

**FAMILY HOUSEHOLD COST INCREASES**

*Matter of Public Interest*

**THE ACTING SPEAKER (Mr P.B. Watson):** Members, today the Speaker received within the prescribed time a letter from the Leader of the Opposition that reads as follows —

Dear Mr Speaker,

**Matter of Public Interest**

I wish to raise the following as a matter of public interest today, Tuesday, March 9, 2010.

“That this House condemns the Barnett Government for failing to manage its Budget and protect Western Australian families from savage increases in family bills.”

The matter appears to be in order. If at least five members stand in support of the matter being discussed, I will allow it.

[At least five members rose in their places.]

**The ACTING SPEAKER:** Given that more than five members have stood in support, the matter can proceed.

**MR E.S. RIPPER (Belmont — Leader of the Opposition) [3.17 pm]:** I move the motion.

It is becoming apparent to the Western Australian community that Western Australia is on the verge of a new boom. Two key questions about the impending economic prosperity must be asked. First, will Western Australians benefit from this new period of economic growth? Second, how will Western Australians benefit from this new period of economic growth? Regrettably, few Western Australian families will benefit from the impending economic boom under this government, because this government is mismanaging the state's finances and it is mismanaging the budget. When a government mismanages the budget, families incur costs because services are cut or family bills go up—or both things happen. As the state government mismanages its finances and prevents the benefits of the forthcoming boom from reaching Western Australians, services are being reduced and family bills are on the increase.

I will explain what has happened to Western Australian family budgets since the election of the Barnett government. If members take account of the state's reduced family support measures—for example, I refer to the ending of the pay-to-learn allowance and the ending of subsidies for government high school fees—and take account of the savage increases in family bills imposed by this government, they will reach the conclusion that since September 2008, the Barnett government has taken \$1 500 from Western Australian family living standards. Of course, its history with electricity charges is worse. Listening to the government's rhetoric before the election, one would have thought that there was no campaign by the incoming Liberal government to increase electricity prices. However, last year it hit consumers with a 26 per cent increase in electricity prices, and yesterday it announced two more increases. Together, those increases amount to 18.25 per cent for the next financial year. The increase in family electricity bills as a result of yesterday's announcement is, conservatively, \$216 per annum. So \$216 per annum is what one day's announcements of the Premier and his government have cost WA families.

However, the situation is much worse than 26 per cent last year and 18.25 per cent for the next financial year. Why do I say that? I say that for two reasons. One is that people pay over and over again for increases in electricity prices, they pay over and over again when their electricity bills come in, but they also pay over and over again because households are not the only parts of our society that have been hit with increasing electricity charges. Sporting clubs have been hit with increased charges, churches have been hit with increased charges, councils have been hit with increased charges for street lighting and businesses have been hit. Those organisations will not contain the increases within their own accounts. They will pass them on. When Western Australians pay council rates, they will pay a component for increased electricity charges for street lighting. When they pay sporting club fees, they will pay a component for the increased electricity charges on recreation centres and the other facilities that sporting clubs use. Churches will cost more to run as a result of increases in electricity charges. Businesses of all types will pass on the costs of increased electricity bills to Western Australian households, so families will pay over and over again.

**Mr P.T. Miles** interjected.

**Mr E.S. RIPPER:** The member for Wanneroo should be standing up for WA families instead of interjecting on me. He should be looking after those families in Darch. He should not be standing by and letting his senior ministers savage the living standards of those people in Darch who voted for him in good faith. We are going to

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go up there and talk to the people in the electorate of Wanneroo. We are going to be campaigning in the electorate of Wanneroo and we are going to be saying to people, “We oppose the savage increase in electricity charges. We oppose what” —

**Mr P.T. Miles** interjected.

**The ACTING SPEAKER (Mr P.B. Watson):** Member for Wanneroo, you will have a chance to speak, and I am sure you will.

**Mr E.S. RIPPER:** We oppose the savage attack on family living standards that has been instigated by the Liberal–National government. I said that it is going to get worse. It is not going to get worse only because of the on-passing of costs from other organisations to families; it is going to get worse because there is more to come under this government. Its plan, as revealed in information given to the Standing Committee on Estimates and Financial Operations in the other place, involves another 50 per cent increase in electricity charges between now and 1 July 2013. What this government proposes to do, on top of the increases it has already imposed, is to add another \$700 to family electricity charges. That is the plan.

