last eight and a half years, so it is an absolute pleasure to return the service, even though I am a new member.

**Hon Stephen Dawson:** We’re all equal in here, member.

**HON TJORN SIBMA:** That is wonderful news. Some are more equal than others, no doubt, as the member would all too easily attest when it comes to the members on his own side.

The government has to issue more than ultimatums. It cannot say, “Pass our measures or we’ll look to legislate something harsher. Pass these taxes or we’ll hit you with a bank tax.” I do not think that is negotiating in good faith.

**The DEPUTY PRESIDENT:** Not at all.

**HON TJORN SIBMA:** Not at all. Unfortunately, in the last four or five to six days since the budget, the conversation has, unfortunately, taken a personal turn. I refer to an observation that the Treasurer made in the other place today, when he said that the crossbenchers were not elected due to their sensibility. I take absolute issue with that. I think all the crossbench members here are eminently sensible people. I hope that members here do not take on the Treasurer’s school of negotiation—to insult and intimidate their partners. There is scope for examination and negotiation. Very clearly, this is it. Last Thursday, despite being elected in March, the government finally became the government after six months. It is the government’s budget. It should own it. It should take responsibility for it. Guess what? As a member, I am not interested in the past and, frankly, I do not think the public is. It is about the present and the future. My legacy is yet to come. I am not interested in defending history. I am not interested in rewriting it, which members opposite are all too keen to do. They are all too keen to mouth the daily talking points, and we have seen a few of those. There were six pages on Friday and a few pages yesterday. I think the hunt for the mole inside Dumas House is on because I have not seen the third day’s points, but I do not think they will be too enlightening.

On a more serious note, how do we begin to assess this budget, particularly when the Premier claimed on the ABC on 6 August, as reported, that the budget to be unveiled by his Treasurer on 7 September would be “the best in living memory”? That is pretty significant. The budget speech made some claims about the focus of the government being on budget repair, and that is a laudable aim; it is a laudable mission. But I want to examine two separate elements of that, the first of which is the voluntary targeted separation scheme for the public sector. I find it risible when mutually exclusive terms are included within the same thing. It is voluntary but a termination is involved—3 000 full-time equivalents across the public sector, I think, applying more to those agencies that have gone through machinery-of-government changes.

**Hon Charles Smith** interjected.

**Hon TJORN SIBMA:** I will get to that. Thank you, honourable member. I will get to jobs.

Why should we hold this measure in some suspicion? We should hold that measure in some suspicion for one simple reason. It is to do with the Premier's apparent concern with the cost of removing senior public servants from their positions as he undertakes his political cull of the public sector. The Premier, despite spending 20 years in Parliament and once being a reasonably ineffective minister, still could not grasp that human resources moves can bring with them financial consequences and that when a move is made to terminate somebody's contract, there is an obligation to fulfil termination liabilities—that is, pay them out. When the Premier appointed his friend Mr Darren Foster to arguably the most important, influential and powerful public service position—that is, director general of the Department of the Premier and Cabinet—I asked a simple question. Do not nod off too early, honourable member; I have my eye on you.

**Hon Darren West:** I've just heard this before.

**Hon TJORN SIBMA:** The member obviously has not heard it enough because there has been no change. I asked a simple question: did the Premier direct the Public Sector Commissioner to introduce a contractual clause that would limit the potential payout of Mr Darren Foster if for some reason he was removed from his position before the cessation of his contract? The answer to that effectively was, "No, I have not done that", despite complaining about it. I thought that was fair enough. I was directed to the Public Sector Commissioner. The Public Sector Commissioner basically said that the appointment of eight new directors general was made within the last month, but no contractual clause was put into any of those new contracts that would limit "excessive payments" consistent with earlier sentiment provided by the Premier to Mr Gary Adshead of *The West Australian*. I find that particularly curious. I asked whether any action had taken place to move some minor legislative change that would give effect to the Premier's intent to limit those kinds of payouts. I caught them with their pants down. They have not done a single thing.

**Hon Aaron Stonehouse:** It's almost as if he didn't mean it.

**Hon TJORN SIBMA:** It is almost as if he said one thing and did another or does not really believe what he says. It is very interesting. I make the observation that the Premier was, strangely, I think, and naively lauded in some parts last week for apparently having the courage to admit that he broke promises. I think there is something to laud if somebody breaks a promise and is contrite. It is a completely different issue when somebody goes about making promises they know they cannot fulfil and then seeks to orchestrate an event when they break the promise that they were always going to break. I think that is what the Premier has done.

I go back to this issue. Because the Premier cannot limit the payout of eight to nine senior public executives that he has had more than six months to do, I have absolutely no faith that the so-called voluntary targeted separation scheme dealing with 3 000 public servants across the public service will deliver the kind of dividend that the government might think it will.

