

APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 1) 2001

Second Reading - Cognate Debate

Resumed from 18 September.

MRS EDWARDES (Kingsley) [12.34 pm]: Western Australia is a great place in which to live and work. It has always been known as an innovative State. One of the reasons for that is the State's isolation. The tyranny of distance allows us to get on and do things that we would like to do in Western Australia. It has also been known as the land of opportunity. Before Federation, many people flocked here to join the gold rush and the like. Many of those people remained and have been the mainstay of our community. A couple of dips have occurred during that period. I suggest to members that there will be another dip under Labor's helm as a result of the current budget. That dip will discourage people from coming to live here and will almost bring people down to the same level.

The budget outlook in budget paper No 3 is not rosy or glowing. There are clear signs of the status quo and some dips, particularly in population growth. It also identifies some risks to the outlook. If the budget outlook were written today, some further risks would need to be factored in, following the events of the past week. Therefore, there is real potential for the outlook described in budget paper No 3 to not be realised. I raise those points because in the more than 12 years that I have been a member of Parliament, one of the critical fundamentals members have believed in has been the freedom of people to choose their own destiny, and that a thriving economy is essential for that to occur. That was brought home clearly to me during my short time as Minister for Labour Relations. It is even clearer now, because some fundamentals are being challenged by the approach taken by the Labor Government. It would appear to some that this Government is doing everything possible to crush those people who provide or create opportunities for employees - members of the business community. If costs to employers are increased, opportunities for employees will be reduced. The proposed changes to labour relations' laws will reduce the capacity of employers to be more efficient. The Government is essentially ensuring that those people who create jobs will be stymied. However, people need jobs, and a healthy economy is needed for investment to continue. Real risks are being created. Business needs encouragement and incentive to continue to create jobs and opportunities. The Opposition is concerned that the Government's actions will put that in jeopardy.

The first point I will make involves the proposed changes to the work place. The legislation has not yet been introduced to Parliament. However, in response to a question in Parliament last week, the Minister for Consumer and Employment Protection indicated that the legislation would be in Parliament by the end of the year. That creates a level of uncertainty. The expected third wave changes are unclear. We are aware that employer-employee agreements will be introduced and that workplace agreements will be abolished, but there is no certainty about how that will be applied. The minister acknowledged that some complexities must be worked through. That leads to a lack of confidence in the system. If people are concerned about where they will go, there will be a reduction in investment. That was highlighted in a recent editorial in the *Business News* of 6 September, which likened the issue to the Cold War and said -

While we wait to hear what the Government has in store for workplace legislation such as right to entry, -

That is the third wave legislation the Government has highlighted it will remove. The editorial continued -

business has to prepare for a number of possible outcomes.

This is called uncertainty. It is regarded as the most costly part of doing business because it makes decision making difficult and, inevitably, puts off investment.

That is the critical, fundamental issue. If investment keeps being put off, jobs will not be created. That was the basis of my question in the Parliament last week. The business community is not optimistic about the new legislation allowing it to retain efficiencies that have been achieved over the past few years. The business community believes that the Government does not understand the damage caused to businesses by delaying the legislation. It is creating a level of uncertainty that ensures that investment decisions will be put off for another day. The changes will bring increased costs. It is an issue often raised by small businesses. Many of the old awards are outdated. Flexibility exists with extended trading hours, and in the hospitality industry, which also operates on weekends. Penalty rates will have huge cost impacts. The situation does not affect only those people interested in profit. The community services sector will also be affected. People and organisations on fixed incomes are concerned about how it will impact on them. They do not know whether the federal or State Government will put its hand into its pocket to provide more funding for such organisations, or whether services will have to be reduced. That is not acceptable in terms of the services provided to the community, many of which are invaluable.

Other costs will be incurred from introducing changes to the minimum conditions of employment, a draft of which has been circulated. I believe the Labor Government is doing some of the work of the union movement. Many of the minimum conditions of employment proposed by the Government could have been moved by the unions to tighten up their own awards. They have been slack about that and have not taken the appropriate action to look after their members. As such, the Government will do their work for them.

We had foreseen the action taken on building sites, particularly within the building industry with the unions moving towards a non-negotiable enterprise bargaining agreement that includes a compulsory union membership clause. Apart from that being against the law, it further restricts choice. We have seen the no ticket, no start campaign on building sites, following the abolition of the building and construction industry task force. There is a premium on workers compensation payments, due to the collapse of HIH Insurance. It is another impost on the cost of running business. Yesterday, the minister tabled the Guthrie report on the implementation of the Labor Party's direction statement on workers compensation. If the recommendations are accepted, it is the view of the industry that it will increase workers compensation premiums by more than 30 per cent. The insurance industry is considering the recommendations and its own prudential responsibility and may increase premiums in anticipation of change along those lines. The minister has given comfort to some of those recommendations, particularly those that allow lawyers back into the proposed new system called dispute resolution and the reduction of access to common law. That means lawyers will be allowed back into the system.

Since 1999, all factors that drive costs have been reduced, except for legal fees. Legal fees have remained the same while the legislation allowed for less work. I remember speaking to representatives of the Law Society of WA after the Pearson report was released. The report recommended that lawyers be allowed back into the conciliation and review directorate. I asked them to provide a submission in respect of that. If lawyers are allowed back into the system, it must be done on the basis that there will be no increase in costs. The Government is clearly on the record, both in its direction statement and in response to a question I asked, that it will not do anything to increase workers compensation premiums. It is clear that if we proceed down the path of the recommendations, there will be increased costs. It is estimated that costs will increase from five to 12 per cent due to the changes in access to common law, about \$12 million due to legal costs and \$40 million due to administration costs. These costs are estimates. There do not appear to be any corresponding offset recommendations. Improvements to the system are to be commended, and several of them follow on from the reviews that the previous Government conducted last year. Some members of the Government supported them. It became a matter of bringing forward those recommendations in line with the Government's policy on how they could be implemented to improve the system. We will not be able to offset the cost of workers compensation premiums to ensure that they do not go any higher than they are now. The recent Insurance Council of Australia Ltd conference overwhelmingly was of the view that the changes were working and the system had started to stabilise. Their view was to do nothing, and it was agreed that the system should be allowed to settle down.