**Mr P.T. Miles** interjected.

**The ACTING SPEAKER:** I call the member for Wanneroo to order for the first time. As I said, I am sure the member will get up to either vote for or against the motion or talk about it, but the Leader of the Opposition has the floor.

**Mr E.S. RIPPER:** The plan is to add a further 50 per cent on top of the increases in electricity bills that we have already seen—to add another \$700 to average family electricity bills. If that is not the plan, the budget is a lie, because that information was given to the Standing Committee on Estimates and Financial Operations by the Department of Treasury and Finance. It was information about the underlying tariff assumptions for the WA midyear review and forward estimates. Taking account of the 18.25 per cent increase announced yesterday, there is still 50 per cent more to come as a result of this government’s financial plan—so more bad news for WA families at a time when dividends from the electricity organisations are actually increasing. We have a —

**Mr C.J. Barnett** interjected.

**Mr E.S. RIPPER:** The Premier is desperate. I am not going to take interjections from a desperate man seeking to avoid responsibility. He is the emperor with no clothes, and people are beginning to see that. He never ever takes responsibility for any decisions he makes. It is always somebody else—it is the federal government, it is the previous government, it is the global financial crisis, it is the Commonwealth Grants Commission. The Premier is in government. He was elected in September 2008. He has choices. He should take responsibility for the decisions he makes.

We will see an increase in electricity organisation dividends to the government before the end of this financial year. Remarkably, that increase will probably be just enough to provide the slim \$51 million surplus that the government is forecasting. Moreover, we are going to see dividend increases in the electricity organisations between now and 2013, while the government, under the leadership of this Premier, with his henchman, the Treasurer, savagely increases family bills. It is just a desperate lie to blame the increases on the break-up of Western Power, because there is information about the success of the electricity reform program, and that information is published by the Economic Regulation Authority. It says that the market appears to be performing well in meeting its objectives. That is what the Economic Regulation Authority says. The truth is that the government has choices to make, and it has not made those choices in favour of WA families.

The commodity boom delivered huge increases in global energy prices, but it also delivered the government of Western Australia increased capacity to protect Western Australians from the effects of those energy price increases. The previous government used that capacity to deliver a benefit from the boom to Western Australian families to shield them against sudden and savage increases in electricity prices. We put \$780 million into the budgeted forward estimates to protect WA families. What did this government do? It took that money and spent it on other things. It spent it on the country local government fund. It intends to spend it on the Oakajee port, and it intends to spend it on building Roe Highway stage 8. So it has made choices, but none of those choices has been in favour of protecting Western Australian families. That is the basic argument that we put before the house. The government had choices. The government chose, the Premier chose, not to protect Western Australian families. The Premier chose to take that \$780 million and spend it on other things. What the Premier needs to understand is that he is the Premier and that the buck stops with him. It is no good to blame other people; it is no good to denigrate other people. He has been in government for some time now; he has been in government since September 2008. He has the capacity to make different choices.

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I am not the only one who thinks that. I want to quote from an email that I received from a Main Roads department engineer, who said —

I am shocked to read that Verve executives are receiving massive pay increases while **energy costs are sky rocketing** and public servants like myself are being forced to accept pay increases well below the **true** CPI. Although I do not believe everything that is written by the Media there seems to be a trend here of this Government paying the rich more and more while the poor get less and less!!! And please do not blame the previous State Government or the current Federal Government for these issues...show some real leadership and take responsibility.

Many a true word spoken by a Main Roads department engineer! That is a very, very correct and appropriate statement. The Premier has savaged the family bills of ordinary households in Western Australia. He has made the wrong decisions and, to add insult to injury, he is refusing to accept responsibility for his own seriously negative choices.