I turn to the second issue on the road to budget repair. Members here might recall the debt monster. It was a comical farcical figure. I do not know who was in the suit. It might have been someone from the government; it may have been one of their staff. I am not sure.

**Hon Darren West:** Too small for me.

**Hon TJORN SIBMA:** It was not the member? Was it too small for him?

**Hon Peter Collier:** He was too good looking for you!

Several members interjected.

*Point of Order*

A member: Making personal reflections is very disorderly, Mr Deputy President.

**The DEPUTY PRESIDENT:** So are unruly interjections. Hon Tjorn Sibma has the call.

*Debate Resumed*

**Hon TJORN SIBMA:** Let us look seriously at this debt repayment account. There is \$169 million from a large one-off stamp duty assessment, and a further \$169 million will apparently come from surplus RiskCover funds. Forgive me, but that is not a significant amount of money when we consider the level of debt that the government has said is a problem. I agree that it is a problem, but the government has done nothing to fix it.

The government's policy orientation, it has claimed, is to pay off debt slowly like a mortgage is paid off. If the people of Western Australia paid off their mortgages as slowly as the government intends to pay off debt, they would be thrown out of the house. Their homes would be repossessed and they would default on their mortgages. I know these policy lines are workshopped in focus groups and I am sure that it resonated with the public—it did

not scare the horses—but, seriously, the government will have to do a lot better than that. When do we start to repay debt? Apparently it is only when two conditions are met simultaneously: the goods and services tax relativity hits 65 cents in the dollar and iron ore is trading consistently at \$85 a tonne, or thereabouts. That is never going to happen. Those two conditions will not be met in my lifetime, and maybe not in a hundred years. It will perhaps not even happen in a thousand years. I can understand that the government is quite willing to let the asset value of Western Power deteriorate by the billions to the point where it hits zero but it will not sell it —

**Hon Dr Steve Thomas:** The scrap price.

**Hon TJORN SIBMA:** It may be the scrap price but that is what it may be worth in 10 years. This is rather concerning but I can understand that the sale of Western Power is a political no-go area and I recognise the very effective political campaign that the government ran on the matter, and that the Electrical Trades Union, in particular, helped it run.

**Hon Colin Tincknell:** They've already put up the charges so it doesn't matter.

**Hon TJORN SIBMA:** That is it! That is another great fiction. The member reminded me of something that he may wish to bring up in his address—another one of these broken promises. The great big lie was, “We cannot sell Western Power because if we do, prices will rise.” Members should remember the date 1 July; it was the mini-budget.

Several members interjected.

**Hon TJORN SIBMA:** Come now! I am not interested —

Several members interjected.

**Hon TJORN SIBMA:** I am sorry; the truth hurts, does it not? Members opposite are not up to the task of debt repair; they are not!

**The DEPUTY PRESIDENT:** Order! The honourable member is addressing the Chair.

**Hon TJORN SIBMA:** However, to give credit where it is due, the government has kept open—I think it is sensible—the option to sell the TAB. I was quite excited last week when I got word that the minister in the other place had given a brief ministerial statement on the future of the TAB. Effectively, however, it was just to kick the can a little further down the road. The one asset that the government could sell, which it has given itself political permission to sell, it has done absolutely nothing with—hopeless.

**Hon Colin Tincknell** interjected.

**Hon TJORN SIBMA:** The government is trying in certain areas, member. I want to very briefly reflect on some revenue measures that this budget attempts to bring in—namely, taxes. I was surprised by the breadth and scale of the taxes introduced by this budget. I thought certainly this Treasurer and this Premier would not mislead me, so I had to acquaint myself with recent history, and I found a few quotes. I will read them for the benefit of members here. The now Premier, on 21 February this year, stated —

“There will be no new taxes on West Australians, full stop. If we are elected, there will be no new taxes on West Australians or increases in taxes on West Australians. If we're elected, full stop,”

On 24 January—a month earlier—the Treasurer stated —

“I already said in a number of times I don't support tax increases in the current economic environment.”

What do we have? I refer to page 8 of the budget speech. There are four things. Firstly, there is a temporary budget repair levy. I quote —

This levy will be in place for a finite period of five years, under which employers with Australia-wide payrolls between \$100 million and \$1.5 billion will be taxed at a marginal rate of 6 percent ...

This Budget repair levy is estimated to raise \$435 million over the forward estimates period ...

Secondly, a tiered royalty rate for gold will be introduced. The budget states it is —

... whereby the current 2.5 percent rate will apply when the gold price is \$A1,200 per ounce or less, and an increased rate of 3.75 percent will apply ... when the price is above \$A1,200 per ounce.

I do not want to reflect on the foreign owner duty surcharge, which is also introduced, or the new wagering taxes, which were never mooted before but have now been introduced sneakily; I want to concentrate on payroll tax. I will be brief.