When costs rose several years ago by 25 per cent, it had a big impact on business; it had a real impact on jobs. If businesses have to pay workers compensation premiums, they will look closely at whether they need to replace a person who leaves or whether extra people will be employed. Businesses know that they have to pay wages each Friday and they have to determine whether they can afford them. Apart from the business sector, other groups within the community services sector and the aged care sector will be affected. They operate on fixed incomes and they do not have the capacity to pay the huge workers compensation premiums that they faced in the past. Extra funds were found in order to accommodate such groups, and the system was changed to return it to some form of normality. Changes that result in increases in workers compensation premiums of more than 30 per cent will affect the business sector and have consequences for unemployment. The aged care sector and the disability and community services sector will be dealt a major blow. Changes to workers compensation cause concern and I do not know when the minister proposes to respond to the recommendations. Submissions will be received until 17 October. I do not know how long the minister proposes to wait before he identifies which recommendations he will accept.

Mr KOBELKE: We hope the parties will either have made submissions by 17 October or have indicated that they are working on submissions and want more time. If it is necessary, we will enter into negotiations with particular stakeholders to work over those proposals, because it is a complex area. It is also an area in which reforms or changes need to be integrated; we cannot just do something and not recognise its impact across the whole system. A round of meetings will follow so we can really bed down what the proposals are and their expected impact.

Mrs EDWARDES: Obviously, the premium rates committee meets in March of each year to determine recommended rates for the following year. Is it the minister's intention to have an indication from the Government by that time so that everybody has the confidence to move into the next year knowing where they are going? The minister has already acknowledged publicly that he is not averse to putting lawyers back into the

system and, in anticipation of that, workers compensation premiums could start to go up from now on. Therefore, that level of certainty is necessary, but I would not recommend undue haste. The industry needs to have some finality at some point.

Mr Kobelke: My goal is to have legislation drafted by early next year for introduction into the Parliament. Given the complexity of this issue, we might not be able to meet that goal, but that is the target.

Mrs EDWARDES: Even if the minister did not have the legislation ready, an indication as to where the Government was going would provide some level of certainty before the premium rates committee meets and hands down its decision.

Mr Kobelke: I agree to the objective the member is alluding to. I do not agree that an indication of direction is worth much in this area because of the complexity and the need to make an assessment of the detail of what is to be implemented. I would much rather have all the key stakeholders poring over the draft legislation so we get it as close to right as we can. I repeat what I have said to the member many times - just picking up one aspect - because the previous Government rushed the introduction of its reforms, mistakes were made. I want to try to avoid that by having all key stakeholders sit around the table and pick over the legislation, so we know exactly what we are getting.

Mrs EDWARDES: I thank the minister for that clarification. One of the mistakes that could potentially occur is that, if there is no clear indication as to where the Government is going before these changes are introduced, a rise in workers compensation premiums could occur in anticipation of these changes. That will not be in anybody's interests. The view has been expressed to me on many occasions that as workers compensation premiums rise, jobs will go. Of course, nobody wants that to happen. The other issue which will add to the cost is the recommendation that decisions by medical panels will not be final in all instances. I know there was concern among some of the stakeholders as to the decisions by the medical panels and subsequent legal action; yet it is also recommended that the decisions by the medical panels be a determinant in the extension of common law. We will find that it will be like the good old days when I used to practise in this area: a lawyer would lodge a writ on the basis of getting everybody around the table to arrive at the best deal for his client. I am a member of the profession; it was my profession. Every time one goes to a lawyer or sits down with a lawyer it costs money. That is what the Law Society of WA said to me when I raised the issue last year. I wanted to know how I could introduce lawyers back into the system without increasing the costs. Basically the society's response was that every time someone sees a lawyer it costs money; if someone wants a letter to be written, it costs money; if someone telephones his lawyer, it costs money. That is the critical aspect in extending the arena of the members of the legal profession to the current system.

The other issue relates to the introduction or extension of payroll tax, which will impact on businesses. While this relates to 3 000 businesses, each of which employs more than 100 employees, it will also extend into the area where, in the past, people have been referred to as contractors. The budget speech refers to the fact that from 1 July 2002 this will include payments made under contracts wholly or principally for the employment of labour such as contractors. It will ensure that fringe benefits tax is taken into account. Apart from the fact that payroll tax will go up by almost one-half of one per cent to 6 per cent, the payroll tax base will be widened to take into account the full value of fringe benefits and the employment of contractors who could have been counted as employees in an employer's wages bill, but have not been. Therefore, payroll tax for businesses which employ more than 100 workers will impact greatly in areas which have not previously been affected.

We have spoken about payroll tax many times in this House and it is a tax on jobs. The unfortunate aspect is that it is a tax on jobs at a time when unemployment is already increasing. I know there was a slight reduction in unemployment last month, but that has not been the trend. Unemployment is rising; employment is going down. One of the indications of the reduction in the number of jobs is the employment of census collectors. Approximately 9 000 census collectors were employed. I do not know what the figure was for Western Australia, but it is a blip which indicates where employment is going. If we increase that tax on jobs at a time when unemployment is already rising, we will increase unemployment further. Expected revenue from this tax is \$100 million a year. How many jobs does \$100 million a year represent? The Treasurer has been at pains to say that it will apply only to those who can pay, but that may not necessarily be the case.