**MR M. McGOWAN (Rockingham)** [3.28 pm]: I support the motion moved by the Leader of the Opposition. What we have seen over the 18 months of the Barnett government has been a massive increase in taxes and charges on ordinary families in Western Australia—a massive increase in taxes and charges on ordinary folk around Western Australia at a time when they should expect to receive some dividend from the improvement in the Western Australian economy that we see going on today courtesy of our strong trading position with our trading partners Japan and China. If the increases in taxes and charges are all rolled together, we can equate it to a great big new tax. I have heard that before—a great big new tax. It will mean a \$1 400 or \$1 500 increase in the average cost per family around Western Australia when we add in the increases in electricity, the increases in gas —

Several members interjected.

**The ACTING SPEAKER (Mr P.B. Watson)**: Members have an opportunity to get up and talk. I want to hear what the member for Rockingham is saying. If anyone else wants to talk, their names will go in the little black book!

**Mr M. McGOWAN**: The increases in electricity, the increases in gas, the increases in water, the increases in public transport, the increases in —

Several members interjected.

**The ACTING SPEAKER**: I call the members for Warnbro and Wanneroo to order for the first time!

**Mr M. McGOWAN**: The increases are in public transport, the Perth parking levies, the brand-new levy to be imposed on households under the landfill levy legislation that this government has passed; the new fishing tax; the list goes on and on of increases on ordinary families around Western Australia. This government has been in office only 18 months thus far.

Those increases are compounded. If members go to the midyear review they will find that this government has not only imposed these additional taxes and charges on Western Australian families, but also abolished \$500 million worth of tax cuts that were due to come in. They are contained in this midyear review—cuts in payroll tax and stamp duty, which often affect relatively small businesses that employ Western Australian citizens, and stamp duty that impacts on ordinary folk in their transactions involving non-real property. That is, \$500 million worth of tax cuts abolished by a Liberal Party government in Western Australia; tax cuts that the ordinary citizens of this state should have been able to expect that they would enjoy from the middle of this year. There are therefore increases in taxes and charges and the abolition of tax cuts around Western Australia, but they are compounded by this government's inability to rein in some of its expenditure.

Several members interjected.

**The ACTING SPEAKER**: Members!

**Mr M. McGOWAN**: I will add to this. Members will recall when the Treasurer announced the cap in public sector staffing last year. He said that the government would cap public sector staffing to 99 500 public servants around Western Australia and that the government needed to do that to ensure that there was a control on costs. Since he put in that cap, 2 300 additional public servants have been employed by this government. If we add in the abolition of a uniform tariff in the country—a controversial issue in the late 1990s, as I recall—that means that many small to medium-size businesses in country towns in Western Australia will pay markedly more above these increases for their electricity bills. We are already hearing stories from small and medium-size enterprises in country towns such as Albany and Esperance that will be massively impacted by that abolition. The issue that is topical today is the increase in electricity prices.

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A government member interjected.

**The ACTING SPEAKER:** Excuse me, member, if you are going to interject, would you do it from your own chair? I call you to order for the first time.

**Mr M. McGOWAN:** Over the course of this year there will be an 18 per cent increase in electricity prices on ordinary households; that is, on top of a 26 per cent increase in the first year of the Barnett Liberal government. That will be an increase in electricity prices of 18 per cent plus 26 per cent. I know that the Premier will stand in this place and say, “It’s all your fault because you put in place the disaggregation process, which meant that there was competition in the electricity sector. It’s all your fault because you put in place that competitive pressure in the electricity sector.” Of course if the Premier had had his way, there would not have been that massive growth in private generation capacity in the electricity sector. That would have impacted on the state budget and would have meant that taxpayers would have paid for the capital that was put in place for the generation of electricity. That would have been the consequence of what the Premier is saying.