I have some admiration for the audacity of the government, particularly the Premier. On Wednesday last week, he introduced a jobs bill and, on the very next day, he introduced a tax on those jobs. It is extraordinary. A stroke of genius! It demonstrates either a complete intellectual lack of coherence or almost a pathological inability to hold the line—to fulfil a commitment. This measure demands an examination and if I were in the government, I would

do more than just threaten the crossbench with the imposition of another tax because it dared to ask questions about how this might operate or might act as a disincentive to investment, leading to a deterioration in profitability and a decline in jobs. Why does the government not treat the crossbench seriously like adults? I doubt that any single member opposite has taken a comprehensive briefing from the Treasurer and asked for the budget's modelling and impacts. If members opposite were doing a job, they would do it. Do not blame the crossbench for doing its job. When it comes to jobs, how many of these apparent 50 000 new jobs have been created? How is it going? I have read a lot about job losses but I have not seen one new job created by this government in the six months it has been in office. If we were to pro rata out that rate of job creation, we would expect to see 12 500 new jobs created by now as a result of government policy. That has not happened.

**Hon Dr Sally Talbot** interjected.

**Hon TJORN SIBMA:** How many jobs for the 50 000 —

Several members interjected.

**The DEPUTY PRESIDENT:** Order!

**Hon TJORN SIBMA:** The problem is that members opposite cannot think in scale. They cannot deal with the fundamental economic challenges in this state. They see just another pit of revenue.

**Hon Stephen Dawson:** And your mob could? You left with the biggest debt in history!

**Hon TJORN SIBMA:** Member, I was not here!

Several members interjected.

**Hon TJORN SIBMA:** Remember, I was not here!

Several members interjected.

**Hon TJORN SIBMA:** I was not here!

Several members interjected.

**The DEPUTY PRESIDENT:** Order!

**Hon Peter Collier:** It's unparliamentary.

**Hon TJORN SIBMA:** It is very unparliamentary.

**The DEPUTY PRESIDENT:** It is very unparliamentary to continue speaking, Leader of the Opposition, when the Chair is calling you to order, so I know you would never do it. Hon Tjorn Sibma has the call.

**Hon TJORN SIBMA:** Thank you very much.

**Hon Peter Collier:** What's the blowout on the bridge?

**Hon TJORN SIBMA:** I think we can come to the bridge at another time. I note the interest but I promised to be reasonably brief.

**Hon Dr Sally Talbot:** You've got to get some notes on it, have you?

**Hon TJORN SIBMA:** I am not the one relying on a daily feed of notes, thoughts to think, points to express and issues to raise. We think for ourselves. I know that is something the member has probably not done for a long time, but I do not need her assistance.

I want to talk about another significant measure—gold royalties.

**Hon Stephen Dawson:** Silence.

**Hon TJORN SIBMA:** Silence!

**Hon Peter Collier:** Silence is golden.

**Hon TJORN SIBMA:** Who says we do not have fun in this chamber?

In the *Kalgoorlie Miner* on 12 August 2014, the now Premier, then the Western Australia Labor leader, Mark McGowan, was quoted as stating —

“When they increase this mining tax (gold royalty) ... that will mean mines will close and jobs will be lost and these communities will suffer.”

And there he is —

**Hon Darren West:** Sorry, member. Who is “they” that the article refers to? Is it the Liberal–National government?

**Hon TJORN SIBMA:** Is the member unable to carry an issue forward in time? I think that might be his problem. There they are in a picture wearing gold helmets with their names emblazoned on those helmets. I will not refer to the member here who was wearing one of those helmets.

**Hon Colin Tincknell:** That was before the election, not after it.

**Hon TJORN SIBMA:** Indeed, but they say one thing at one point in time and do a completely different thing at another point in time; that is the Labor way!

**Hon Darren West:** Who was introducing the royalty?

**Hon TJORN SIBMA:** I am sure that the member was snoozing at the time, like he is snoozing his way through this session of Parliament. There might be some merit in the measure, but where is the modelling? Convince this chamber that this is a worthy measure, that jobs will not be lost, that profitability will not decline and that investment will continue. Can the members opposite please ask their Treasurer for that modelling? I am pleading with them to present it; it would be a sensible thing to do. As I said at the outset, I am not going to take their word for it because I know what value words from the government carry.

There is another issue—my friend Hon Dr Steve Thomas may have touched on this but I have not completely digested the voluminous contribution that he made yesterday—that behoves the chamber to keep an eye on dividends proposed to be extracted from government trading enterprises, if only because of the pretty significant increases mooted without much justification. I refer members to pages 297 to 301 of budget paper No 3. Just indulge me because I want to read out a relevant passage. Under the title “Revenue” it states —

General government sector revenue from public corporations in 2017–18 is estimated to total around \$2.2 billion, comprising \$1.6 billion in dividend payments, \$551 million in income tax equivalent payments, and \$21 million in local government rate equivalent payments.