I refer to John McGlue's article in *The Australian* of Friday, 7 September, where he puts the position succinctly. He states -

A blunt slug on business . . . might keep Bill and Betty Balga happy now but they'll pay for it later on when their sons and daughters can't find work.

The article continues -

Times are tougher now and private sector business investment has pulled up dramatically in Western Australia, in part GST-driven but also influenced heavily by the high costs of engaging in traditional activities . . . the heavy hit of payroll tax, an unashamed tax on employment.

The issue is that this will hurt. It is not just the fact that businesses can afford to pay this tax. I will quote what some business people are saying about the Treasurer's comment. John McGlue says that the Treasurer will have to convince the corporate community that his Government is making Western Australia a great place to do business. He points out the irony that, on the same day as the increased taxes for businesses was announced, across the other side of town the Minister for State Development was talking about a new Labor industry strategy that "promised the creation of an environment in which business investment and industrial development would flourish". The business sector is scratching its head about how the two announcements will fit together, because they indicate that this is a Government that does not understand the situation. The articles continues -

The two events - the tax hikes and industrial development - are not mutually exclusive, admittedly. But in a state like Western Australia, the vast majority of business investment decisions are affected greatly by the state tax environment.

Therefore, the increased level of payroll tax will have an impact. I refer to some of the other comments that have been made about payroll tax. On 7 September, an editorial in the Western Australian stated -

Although the tax affects only big business, it acts as a disincentive to employment. It is not enough to say that such businesses can afford to pay extra and that the increase is not much anyway.

The increase is estimated to be \$4 per week per person. When that figure is rolled quickly off the tongue, it does not sound like very much. The article further states -

The payroll tax rate is one of the issues businesses take into account when they make decisions on creating or shedding jobs - and it is the battlers who are affected by a lack of new job opportunities or the closure of old ones. There is an inherent contradiction between this increase in payroll tax and the Government's measures aimed at stimulating the economy.

On Friday 14 September, an article in *The Australian* stated -

Mr Ripper also sidestepped accusations the increase in payroll taxes, costing about 3000 big companies in total an extra \$100 million a year, would cost jobs.

"The large companies involved make their decisions on investment and employment on larger and more substantial economic circumstances," Mr Ripper said.

"There is a lot of things that business should applaud in this Budget and which should encourage them with regard to investment.

"I know they won't applaud the payroll tax increase, but I hope they will understand why it has been necessary."

The response to the Treasurer's comment by Lyndon Rowe, of the Chamber of Commerce and Industry of Western Australia, stated -

The Premier indicated in the lead-up to the election, that to the extent there was pain in the Budget, it would be borne by those who could afford it.

Well this Budget has an extra \$100million bill in the budget for business, and let me assure the Premier, there's no capacity within business at the moment to pay that. It's a very tough environment out there for business, it has been now for about 18 months - two years.

The fiscal outlook in the budget papers does not look rosy in the future. Lyndon Rowe further states -

Industry and business in this state will be very disappointed, particularly at the increase in taxes for business, particularly payroll tax. In the current economic environment, there is no capacity for industry to absorb those extra increases, and it's very disappointing and ultimately, is likely to result in less employment.

The increases in business taxes will slow the economic growth and will cost jobs. That is effectively what has been done. I have highlighted a number of other decisions that will have a similar impact. It is likely that unemployment will be blown out not only because of economic circumstances that are being faced in Australia and around the world but also because of the direct actions being taken by this Government, which will have a multiplier effect. Businesses say that it is money that they cannot afford.

The Economic Director at the Chamber of Commerce and Industry of Western Australia, Nicky Cusworth, has said that business has been in free-fall for the past three years and that tax increases will not help, they will just slow down spending. I have talked about the direct consequences of the increase in payroll taxes. A slow-down

in spending will produce many indirect consequences. The Chamber of Minerals and Energy President, Peter Laylor, said that the mining industry would bear much of the burden of the payroll tax increases.

The Master Builders Association has said that because of the extension to include the payroll tax for contractors, the increase would flow through to house prices. Some builders estimated that new house prices would rise by about one per cent to compensate for the tax; for example, the cost of a \$200 000 house would increase by \$2 000. A spokesman for the Treasurer said that in other States where the legislation had been introduced, it had included bricklayers, carpet layers, roof tilers, draftsmen, engineers and architects, and it is likely to include many other workers. If the Government proposes to go down this path and industry cannot persuade the Treasurer between now and when it is introduced to remove the tax, it asks that the criteria that are to be established after the consultation should be similar to the taxation system. Therefore, some level of reduction in costs and administrative calculations would be brought forward.

The other area to which I have not yet referred is the removal of the exemption on the family home if that family home is in a trust or a company. Again, people might say that the family home is in a trust or a company for tax purposes. Often the home is used as collateral for a business; however, it is essentially the family home because it is occupied. Owner-occupied homes are exempt from that land tax, but the homes to which I refer are exactly that; they are still family homes. That provision will affect a lot more small businesses than the payroll tax increase. If that is the case, that will further impact on jobs.

I refer to the current job situation. On 14 September, the job market figures stated that the State's job market rebounded and that 6 300 Western Australians found new full-time jobs and that 2 900 left Western Australia's unemployment queues. Earlier, I referred to the temporary census workers. I do not know how many of them were employed in Western Australia. An article in *The West Australian* on 14 September states -

... the recovery still left the State's full-time employment level well below its February peak, when 682,200 West Australians had full-time work. There are now only 665,200 full-time jobs in the State.

Although the figures show some improvement, it is only temporary; therefore, the potential for any changes to impact on employment is great. The Secretary of the Construction, Forestry, Mining and Energy Union, Mr Kevin Reynolds, said that the cancellation of planned infrastructure would cause job losses. A number of other decisions made by this Government - other than the increased taxes and the likely workers compensation - and the uncertainty created through labour relations reforms will also have an impact on jobs. Mr Reynolds was interviewed in *The Australian Financial Review* on 13 September. The article states -

“The [commercial] building industry is already on the bones of its arse,” Mr Reynolds said.