However, let us have a look at what the Premier did. He said—I heard him on the news last night—“It’s all your fault, what you did.” I have got the *Hansard* with me of when the bills went through Parliament in 2005. Let us have a look at what various members had to say during the debate. My personal favourite is what the now Treasurer, the member for Vasse, had to say on the disaggregation process of the electricity sector. He said —

The disaggregation of Western Power ... is something I support, and I am glad the Liberal Party has chosen to support that view. At the end of the day, I have a fundamental confidence —

**Mr T.R. Buswell:** That is right. Have you seen the account of the incompetent management of the process?

**Mr M. McGOWAN:** The Treasurer will love this —

... I have a fundamental confidence in the delivery of the market mechanism—that is, supply and demand—to generate the most effective set of long-term social and economic conditions. I also believe that it is the most effective mechanism to use to address problems Western Australia currently faces in the electricity sector.

The Treasurer said that before he supported the legislation. I would have thought the Liberal Party, in saying how awful the legislation was, would have voted against it. The question was put and passed. No member of the Liberal Party or the National Party called “Divide”. Not a single member of the conservative parties of this state called for a division on that legislation.

Several members interjected.

**Mr M. McGOWAN:** I can find in *Hansard* where the Premier said that he would not vote against the legislation. However, the then Liberal leader and member for Kalgoorlie, Mr Matt Birney, said —

If we want to create a competitive, cost-effective marketplace, it should be separated. The opposition is prepared to offer support for this bill. I thank the minister for taking on board our suggestion to impose a price cap for the smaller players. That will alleviate a fair amount of concern, particularly from members of the Liberal Party.

Several members interjected.

**Mr M. McGOWAN:** If we go through the debate, we can see that speaker after speaker from the Liberal Party and the National Party and the Premier all said that they would not vote against the legislation. The Premier did not have the courage of his convictions to cross the floor. He did not have the courage of his convictions to call a division, despite the fact that he constantly says the Liberal Party has that capacity.

**Mr C.J. Barnett:** Did you read my speech?

**Mr M. McGOWAN:** I did read the Premier’s speech. It was a pretty average speech. It was long and turgid, as is his wont.

Several members interjected.

**Mr M. McGOWAN:** But I got right to the end of his speech looking for the principle, looking for the Premier saying, “I am going to call a division; I am not going to support this.” What did he say? He said that he would not oppose the legislation and that he would support his colleagues on it. He did not vote against the legislation. All of his colleagues who spoke on the issue indicated support for it.

So what have we seen? A massive growth in private generation capacity in the electricity system as a consequence of those reforms. We also saw under the former government protection for ordinary families, which this government has ripped out and is now responsible for the increase in prices for ordinary families.

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**MR T.R. BUSWELL (Vasse — Treasurer)** [3.37 pm]: I will make a couple of quick comments on the motion. I will start with a quick discussion on electricity and then move on to the broader issues of financial management. The member for Rockingham is right: we did support the disaggregation process. I think at the time we might have expected a level of competence that we could describe as moderate from the minister. That, unfortunately, did not transpire and one of the reasons we are here today is because of that incompetence. It is exactly the same as the mismanagement of that other project in which I became interested in opposition: the Office of Shared Services. It was not until the then Treasurer and now Leader of the Opposition got involved that the thing got back on track, because it was shoddy.

Several members interjected.

**Mr T.R. BUSWELL:** It was incredible shoddy, and it happened everywhere. It happened at Perth Arena; it happened with electricity disaggregation; it happened with the Office of Shared Services.

**Mr F.M. Logan** interjected.

**Mr T.R. BUSWELL:** It happened at Varanus Island when my friend the member for Cockburn went up there. The place had blown up! He came back and made a statement to the house and said, “There’s been an explosion on Varanus Island. Has anyone been awake?”

Several members interjected.

**The ACTING SPEAKER:** Members, I was hoping we would have a good debate on something that is very important to constituents, especially my constituents. I am sure a circus is not what they want. Let us get back to the point.

**Mr T.R. BUSWELL:** Thank you, Mr Acting Speaker. Indeed the people of Albany want that hospital.

**The ACTING SPEAKER:** Yes.

**Mr T.R. BUSWELL:** It is being built with great speed, Mr Acting Speaker.

**The ACTING SPEAKER:** I am looking forward to the opening.

**Mr T.R. BUSWELL:** I will not talk about that.

I want to talk about glide path for a second. The Leader of the Opposition made a lot about how good he was, how generous he was, and that he had this \$1 billion community service obligation across four years.