I just want to focus on the dividend component of that with the first dot point on page 297 of *Economic and Fiscal Outlook*, appendix 8, which states —

increased dividend payout ratios from 65% to 75% for most public corporations (see Table 8.3);

That is a 10 per cent increase across the board in dividends; that in anyone’s language is gouging.

I want to refer in particular to the Pilbara Ports Authority. Some exceptionally large dividends are mooted to be extracted from that enterprise. I refer to table 8.2 on page 299 of budget paper No 3. Under “Pilbara Ports Authority” it states that in the budget estimate for 2017–18 the dividend will be \$209.4 million, for 2018–19, it will be \$145 million, for 2019–20, it will be \$140.3 million, and for 2020–21, it will be \$131.7 million. That is pretty significant and represents an extraction of 75 per cent of revenue across the forward estimates. Although there might be some merit in that, it would take a lot to convince me. We need to think seriously about how we utilise our GTEs, what burdens we place on government-owned ports and how costs are moved back through the system. Fundamentally, we have to address the strategic issue of whether we are a trade-exposed export state. If we are, that is how we make our money. If this is how we generate the royalties that we want to increase and the payroll taxes that we want to tax more, we might have to look at how efficient and how competitive our ports are. I pledge to take a very strong interest in that issue over the next four years.

**Hon Dr Steve Thomas:** This might be a cunning plan for government, too. If it proves it is very profitable, it might work it into its asset sales program into the future, perhaps.

**Hon TJORN SIBMA:** It might try to sell off the port of Fremantle now that it is no longer committed to it.

**Hon Darren West:** That is your problem.

**Hon TJORN SIBMA:** Sorry, but, no, it is not. The member has spent far too long in opposition to realise that he is now a member of the government. The problems that he has complained about are now his problems to fix. I am sorry, but that is how government works. The member might be slow, but I will fill him in: that is how it works.

**Hon Darren West:** The member knows we are not selling Fremantle port—he knows that.

**Hon TJORN SIBMA:** Okay. Moving ahead to the great thematic issue that the government campaigned on more strongly than any other—Metronet. It is very interesting to see what the budget papers reveal compared with what the government claimed up to only recently. For the interest of members, in August I asked a question of the Minister for Environment representing the Minister for Transport about an article that appeared in the *Business News* of 12 June 2017 titled “Labor resets infrastructure priorities”. I asked about a couple of projects included in that article. That was an opportunity to tell me that, perhaps, the mooted costings had shifted. I want to refer to one northern suburbs issue—the Yanchep rail line extension. Back then, it was given a value of \$386 million—this is from June. Last Thursday, we learned something new from the old, reliable budget paper No 3. I refer to page 207 and the section dealing with major spending changes for the Minister for Transport;

Planning; Lands. I refer to the Yanchep rail extension under the Public Transport Authority of Western Australia and the heading “Election Commitments — METRONET”. Just remember, the earlier figure I quoted was \$386 million to complete the extension by 2021. Now we learn the following —

The Authority —

Which refers to the Public Transport Authority —

will invest \$440.8 million over the period 2017–18 to 2020–21 (with a further \$79.4 million in 2021–22) to extend the northern suburbs rail line to Yanchep. The cost includes the construction of three new stations at Yanchep, Eglington and Alkimos ...

That is important because those three stations were included in the original cost. This project was initially costed as \$386 million, but it has now blown out in six months to over half a billion dollars. It looks like the project may well be delivered a year later than originally scheduled, and that is concerning. It is important for members here to look very closely not only at what is presented in the table of estimates but also some of the explanations given around projects and indications of spending falling outside 2021, because I think that is where a lot of our debt has been hidden from view. As we identified earlier, there is absolutely no credible plan to deal with the debt we already have, so we are loading more in outside the estimates. That is deeply concerning and that is why we have the estimates process.

With members’ indulgence, I want to reflect on two other issues in the northern suburbs and how the northern suburbs have fared under this budget—the areas of health and transport. I will focus very briefly on health. I am sure it will be covered extensively by other members. I want to refer to the state budget rap on page 4 of *The Weekend West Australian*. I think this assessment is pretty good. Commitments were made to hospitals that have not been fulfilled by this budget. I quote the recently elected Western Australian president of the Australian Medical Association, Dr Omar Khorshid —

It is still worrying that these election undertakings are not funded in any way.

Which election undertakings is he referring to? It could well mean the Joondalup Health Campus, which was promised \$167 million to create 90 public patient beds and eight operating theatres. It could refer to the \$28 million committed to upgrade Osborne Park Hospital or perhaps it refers to the \$45 million committed to Royal Perth Hospital. The reasons underpinning those commitments were pretty sound but they have not been delivered. Obviously, that is a matter of some concern.