“I think governments of all persuasions have got to realise that capital works is a major way of getting employment for construction workers.”

... since Labor came to power in February, a string of big-ticket construction projects had been shelved, including the \$25 million second stage of the former Coalition Government's Barrack Square redevelopment, the \$38 million sports stadium, a \$40 million refurbishment of the historic Treasury buildings and the contentious Leighton Shores redevelopment project.

In addition, Labor had delayed the proposed \$1.2 billion southern rail extension by at least a year and had placed the \$220 million convention and exhibition project in jeopardy by refusing to give Multiplex more time ...

I understand that since this article was written financing arrangements have been put in place and that the project should proceed. One is hopeful of that. That project would be a great boost to jobs in Western Australia.

The decision made by the Government to stop logging in old-growth forests will impact on jobs in the south west region. Since the ALP came into government, many people in the community, particularly the business community, have said that the Government has stagnated. The Government is conducting many reviews and has established several task force committees, but no decisions have been made.

The policy of this Government to not contract out services has also had an impact on some organisations. Many policy decisions made deliberately by this Government are having an impact on the rate of unemployment. From September last year to August this year, the number of unemployed persons in Western Australia have increased by 15 100. The budget will have a further huge negative impact, particularly because of the increases in payroll tax and the removal of the exemption for land tax.

In my electorate of Kingsley and the Joondalup area, in August last year there were 1 962 job seekers. In August this year there were 2 292. I have figures, if any member is interested, which show the level of unemployment in each electorate and how much it has increased over the past year. All members have people in their electorates who are at risk of having no jobs.

Budget paper No 3 outlines the wages parity policy on page 138. The estimated costing is \$31.5 million over the forward estimate years. That figure is seriously underestimated. The Government's commitment to wages parity in the public sector will cost \$190 million per annum and if adjustments in variations in conditions are made, it will cost \$64 million per annum. The public sector unions will be upset as a result because the Government is budgeting only \$31.5 million in the forward estimates, which is quite clearly insufficient.

I am sure the members for Joondalup and Wanneroo are very disappointed because the extension of the Mitchell Freeway to Shenton Avenue will not happen until 2005, and that to Kinross will not happen until 2008. The Labor Party was committed to the extensions of the freeway when in opposition. Again, I am sure the member for Wanneroo is extremely disappointed because the then opposition spokesperson for education said that a new primary school at east Marangaroo would be built as a matter of priority. Everybody in east Marangaroo thought that it would happen this year and that it would be provided for in the budget. The building of the primary school has been identified in forward years but there is no indication of when it or the new school in Carramar will be built. The member for Wanneroo has been reported in local papers as saying that both will be built in the Government's first term. However, it looks more likely that building will commence in the last year of this term of the Government. The budget papers are not clear in which year the allocated \$5.5 million is likely to be spent. People in the community will be very angry. I am sure the member for Wanneroo is most disappointed that the budget does not adequately reflect the Labor Party's commitments. Joondalup has also been waiting for a little athletics stadium for a considerable number of years. The budget contains nothing that indicates it will get any money.

I am concerned that the current review of the Joondalup domestic violence intervention program is at risk. Funding runs out at the end of this year, and there does not appear to be any provision for it in the budget papers. If we are to take the Attorney's word, there would have to be overwhelming evidence to convince him that the program was not effective. I will be raising the future of that program with the Attorney.

The money allocated by the previous Government for occupational therapists for four-year-olds and over in the northern suburbs has run out and it does not appear that it will be replaced. If the majority of four-year-olds and over are not receiving treatment as needed, the money the education minister is providing for children with special needs attending mainstream schools will be wasted because corresponding medical and other health-associated support systems are not in place. That money will be totally absorbed into the education system whereas health support should be put in place. An adult can get an appointment within three to four months, much quicker than children in the development years of four years and over. That is not acceptable for parents of children with a great need.

Another issue in my local area is that of vandalism on buses. The Government has been true to its word on its commitment to provide extra support for the safety of passengers on the railway. There is provision for officers at various bus stations. However, a phenomenon that is not restricted to Western Australia but occurs throughout the world is the level of vandalism on and off buses. Often the consequences are that services are withdrawn. In my suburb, rocks have been thrown at bus drivers while they have been driving. That activity is not confined to my suburb but occurs in many other northern suburbs. Youths throw the rocks and run, so the police have no idea of their identity. Of course, it is of major concern due to the injury that it may cause to the bus driver or passengers. If the driver is injured, there is also a potential risk to other road users and pedestrians. Although I would not advocate the presence of a security officer on every bus, the security officers who are currently being trained for the railway may be used on buses, particularly after working hours because most incidents occur after 7.00 pm. A flying squad of security officers could service both the railway and buses, which will ensure that more passengers use bus services at night, because they have the same concerns as rail passengers. Many people will not travel on public bus transport after hours because of potential attacks. Those attacks are not confined to the throwing of rocks, but include spitting at the bus driver and antisocial behaviour towards passengers on buses. Although the level of patronage has increased on the railway and rail passengers' concerns have abated, we should move on to the next step and ensure the confidence of bus passengers after hours.

The budget deals not merely with our future, but also with that of our children and grandchildren. Western Australia needs a thriving economy to ensure the availability of jobs and investment. The Government must ensure that opportunities exist for the people who create jobs and investment. The Government does not create jobs but it can provide the framework and environment in which jobs can be created. I urge the Government to take those concerns into account.