**Mr E.S. Ripper:** It was 780.

**Mr T.R. BUSWELL:** It was \$780 million across three years. It was across four years a \$1 billion bailout of his failed, botched system.

**Mr E.S. Ripper:** Supporting Western Australian families; subsidies to protect Western Australians—you took it away. Unconscionable!

**Mr T.R. BUSWELL:** I want to make one point. The Leader of the Opposition talks a lot about 10 per cent per annum price increases. The previous government created this myth that it would increase the price of electricity by only 10 per cent per annum.

**Mr E.S. Ripper:** The plan went out before the election; what was your plan? What did you say before the election?

**Mr T.R. BUSWELL:** I refer to the budget statements of 2008–09. This is where the previous government put on the public record its 10 per cent strategy. In respect of cost-reflective tariffs, it states —

This involves a 10% increase in 2009–10, with further annual increases to be phased in over a six to eight-year period.

The previous government asserted that annual increases in these tariffs beyond 2009–10 were not expected to be less than 10 per cent. It was an open-ended compact with the people of Western Australia, but the government never published a glide path. However, there is a bit of an insight into what the previous government had planned post the last election. At the time the previous government moved a 10 per cent price increase to cost-reflective tariffs, the community service obligations figure was around \$270 million to \$290 million. If the government does not catch up to cost reflectivity, the CSO will go up every year. Can members guess what was planned for 2011–12? The CSO was reduced by nearly one-third. The previous government clearly planned for a significant increase in electricity prices in 2011–12, but it never published the figures or shared the information with the people of Western Australia. However, it is there for everyone to see because of the decrease in the

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CSO. It hid behind the assertion that it would be 10 per cent for 2009–10, but it would not be any less than 10 per cent in subsequent years. The opposition has been caught with its pants down. It has no credibility.

**Mr E.S. Ripper:** We'll see who has credibility as people start paying their bills.

**Mr T.R. BUSWELL:** The opposition talks about salary increases. A worker has emailed the opposition, talking about the salary increases in Verve. That is probably not unlike the salary increase of the chief executive officer of the Government Employees Superannuation Board. These are obscene amounts of money.

**Mr E.S. Ripper:** What are you doing about it?

**Mr T.R. BUSWELL:** If we could unpick the contract that the previous government put in place and the performance criteria that it signed off on before it left government, we might be able to do something about it, but we cannot.

Several members interjected.

**The ACTING SPEAKER (Mr P.B. Watson):** Order, members! When the Leader of the Opposition was on his feet, I gave him protection; I expect the same for the Treasurer as he speaks in reply.

**Mr T.R. BUSWELL:** The member for Cockburn would know. When we discovered the issue with GESB, we had advice from the State Solicitor's Office to say that we could do nothing. I am sure that is exactly the same as the advice that the minister has been given in relation to Verve, because the previous government signed those contracts, not us.

**Mr E.S. Ripper:** You could direct the board, or you could sack the board.

**Mr T.R. BUSWELL:** That is a possibility, but the contract is in place. I wanted to share a small piece of information about what has happened; I cannot find it. The data talks about the increase in salary levels at some of these entities since the disaggregation process. It highlights the fact that the previous government was asleep at the wheel, but I will move on.

We know that the previous government had a secret plan and that it failed to tell the people of Western Australia that it was going to put energy prices up. It is self-evident in the fact that the budget papers reveal that it was to be no less than 10 per cent, yet the CSO dropped by nearly a third three years later.