I want to bring my contribution to a conclusion on one single topic, which occupied me over the weekend and for probably the last day and a half, and that is the cancellation of work to widen the Mitchell Freeway between Hodges Drive and Hepburn Avenue and between Reid Highway and Erindale Road. It was part of a complete freeway overhaul that included lane widening between Cedric and Vincent Streets on the south-bound portion of the Mitchell Freeway. They all make sense. The government has decided to proceed with widening an extra lane between Cedric and Vincent Streets, and I think that is sound—around \$40 million, which was negotiated and funded by the previous government, I should add. However, it has canned \$74 million worth of work between Hodges Drive and Hepburn Avenue and between Reid Highway and Erindale Road. That issue should be addressed and I call upon the government to think about that again and reinstate that project because it will alleviate congestion on a very constrained, very congested and very frustrating piece of road. It will also have positive impacts and remove bottlenecks at Erindale Road, Whitfords Avenue and Ocean Reef Road. I note a 2016 Infrastructure Australia report that indicated that the Mitchell Freeway would be among the most congested roads in Australia by 2031. If that is not dealt with, we will be condemning thousands of people to increased time in traffic away from work and away from their families and I think that is completely unfair. I will not let it pass without making this political observation. Supporting that project was a golden opportunity for at least four new Labor members in the northern suburbs—the members for Kingsley, Joondalup, Burns Beach and Wanneroo. Their constituents utilise that piece of freeway every single day and they have done nothing to advocate on their behalf. They have failed their first real test of being members of a McGowan government prepared to advocate on behalf of their constituents and not just meekly regurgitate daily talking points. It is an issue I will continue to focus on until it is remediated. There concludes my contribution. Thank you.

**HON DR SALLY TALBOT (South West)** [3.45 pm]: I suppose I have to pay tribute to Hon Tjorn Sibma for getting to his feet. It is extraordinary to see nobody else from the other side jump in. I have sat here now for 12 budgets in this place and I can tell members that a few weeks after budget day, this place is buzzing. We could feel the energy in the chamber every time we walked in. Can members feel the energy in this chamber now? At least Hon Tjorn Sibma spent the weekend reading *The Weekend West Australian* so that he was able to make a speech on the budget! I notice that that was his main source of reference, and that is fine. I must say that I enjoyed yesterday much more. I enjoyed the wideranging nature of the contribution to the debate by my colleague from

the South West Region Hon Steve Thomas as lead speaker, even though at times it was slightly dizzying as we flipped from Margaret River to Kununurra.

**Hon Donna Faragher:** Why are you so condescending?

**Hon Dr SALLY TALBOT:** It was good.

**Hon Donna Faragher** interjected.

**Hon Dr SALLY TALBOT:** I am saying that yesterday was great.

**The DEPUTY PRESIDENT:** Order!

**Hon Dr SALLY TALBOT:** I was saying that yesterday was great. It was not succinct but it was thorough in laying out the opposition's position on the budget. Hon Dr Steve Thomas has a reputation for being careful and thorough. I notice that he was very measured in many of his comments. I appreciate that because there has to come a time in this place when we are mature enough to say that we are all on the same side and working for the same end. Surely, that time has to be now because the art of doing this is to find a common ground on which to start. Surely the common ground we are all agreed on is that where we were on 11 March was not sustainable. We could not keep going like that. I read the contribution to the debate last night made by my colleague Hon Alannah MacTiernan when I was away from the chamber on urgent parliamentary business and I thought that she set out that position very well. Of course, it was done in the budget speech last week by Hon Stephen Dawson, but Hon Alannah MacTiernan made the first substantive contribution to the debate from this side, and I thought she spelt it out in letters a foot high. We could not keep going as we were. We can agree on that and start from that moment.