MR HOUSE (Stirling) [1.20 pm]: I take this opportunity to contribute to the budget debate and to address a couple of matters. First, the Government must be congratulated for some areas of the budget. In those areas it has done a reasonably good job. However, it has failed miserably to answer the challenges in front of it in other areas of the budget. I shall outline some of those areas in my speech. However, before I become too critical, I want to say that the events in America a week ago put many of our lives in Australia into a context that many of

us would not have thought we would be in only that short time ago. In being critical of some of the matters in the budget, I look around me and see that we are all very lucky to be living in a wonderful environment and in a wonderful State.

Last Wednesday morning, I was in a hotel where a number of Americans were seeking information about their work colleagues and friends. It was very disturbing to see them seeking news of whether someone they knew was alive, safe or whatever. My son, who worked in America at one stage and still works overseas, has a friend who is missing in that incident. Those matters put our lives and the way we live in Australia into context. When we are critical of what members in this place do, we must also compare that with what happens in other places and countries. In that context we have a great deal for which to be thankful.

There has been a lot of rhetoric and accusations from both sides of the House about the budget and about the situation in which the financial affairs of the State were left. The direction we should take in the future is a matter of opinion and the way in which we handle the State's finances is a matter for debate. The fact that we have differences of opinion about that is very healthy and has helped to give this State a sound framework. When one realises that the development of such a huge land area that is this State has occurred over a little more than 150 years and that it has been done by a population of fewer than two million people since the turn of this century, we have not done a bad job. Governments and public servants who have administered the State over that time have done very well in providing the State's infrastructure including power, water, roads, buildings, ports and the services that are used by such a small number of people over such a huge land mass. Although we differ on opinions, we can be very proud of the end result.

The present Government can say what it likes about the state of affairs it inherited, but some simple facts must be reiterated. When the coalition came to government in 1993, the State's AAA credit rating had been lost; the state-run insurance operation was bankrupt; and government departments had lost their sense of direction and their budget allocations were in disarray. At the end of the previous Labor Administration in 1993, indications were that the State's finances needed a major overhaul. As I said, the most important matter was the restoration of the State's AAA credit rating. The former Government managed to do that. It had to make some tough decisions; however, those decisions were made and that credit rating was restored and is still in place. The Government can use all the rhetoric it likes, but the economic commentators have decided that the financial affairs of this State were then, and are now, in sound order. The challenge to this Government is to keep them that way.

When I consider the AAA credit rating as a benchmark of the allocation of funding in this State, I must say that the latest budget presented by this Government indicates some doubt about the future of that rating. Some of the principles that the previous Government had to put in place to restore that AAA credit rating have been eroded by this budget. I will list a few of them. This Government has decided that it will not contract out any more services that were done previously by the public service. It has decided that there will be no more privatisation. It has decided to undo the workplace agreements legislation. It has decided, so it says, that there will be no reduction in the public sector work force; I shall come back to that in a minute. However, if the Government goes ahead with those plans, its ability to manage the affairs of the State will be considerably affected. That is reflected in this budget. Although a deal of publicity has been given to minor matters - the pluses and minuses of the budget - the Government will have to make massive changes to achieve the budget result that it has indicated. Government departments will have to be run differently. I will refer in a moment to a couple of specific changes about which I know something, and indicate the sort of cuts that will have to take place.

An interesting exercise for country members would be to examine the allocation of finances in the budget and the services on which that money will be spent. There have been a lot of words and indications in the debate on this budget about what will be done, but very little indication of an increase in spending in rural Western Australia. There is no indication in the capital works program, for example, that the work started by the previous Government - admittedly to be finished under the term of this Government - will be continued. The initiation of new capital works in rural Western Australia is almost non-existent. In its eight years in office, the former Government practically tripled funding for the road building program that it put in place. Entities such as Agriculture WA had huge capital works programs. We put new buildings into centres such as Albany, Northam, Manjimup, Merredin and Katanning. The construction of a new building in Geraldton, which was started in the time of the former Government, is not yet finished. There was an ongoing and continuing process of development in those programs, but they are missing from this budget. It is important to know where those capital works moneys will be spent in future. It is essential to invest in that infrastructure because it will carry us into the future.

I note a commitment in the budget to build a new fisheries research centre. The former Government did the initial planning for a new fisheries research centre in this State that would have included a contribution from the Indian Ocean rim countries, such as South Africa, Mauritius and others. A truly international centre for research

could have been built. The budget papers state that the planning process is still under way. In other words, this Government has said that it will do it but it will not allocate any money to it. I am interested to know the reaction of the fishing industry to that because all the planning including the design work had been done, the site had been selected, the process was in place and it was at the stage at which tenders could have been called. However, it is obvious that this Government has decided to delay that project for some time. That delay will cost the fishing industry in this State dearly. I am sure every member will agree that the fishing industry is very well managed and has been well managed. It has been backed by some hard decision-making by a succession of fisheries scientists who have done a very good job. We have some of the best fisheries in the world and the research centre would have advanced not only that cause but also aquaculture, which is the next big step forward for fisheries. It is a shame that the research centre will not be completed. It would have attracted international scientists to work in this State and to advance the cause. That is the sort of short-term decision that the Government has made to make the budget look a bit better, but the effect in the next 10 years will be dramatic. In this case, the outcome will be detrimental rather than positive. The best I can say, being positive, is that I hope to see that capital works allocation in next year's budget and that the money will be spent because the fishing industry needs it dearly.

The former Government made a huge increase to road funding, much of which went into rural areas to support produce being taken to port to be sent overseas to earn export income for this country. Those roads are a vital part of our infrastructure. If they are allowed to deteriorate or are not capitalised on by increasing their efficiency - that is, be able to carry larger road trains so that products can get to ports quickly - a price will have to be paid in the long term. It looks all right in the short term, because we have had a catch-up period, and perhaps we can get away with it. However, we cannot get away with it in the long term. One hopes that the Government will see the good sense in putting money back into that rural infrastructure program and getting it moving again. The shire councils and the people who live out there need that support. It is vitally important that the program continue, as is the efficiency and the continued development of the ports to take bigger ships and to turn them around quickly. All of those issues put this country in a position to withstand the international pressure that is put on us as people who must compete in a world export market.