**Mr E.S. Ripper:** After we'd had some 10 per cent increases!

**Mr T.R. BUSWELL:** No, 10 per cent does not even keep up, and the Leader of the Opposition knows that!

**Mr E.S. Ripper:** Do you take us for fools?

**Mr T.R. BUSWELL:** Yes; it is not a hard conclusion to draw!

I would like to get back to the subject of managing the state's finances, because at the end of the day the suggestion made by the opposition is that the government has not managed the state's finances, and that as a result we have had to ratchet up our fees and charges to cover up for those failures. I do not know; there is a definitional issue here that we need to explore. Does the opposition regard maintenance of the state's AAA credit rating during the global financial crisis to be a failure in the management of finances? I do not know. There is probably only one other state in Australia that has a similar composition to Western Australia in respect of finances and spending, and that is Queensland. In the face of the global financial crisis, Queensland gave up the ghost, went home, let debt shoot through the roof and lost its AAA credit rating. We have kept our AAA credit rating in the face of the global financial tsunami that washed against the shores of Western Australia. Is it a failure of financial management to make a conscious decision, in the run-up to last May's budget, to invest in jobs here in Western Australia? Is it a failure to decide to invest in jobs when we now know, based on —

**Mr P. Papalia** interjected.

**Mr T.R. BUSWELL:** We have invested massive amounts in infrastructure, including the floating dock. I will tell the member for Warnbro what we did.

**Mr P. Papalia:** You don't know where it went!

**Mr T.R. BUSWELL:** We are not worried about bits of paper.

In the seven months from July to January, 27 300 full-time jobs were created in Western Australia, which is 41 per cent of the entire creation of full-time jobs in the entire nation. Is that a failure? No, it is not. We kept Western Australia's AAA credit rating and we have driven employment in this state to nation-leading levels.

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I have found the data about what happened to executive salaries post disaggregation, under the watch of the previous government. Executive salaries of the entities have increased from \$1.87 million in 2006 to \$10.5 million in 2009. The opposition should wear that with pride; it is an increase of only 463 per cent. The creation of the four corporations and all the boards has seen board sitting fees —

**Mr E.S. Ripper** interjected.

**Mr T.R. BUSWELL:** Is the Leader of the Opposition admitting it was the previous government's fault? Is he admitting that it was something the previous government had charge of as it skyrocketed? Board fees have increased from \$393 000 to \$1.12 million. The most damning fact of the previous government's failure is the number of FTEs.

**Mr E.S. Ripper** interjected.

**The ACTING SPEAKER:** Order, members!

**Mr T.R. BUSWELL:** The number of FTEs has increased from 2 919 to 4 041. If we were to go back to 2006, I do not think that anyone would say that the system was any more reliable for not having any one of those 1 122 people. That is what the previous government did; it put in place a framework, put the member for Cockburn in as minister, and he fell asleep at the wheel.

I return to the definition of economic management. What did we do? We protected the state's AAA credit rating, and we are seeing nation-leading levels of employment.

**Mr E.S. Ripper:** You've held families hostage.

**Mr T.R. BUSWELL:** The Leader of the Opposition should tell the 27 300 Western Australians in full-time employment that we have done a bad job. If he had been here with his little four-page plan for the future, nothing would have happened. He had no idea.

That is our financial management record. What did the previous government do? It governed during a period when this state enjoyed massive surpluses—billions and billions of dollars in surpluses—and it did nothing to improve the quality of service delivery. That is why, despite the best efforts of the member for Cannington in running the last election campaign, the Labor Party lost. If his government was so good, why are its members now sitting on that side of the chamber? It was hopeless. It was hopeless during the campaign, and it was hopeless in government. The only reason I know that the member for Cannington is hopeless is because all his colleagues tell me so.

**Mr W.J. Johnston** interjected.

**The ACTING SPEAKER:** Member for Cannington!

**Mr T.R. BUSWELL:** The member for Willagee has drawn the short straw, having to sit next to him; the member for Maylands has won—she has moved!

**Mr P. Papalia** interjected.

**The ACTING SPEAKER:** Member for Warnbro!

**Mr T.R. BUSWELL:** The previous government wasted billions of dollars, failed to deliver better services and failed to deliver better infrastructure, economically and socially, for the people of Western Australia. Was it good financial management that the Perth Arena project started out as a \$160 million project and was supposed to be finished last year, but is now a \$480 million project that may be finished sometime? Was it good financial management for the budget for Fiona Stanley Hospital to begin at \$600 million and to increase to \$1.8 billion? I do not think so. Maintenance of the AAA credit rating during a period of incredible financial difficulty, and driving —

**Mr E.S. Ripper:** What will you deliver for Fiona Stanley Hospital? Are you guaranteeing that there will be no increase in the Fiona Stanley Hospital budget?