There will always be issues on which we cannot agree due to different approaches to the very doing of politics itself. Clearly, one of those areas will be privatisation. Let us have the debate about whether it is a good thing or not to sell the TAB or Western Power. I know what I believe and what stance I will take in those arguments and the sort of material I will cite to substantiate the case I will make for not selling utilities such as Western Power. I am not rigidly ideological about these things. If there is a case for selling the TAB, I will have a look at it and measure it on its merits, which is exactly what the Minister for Racing and Gaming is doing at the moment and it is exactly the position that WA Labor took in opposition. Members on this side of the house do not have a cast-iron, immovable ideology on these issues. It is about weighing up the costs and benefits for the Western Australian community. I am absolutely and utterly unconvinced that one can make the case of increased public good from selling utilities such as Western Power. I have not seen the evidence nor has a case been presented to that end that holds water. Yes, we will always come back to those basic points of difference, but on the proposition that we could not keep doing what we were doing, surely we all agree on that. If there is a better way of doing it, let us talk about it in here, but I did not hear it in the measured response yesterday by Hon Dr Steve Thomas and the slightly mystifying contribution today by his colleague on the backbench. Rather, their contributions have been about pointscore and they have walked away from any kind of responsibility for the position we are in now. Somebody has to wear that responsibility. Of course, the Premier and the Treasurer have stepped right up and said that from 12 March 2017 onwards, we will take responsibility for all the decisions we make. We cannot be made to take responsibility for the decisions made in the last eight and half years. Members opposite know very well that we would have done things differently had we stayed in government. Members know very well that the economic parameters that the Liberal-National coalition inherited in 2005 were vastly different from the ones it left the state with when it lost in 2017. It knows that we would have done things differently. Rather than cheap pointscore about the level of debt, I want members on the other side to tell me what they would do instead. Of course, Mark McGowan would be the first to say that he would have liked to see a significant decrease in debt in the forward estimates, as would the Treasurer, Ben Wyatt, but it cannot be done. Why can it not be done? It cannot be done because if we continued to go the way we were going—if we continued on the same trajectory—debt in the out years would go up to \$47 billion. That is the cut that has been made; that is the responsibility taken by the McGowan Labor government for fixing the books.

It is an empty point to look at the numbers and say that they should have been lower. If members opposite think they should have been lower, they should tell us exactly why and should show how the rest of the books would be balanced to support the lowering of debt. That is my opening comment on this budget. Although it would have been good to see debt come down more significantly by the fourth year of the forward estimates, in fact it has come down because, left uncontrolled, it would have blown out to about \$47 billion.

We are dealing with the legacy issues that we inherited from the Liberal-National government. One thing that I will say about Hon Dr Steve Thomas's opening statements last night when he spoke at some length about the budget is that, of course, he was not here during that time. I will repeat the comments that I made in a debate last week —

**Hon Darren West:** Nor was Hon Tjorn Sibma.

**Hon Dr SALLY TALBOT:** Hon Darren West, I did notice that the two first opposition speakers were not here during those eight and half years. Presumably, when hands had to go up to indicate the speaking order, members who have been here for eight and half years sat on their hands and did not make eye contact with the Whip and the people who organise these things.

Hon Dr Steve Thomas was not here during that time so his was the voice of moderation. The tone of his speech was about real issues on the ground—how to deliver to local communities and the benefits that we can spread through our local community when we engage in responsible management of the budget instead of a mad cash splash that will create problems for years to come. I welcome that. I wish he had been here during those eight and a half years, because if we had had more voices like that, and fewer who simply sailed along in the wake of the then Premier, Hon Colin Barnett, who was on a crazy spending spree based on all sorts of misconceptions that I will come to in a minute, I think we might be in a better position than the one we are in now. Unfortunately, that was not the case. As Hon Darren West pointed out, Hon Tjorn Sibma was not here either, but he was actively engaged in policymaking for the Liberal Party. He does not quite bear the clean skin identity that he would like to claim for himself because he was right there up to his eyeballs in the whole thing.

What happened in the last eight and a half years? I will not spend much time talking about this because I want to talk about the next eight years, which I am far more interested in. One point that I have not had time to develop when I have spoken in economic debates since the election is what happened with the economic forecasting during that time. I know that you, Mr Deputy President, rightly pulled me back onto topic last week when we were talking about the first home owner grant. I started quoting from last year's budget papers and you said that you did not think that had much to do with the first home owner grant. I pleaded my case, but I took your advice and came back to the immediate subject of the bill that we were debating. But in the context of a budget or appropriation debate in which I have much more leeway, it is worth pointing out that some of the assumptions about the data in budget papers in previous years were singularly ill-founded, and that is part of the reason that we have ended up in the mess we have ended up in.

I go back to a couple of things said about the out years. As Hon Dr Steve Thomas pointed out, those out year figures are very important. The out years give us a feeling for the approach to the budget. It is not just a single set of figures; it is, if you like, a philosophy, and this is what underlines the new approach to budget planning that we have embarked on. Members can apply it to their households. I know that these analogies hold only for a limited distance, but the fundamental point is that if people end up with a debt problem and a cash flow problem—that is what we have, with debt blowing out from \$36 billion currently to a forecast \$43 billion because of commitments we have already entered into and the deficit going from a surplus of \$1.4 billion to a deficit of over \$4 billion in debt—they must first look at the cash flow problem. It is absolutely no good for people to just sit down and look at their visa card to work out how to repay their indebtedness in a more efficient way—that ghastly figure at the bottom of their bank card statement that states that if the minimum amount is paid, they will be paying the card off for 147 years or whatever it says. If people address that in a more efficient way and decide to pay it off in five or 10 years, they cannot do that unless they also address their cash flow problem. If people do not have a cash flow problem, they can do it, because if they do not have a cash flow problem, presumably money is still going into their savings account, so they can use their savings account to pay off their debt. But if they also have a cash flow problem, they must start at the right place, and that is exactly what Mark McGowan and Ben Wyatt, the Premier and the Treasurer, have done with this budget. Again, I say that members opposite have to look at the out years to see whether that approach to budgeting is given substance. I still have a direct line of sight to you, Mr Deputy President—absolutely no problem!