They are some of the principles, but now I will talk specifically about a couple of departments with which I am very familiar; that is, the Department of Agriculture and the Department of Fisheries. The policy of the present Labor Government when it was campaigning was to amalgamate the agriculture, fisheries and forestry departments. I understand that that was where it was to stop. I fully support the agriculture and forestry portfolios coming together; as primary industries, I have no objection to that amalgamation. However, I strongly believe that the Department of Fisheries should remain an individual agency. Although it is a small agency, it is an efficient agency with very different principles and needs from agriculture and forestry. I am pleased that at this point the Government has stepped back from that commitment and will not continue with that amalgamation.

However, I am disturbed at the amalgamation of the Agriculture Protection Board and the former Agriculture Western Australia. Agriculture protection has operated under separate legislation in this State for 100 or more years. There has been a very clear reason for that. It needs to keep itself completely separate from the production side of agriculture. The APB was a protection agency. It appropriated a completely separate budget. It was administered under the minister's authority, but by an appointed board that is set down in the legislative process. To change those principles, the legislation must be changed. Although the budget indicates that the moneys have been appropriated from the APB to the Department of Agriculture - indeed, the full-time equivalent shown for the APB this year is zero - there is no indication from the Government that an accompanying piece of legislation will allow that to occur. I think that the Government might be acting *ultra vires* to the Act.

I am surprised that people from the Western Australian Farmers Federation and the Pastoralists and Graziers Association have not been vocal about it, particularly people in the northern areas of the State who make individual contributions to the functioning of the APB through a rate against their properties, which is put into programs such as wild dog control. For it to work outside the functions that it has had in the past is a serious mistake, particularly as we are seeing epidemics such as the foot and mouth disease in the United Kingdom, boat people coming into this State whether or not we like it, and the high risk of disease of our close neighbours. We are running a serious risk if we do not continue to support an individual agency and allow it to report to the minister separately from the Department of Agriculture, with its separately appointed board whose chair reports directly to the minister. That is an important part of what it does.

Although it might look like there is some short-term gain, I fail to see where the gain has been made. I have read the budget papers reasonably thoroughly. They have changed this year because of the last phase of the implementation of accrual accounting, so in some instances it is hard to pick up the exact figure. It does not seem to me that there will be any great saving in the decision to amalgamate the APB and the Department of

Agriculture. One fails to see where the benefits will be. I have not seen or heard that demonstrated by anybody publicly; I certainly have not heard any comment from the minister about that.

The agriculture budget is interesting. It will be slashed by some \$30 million. Further, there will be a reduction of 120 full-time equivalent people at the Department of Agriculture. There is no indication in the budget about where those people will go from, because the budget does not differentiate between departments. Admittedly, some of the \$30 million to which I allude is for some of the specific projects that we put in place last year, such as the locust control program. Some of the money went towards assisting areas suffering severe seasonal conditions, but not all of it. If the department is expected to make further financial gains - that is, the so-called productivity gain that is supposed to be made by this department - it will be in severe trouble. About 75 per cent of its budget goes into wages. If that is the principle, obviously it will have to shed more people. The Grains Research and Development Corporation contributes money that is funded by the yearly grain crops and, depending on the size of the crop, the amount of money will differ from year to year. Because industry contributed a large amount to the agriculture budget, it is hard to pick up the exact figure, but it appears that there will be a severe reduction. Where that will come from will become more apparent in the budget estimates discussions next week. I look forward to those with some interest.

When I look at the budget, I am seriously concerned that there will be a withdrawal of services. If the productivity gain is added to that, there will be a further reduction. Agriculture cannot afford that at this time. Seasonally, we have experienced two of the toughest consecutive years ever. In my time as a farmer, I have never had two years on end that have been quite as poor as these two years. At the same time we have suffered other problems, including the locust plague last year, which have cost us dearly. It is not a time to reduce the budgets of productive agencies. The Department of Agriculture is a productive agency. It produces good results for farmers and enables them to run better businesses and to increase their productivity. That keeps them competitive and keeps the State on a good, sound financial footing. It is quite unproductive to cut the budget of an agency like that. Compared with health, education and other agencies, agriculture is quite a small agency allocation from the consolidated fund.

Similarly with fisheries, although there does not appear to be any major differentiation in fisheries, much of the Department of Fisheries' budget now comes from cost recovery, which was implemented by the previous Government with the full agreement of the fishing industry. I told industry representatives at the time that one day they would be glad they had taken on that responsibility, because they would be masters of their own destiny to a greater extent than they were at that time. Eight or nine years hence, that has proved to be true. I should think they are very pleased about that. As the then minister, I signed an agreement with John Cole, the Chairman of the Western Australian Fishing Industry Council, that allowed industry representatives to have an input into that budget process. They had input in our time, and I am sure they will have input in this budget. That has proved to be very positive for them.

I am also pleased that there is a commitment to continue the professional licence buyback scheme that we put in place. During our time in government, we put about \$2 million a year into that scheme. That bought back a lot of licences when there was conflict between professional and recreational fishermen. It alleviated a lot of pressure in a number of areas where the recreational fishing level had been increased considerably. Once again, that was done with the full cooperation of a committee that included professional fishermen. Although we had some meetings that one would call interesting, there was always a good outcome. I am pleased that this Government has indicated that it will continue that scheme this year. However, I do not see any budget allocation for the out years. If that scheme is to cease for the sake of a couple of million dollars a year, pain will be created in some areas; for example, in Geographe Bay, the beaches in the northern suburbs of Perth, Shark Bay and other places. That scheme will be sorely missed if it is discontinued. I am looking for an indication from the Government that it will restore that figure to the out years and ensure that that money is included.

I understand that the Minister for Agriculture, Forestry and Fisheries will make a statement today in another place about the sale of land belonging to the Mt Barker research station. Research stations around the State have played an important part in the development of agriculture. The minister indicated early in this Government's reign that he would close the station. However, as a result of the ensuing outcry, he retracted that statement and foreshadowed a study. I have it wrong; members opposite do not refer to "studies"; they have "reviews", and about 300 are under way. Such a course will lead to slow strangulation of the facility. The budget papers suggest that the Government will quietly and slowly withdraw the services and staff and let the station die a slow death. That would be the worst possible result for the people who live in the area and who use the services provided by the station.

I appeal to the Government to look at the positives. It is easy for departments to propose savings by closing facilities, but they do not provide details about the effect of such closures in the out years. In many cases, Governments look at the figures in front of them rather than at the longer-term effects. Those working at the Mt Barker research station have done a good job. The agricultural base in that area has changed from the traditional

focus on sheep and cattle to dairying, viticulture, winemaking, floriculture and so on. The Mt Barker research station is a prime example of a facility that could be used to help a region move forward, and closing it would be detrimental.

I draw the attention of the House to the way in which the budget is presented. I refer to the full-time equivalent numbers in agriculture to illustrate my point. I understand a budget briefing will be conducted tonight, and I will ask this question again in that forum. I accept that the format of the budget must change from time to time, but it is sometimes hard to establish exact figures. It would be useful if each minister were to produce a precis of the principal points relating to his or her portfolio responsibilities when the budget is presented. That would avoid members being misled or mistaken. If I am wrong - I do not believe I am - in what I have said about the reduction in agricultural services, it would have been appropriate to have established that prior to my contribution to this debate. It would be useful if members were able to get a handle on the budget and the way it is presented, particularly given that the format has been changed.

Finally, I note a reduction in the dairy industry restructure package. Page 229 of the *2001-02 Budget Statements* indicates that the amount of money allocated to that scheme by the previous Government has been reduced by about half. The implementation of the restructuring legislation was probably the toughest test confronted by the previous Government when dealing with the agricultural industry. It was foisted upon the coalition by the federal Government's decision not to renew the commonwealth sunset provisions and the decision of the Victorian farmers - who at the time produced a little over 60 per cent of Australia's milk - to push to free up the market. There was no option, so the coalition implemented a \$27 million package to assist dairy farmers and those associated with the industry. I hope the Government will honour that commitment and reinstate that money in the budget so that those dairy farmers have the best possible chance to go forward positively. The formation of the cooperative - which the previous Government supported - is a positive step forward. The price of milk has been quietly moving up in the past few months in the other States and the major supermarkets are about to recall tenders, which will have benefits for the community. It is important that we support the dairy industry.

I now turn to the health budget and the situation confronting country hospitals. It is difficult to defend every country health service from an economic perspective. It is like trying to defend the subsidies provided for the metropolitan transport service. We provide them because we want to get cars off the roads and people to work quickly and safely. For similar community amenity reasons, we must contribute to the provision of health services for country people. For one reason or another, many country hospitals are not being fully utilised. However, they are needed when accidents occur or health issues arise in those areas. Because of the miles we travel and the isolation we confront, many of us in the country have come across accidents or had to assist ill people. We have been glad to be able to call on those services. They are very efficient and good, but sometimes it appears that they are not doing much. I urge the minister and the Government not to close any country hospitals, because they are urgently needed. It is easy for the bureaucracy to suggest saving money by closing a hospital and to justify doing so by saying that people in the area will be required to travel only a few extra kilometres. I draw to the minister's attention a proposition which has been trialled in this State and which should be extended. I refer to the fly in, fly out specialist service initiated by Professor Tony House and his wife Jill. Professor House is the Professor of Surgery at the University of Western Australia and Jill is a general practitioner. Tony is a cousin of mine and he and Jill own the farm next door to my farm at Gnowangerup. I am not trying to introduce my family into this debate, but the service they have provided with the assistance of the former Deputy Premier has proved to be very beneficial for a number of reasons. Jill and Tony wrote a paper demonstrating the cost effectiveness of the service. They flew into three or four centres in a day and did minor operations, after which the patients stayed in the local hospital to recover. The service could be adequately funded by reversing the patient assisted travel scheme; that is, instead of paying the patient to travel to Perth, the specialist doctor could be paid to go to the country. If an appropriate team of medical staff were to travel to regional areas to perform procedures, we would be making better use of country hospital beds and nursing facilities. It would be a win-win situation. Many country people do not go to Perth immediately if they have a health problem. If services were provided locally, they might seek advice sooner and avoid more serious problems, and many lives might be saved. The information about the cost effectiveness of the service and the number of patients treated can be backed up by documentation. That service should be considered in a broader sense and it could be expanded. I suggest that the minister meet with Tony House and talk to him about that scheme and how it could be developed. The health bureaucracy will fight the minister every inch of the way - they fought the previous Government.

Mr Graham: He is an excellent doctor.

Mr HOUSE: He is.

The ACTING SPEAKER (Mr Andrews): I call the member for Pilbara to order simply to make the comment that Professor House is an excellent surgeon and one of the top practitioners in Western Australia.

Mr Graham: I am pleased to be called to order in that fashion!

Mr HOUSE: I am pleased to have my relations recognised in that fashion!

Mr Kucera: I am well aware of the program, and these are the kinds of programs that will allow us to undertake some of the clinical reforms to which I referred in country areas. I commend you for raising it. I have not seen the final report, but I am not sure it is necessarily the bureaucracy. I have found the changes in clinical attitudes difficult to overcome when trying to achieve reform. However, I am aware of the program, and its work in the south west has been brought to my attention.