What was the former Premier's approach to the out years? In *The West Australian* of 28 April 2009, he was quoted as saying —

“You never reach the out years, they're always year 3 and 4, you never get there —

I have to tell members that that was in the same sentence as —

... “governments I lead will have surpluses,”

There are a few misleading statements in there.

One of the first things I looked at when I got my hands on this year's budget papers was the out year projections, and I was very reassured to see that, once again, real integrity has been restored to them, so we know exactly what we are going to be working with. There is no sense that I can detect—if members on the other side have found it, please draw it to the attention of all honourable members—in which the current Labor Treasurer has looked at years three and four and said we will never get there because they are the out years.

Another thing that the former Premier is on record as saying, on 4 September 2010, was —

In reality you don't have to pay back the debt, what you have to do is make sure the debt is (under) control and as a guide I'm intending keeping our total level of net below \$20 billion ...



If only we had half the debt now than we have in reality. It would be such a different ballpark when we look at all the challenges this state faces and all the things we wish we had money to spend on. I am not talking about singing toilets and painted cows; I am talking about many of the worthy projects that have had to be pushed to the out years or put on lists that are now undergoing serious, substantial re-evaluation, but that we wish we were able to go ahead with. Unfortunately, of course, that was not the case because the Liberal–National government was led by a philosophy that said two things: you do not have to pay back the debt, you just have to make sure it is under control; and you never have to worry about the out years, because they are years three and four, and you never get there. I am very, very glad that I am not part of a government that has adopted that philosophical approach to budgeting.

In the simplest possible way, one does not have to be a whiz-bang economist to be able to understand what has happened. At the beginning of the eight and a half years that the Liberal–National government was in power, both revenue and expenditure went up. There was a period that the former Premier did not want to call a boom but in retrospect clearly was a boom, when revenue went up because of iron ore prices, and expenditure went up at the same time. It actually went up by an almost identical amount, and I think Hon Alannah MacTiernan referred to that in her contribution to the debate last night. Both revenue and expenditure went up by somewhere between seven and eight per cent.

So far, so good, for the first four years. That took us to about 2012–13. Then, of course, we had a sudden collapse in revenue, again largely because of iron ore, and I will come to that interplay between the various factors that contributed to the drop in revenue, but largely, at that stage—2012–13—it was because of the drop in iron ore royalties. Revenue suddenly collapsed, but expenditure continued to grow. What a basic, fundamental error. If one were teaching economics 101 at university and reading a student essay about the fundamentals of economics and saw that idea being floated as an economically sound proposition—that at times when revenue drops dramatically, spending continues—one would fail that student. In fact, one would probably call the student in and give them a bit of a talking-to about whether they were really studying in the right area, if they were propounding such ridiculous propositions; yet that is exactly what happened in this state.

In the last four years of the former Liberal–National government, revenue grew by less than \$1 billion, but at the same time, expenditure continued to go up by more than \$4 billion. We were always going to end up with a problem, and that is why there is all this squirming and screeching and carrying-on from members opposite about, “It wasn’t our fault”, and, “You should get on with fixing it.” It is just such nonsense, because we saw it coming. We have been standing in this place for about five of the 12 budgets that I have taken part in and saying to the Liberal Party and the National Party, “You’re heading for the cliff. You can’t sustain the direction you’re going in. You’re going to have to rein something in.”

There were various times during that period when the former government would make noises about maybe selling off some of the furniture—you know, the quick-fix stuff—but even that did not happen. If the sale of Western Power had gone ahead during that time, at least the Liberal and National parties would have had an argument to make now and maybe we would have been looking at less debt. We are never quite sure about the National Party, because it did not actually get to the stage of making a decision; sometimes it was in with privatisation and sometimes out. The argument was always going to be—that was the argument during the election campaign—that to stop debt going up to \$43 billion we had to start selling stuff, but it did not even get that far.

What are we looking at now? It is such a bizarre situation in which the warnings were being sounded, and not just by the Labor Party. Members opposite have every right to say, “Oh, they would say that. They’re all raving socialists or they just want to renationalise the banks and the airlines.” They can throw all that around; none of it is true, but they are entitled to say that. We call them some rude names sometimes. But it was not just us saying it, it was the whole economic establishment in Western Australia and Australia-wide. They were looking at WA and saying, “What on earth are you doing? You lose the AAA credit rating and you keep going on the same tack.”