Mr HOUSE: I accept the point made by the Minister for Health, because I am aware of one local doctor in a country town who does not like his position to be usurped by the high profile surgeon and his team when they arrive in town. This doctor has made it difficult for the surgeon and his team when they go there, so now they do not go there. However, in many other places that is not the case. I am sure the minister would agree that the health budget is insatiable; even if we doubled it, it would still be spent. Therefore, we must look at health differently, and find different ways to solve the problem. I am putting forward a proposal that has been trialled and proved by competent people. I believe it is worth having another look at it, because nearly every country hospital has a bed occupancy average of less than 50 per cent, and nurses whose skills are dropping off not because they are doing anything wrong, but because they do not get the experience or the opportunity to practise their skills. Many positives would be gained from turning this situation around. People would be removed from city hospital beds thus freeing them up. We bring country people to Perth under the patient assisted travel scheme and if we could turn that around and put those patients back in the country, we would have a positive outcome.

Mr Kucera: I would be delighted to take submissions for the PATS review that I was talking about this morning. I urge you, and anybody else involved, to put your points to me. I think it is a good point that PATS can be used in a different way. Unlike you, I am not in the country, so I seek your advice on that matter.

Mr HOUSE: I will ensure that the Minister for Health is given a copy of that report, which was written about 12 months ago. As a consequence of that, perhaps the minister might make the time available to meet with Tony, and his wife Jill, who is a general practitioner, and obtain first-hand knowledge of how that scheme works.

The development of energy supplies, both gas and electricity, is another matter of concern in the great southern and lower great southern regions, and is important to our future. The previous Government carried out some initial work in an attempt to get together a group that would extend the current gas pipeline from Bunbury through Manjimup to Mt Barker, and then down to Albany. That would pick up a fair percentage of the portion of the State that is growing and developing. Indeed, the figures put together by the Leader of the Opposition when he held the energy portfolio, by me, as someone who was vitally interested in that issue and who represented that area, and by others, indicated that that gas pipeline would need government assistance over the first three or four years. That scheme hinged on a couple of projects, but we were bringing those people together on a "take or pay" basis so that there would be a guaranteed income. I think it is vitally important that the gas pipeline is built, that the design work begins now and that the pipeline is completed some time in the future.

The lines for the electricity supply to Albany were built side by side as a safety provision. However, in some places the lines cross, and if there is a disaster in one area, such as a storm, both lines can be down, and the whole supply to the great southern area can be out. Both those lines were built in the mid to late sixties, so they are nearly 40 years old. They simply do not carry the quantity of energy supply that is needed in some of those small country towns. Consequently, the development of some of the small industries in those towns is being held back. For example, there are industries that need to run bigger capacity generators and welders. The energy draw of some of these industries is so big that it simply cannot be delivered down those lines. It is the responsibility of the Government to help put that infrastructure in place. Roads and energy are key components in the development of rural Western Australia. While we have been successful in getting a number of new industries into those areas, we must ensure that those structures are increased and that they continue to be upgraded. Little work has been done on that for the past few years and something must be done urgently.

I turn now to two other subjects. One is the debacle facing Western Australia's rural air services. I do not think that people living in the metropolitan area are aware of the problems that rural areas face when the airline does not fly. We have become dependent on the expertise that is brought into our regions by plane from metropolitan areas. Many products and emergency supplies are brought in by plane, and our tourism industry also depends on planes. Indeed, for many reasons, rural areas rely on those flights. I am sure that other members of this House will touch on this in more detail at the appropriate time. However, those air services are absolutely vital, and as the member for Ningaloo said yesterday, they are as vital as the bus or train services that run from Midland into Perth bringing workers to the centre of the city. Those services are just as vital to the metropolitan area as plane services are to our region. It is absolutely essential that we make every effort in this area. Once again, I believe the Government has a responsibility to leave no stone unturned, and to ensure that it is doing everything it can to

get those services back in place as quickly as possible. Quite frankly, people in the country do not feel enough is being done to ensure that that will happen.

I turn now to an issue that is outside the budget; that is, the development and planning of the metropolitan area. Strangely enough, that interests me greatly. This morning I picked up the paper and read about a proposal to build a new office block in the city, on what is known as the Bishop's See site. For those members who know that area, it is the old Anglican Bishop House on the corner of St Georges Terrace and Spring St. That site has one of the best garden and lawn areas in the metropolitan district. It is used by many city people at lunch time as well as for functions, such as weddings. It is one of the few open spaces in the metropolitan area. The Minister for Planning and Infrastructure should have a serious look at whether this building should go ahead. Indeed, I believe that the area should be kept as open space. If the people who came here 170 years ago were able to acknowledge that Kings Park should not be built on, then in this day and age we should ensure that this area is not built on either. Moreover, if members look at page 58 of *The West Australian* today they will see a design for this proposed building. It is unbelievable. The article describes the building as follows -

Plans reveal a bold, futuristic design that will look like nothing else on the Perth skyline, resembling four giant pieces of toast stacked sideways and put out of alignment, perched on stilts six storeys above the ground.

The minister should have a look at this design as it is one of the worst pieces of architecture that one could ever find. Over the page, I read an article that stated that Mr Keating, our former Prime Minister, had addressed a meeting of architects at which he accused developers and architects of filling Australian cities with junk. I could not agree with him more. We need to look only at page 58 to see that the former Prime Minister is absolutely right. I do not agree with Paul Keating about much, but I certainly agree with him about that. I hope the Minister for Planning and Infrastructure will look at the long-term development and planning of this city and take some hand in ensuring that building does not go ahead.

Debate interrupted, pursuant to standing orders.

[Continued on 3986.]