I have to say that one of the things I find really empowering at the moment is the fact that we at last have a couple of key economic leaders in government, the Premier and the Treasurer, who are actually saying, “We’ve got the best budget we can in place, but we’re not even guaranteeing that this is going to work.” Both those key economic ministers are on record as saying that we may have another downgrade. They are on record as saying that because the situation we have inherited is so inherently unstable that we may have another downgrade. The rating agencies are looking for capacity to implement what we are doing. Hopefully that will not happen because if it does, it will be a very difficult situation for us, but we have to be prepared for it.

I put it to honourable members that this government has sent all the right signals and set all the right parameters and foundations for us to hopefully stave off a second downgrade, but if we are unfortunate enough to cop a second downgrade, we will be able to weather that and start to come out the other side. We do still have difficult economic times ahead of us. If we did not have those difficult times ahead of us, I would be standing here talking about the cash splash around the south west. Instead of that, I am talking about responsible economic management that will still deliver the key projects that will drive jobs, traineeships and apprenticeships throughout the south west. It will drive the fundamental changes to basic infrastructure that we will have to put in place over the next decade so we can begin to take steps along those very challenging paths. That is what I am here saying. I am not talking about the splash of

cash through the south west or the fact that everybody who asked for something, all those worthy community groups who put their heads together and did the hard work putting in submissions, all the local government authorities that had listed their projects and came to the government asking for money, had all got what they asked for, because that was the way ahead. I cannot say that because it is our absolutely fundamental responsibility to turn the whole philosophy of economic management around in this state, and that is what this budget has started to do.

The three letters we keep hearing from the Liberal and National parties now that they have lost government and are looking at the budget from other side of the house are GST. They want to blame the GST and say that without the malfunction of the GST, everything would have been okay. I found another couple of interesting comments on the record, and one of those is from the former Premier, Hon Colin Barnett. He must have had some kind of blind faith that his federal colleagues in Canberra would eventually come up with the fix that would save him. He is on record as saying that his intention was to continue spending and planning expenditure, assuming that the goods and services tax revenue problem had been fixed. To me, that says that right there is the evidence that the basic mindset of the Liberal–National coalition for the last eight and a half years was to spend as though it did not have the GST revenue problem and to spend what it wished it had and not what it had. I have made that point on a couple of previous occasions in debates in this place since we came back as the McGowan government. But you cannot spend what you wish you had. You cannot do it as a household, a family, an individual or a local or state government. You cannot do it with your hands on the spending levers of any kind of community, yet members opposite did that for eight and a half years. Let us not talk about eight and a half years. Let us talk about the four to five years when revenue started to collapse. That was when attention started to turn to exactly what was happening with revenue.

I am very gratified to note that the budget delivers between 80 per cent and 90 per cent of the concrete promises that were made during the 2016–17 election campaign. A small cohort of undertakings has been pushed to the out years, but around 85 per cent of the spending that we promised has been delivered in the budget. But we have to look at those two critical periods immediately before and after the election. On 22 December 2016, the *Government Mid-year Financial Projections Statement* highlighted that WA's economy was in recession and that the unemployment rate was at a record high. We had \$1.5 billion less GST revenue than was predicted at the budget, which was only six or seven months before then. That was despite the undertakings that appeared to have been given by the Liberal Prime Minister to the Liberal Premier that the GST malapportionment was to be fixed. In December 2016, we also had the biggest operating deficit on record and at that stage it was \$3.38 billion.

In December, things looked bleak. But as is absolutely reasonable, WA Labor went into the election campaign assuming that we could work with the figures that were released as part of the midyear review in December, and the election promises were predicated on those figures. As incoming Treasurer, on 12 March 2017, Hon Ben Wyatt would have assumed that he had inherited a very large headache, because those indicators from the midyear review that I have just been through are not the news that an incoming Treasurer wants to hear. They would not have made his heart sing. They would have made his heart sink, but he was prepared to rise to the challenge. The figures were not entirely unexpected because we had seen the decline over the previous couple of years and the out-of-control spending as expenditure that was not reined in as it should have been, given the revenue drop. Hon Ben Wyatt would have walked into his new office on that first day with a heart that was heavy and shoulders that would have felt the challenge very acutely.

What happened in the few weeks after that is critical. I know Hon Alannah MacTiernan went into this matter in some detail, so I am not going to repeat all that well-known information to the house. None of this is secret. It has been in the media. It has been well canvassed that \$5 billion was lost in those weeks and a couple of months following the election. We inherited the midyear economic review catastrophe that was outlined on 22 December 2016, plus an additional hit of \$5 billion.

Debate interrupted, pursuant to standing orders.

[Continued on page 3901.]

*Sitting suspended from 4.15 to 4.30 pm*