**Mr T.R. BUSWELL:** I am a lot more confident that it will be delivered on time and on budget with us in government than was the case when the opposition was in government. I can tell the Leader of the Opposition that it will not triple in price.

I will move on. I want to touch on a couple of things before I sit down. It is the case that the state's finances have been tight. Revenue growth in Western Australia has slowed significantly. I will give some examples. In the past two years, taxation revenue in Western Australia has declined. That has been driven largely by significant reductions in stamp duty revenue. Some of the major streams of state revenue have declined. Royalty income has

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declined. In the midyear review, royalty income is estimated at \$2 billion. That is a decline over the past 12 months.

**Mr E.S. Ripper** interjected.

**The ACTING SPEAKER:** Order, Leader of the Opposition!

**Mr T.R. BUSWELL:** As the Leader of the Opposition would know from his days as Treasurer, some of our core income streams are in decline.

Expense growth, on the other hand, is challenging. The member for Rockingham highlighted that point, and I agree with him. It is very, very difficult. Why? It is because we inherited a general government sector in which expense growth had been allowed to ratchet up for a number of years.

**Mr P. Papalia** interjected

**Mr T.R. BUSWELL:** I will give the member for Warnbro some figures. In 2004–05, expenditure growth in government was around 10 per cent. In 2006–07, it was around nine per cent. In 2007–08, it was around 10 per cent. In 2008–09—last year—it was around 13 per cent. That is not acceptable. It is a major challenge. In the first six months of this year, the underlying expense growth in Western Australia was 7.4 per cent. So it is coming down. Have we done enough? No. Is there more to do? Yes. But we are slowly winding back the rate of expense growth in Western Australia. It is difficult. It is like turning around a massive ship with only a little oar at the back. But we are slowly getting there, and every minister is committed to doing that. Expense growth is beginning to slow. We hope that, in due course, revenue growth will become more robust.

I will close with a couple of observations. Firstly, the Leader of the Opposition's form in relation to electricity reform is very poor.

**Ms A.J.G. MacTiernan:** You voted for it!

**Mr T.R. BUSWELL:** The taxpayer-funded candidate for Canning! How much are we paying the candidate for Canning to get out and about?

**The ACTING SPEAKER (Mr P.B. Watson):** Order, Treasurer! I think that is getting away from the point of what we are talking about at the moment. I think the Treasurer should be getting back to what the MPI is about.

**Mr T.R. BUSWELL:** Thank you, Mr Acting Speaker. I do apologise.

I will close with a couple of observations.

**Ms A.J.G. MacTiernan** interjected.

**The ACTING SPEAKER:** Order, member for Armadale!

**Mr T.R. BUSWELL:** I will get to the member in a moment.

When the now Leader of the Opposition was the Minister for Energy, he received a report from Deloitte. The report was on the financial impact of the proposal market reforms on Western Power Corporation and its successor entities. That was a report that the then Minister for Energy received, but he never told anyone about it. I am interested to know why.

**Mr E.S. Ripper:** Who commissioned the report?

**Mr T.R. BUSWELL:** I have no idea who commissioned it. I know that the then minister received it, and I know that he never shared it with anyone.

**Mr E.S. Ripper:** Who commissioned it?

**Mr T.R. BUSWELL:** I have no idea who commissioned it, but I know that the then minister received it, and I know that no-one was told about it. I know that for a fact.

**Mr E.S. Ripper:** How do you know that?

**Mr T.R. BUSWELL:** Is it on the public record? Can the Leader of the Opposition show me where it is on the public record? I do not think so.

The report said that there will be some real problems. It said that there will be a significant reduction in the profitability of the entities of between \$318 million and \$400 million a year. It said that there will be a significant reduction in enterprise value of between \$415 million and \$500 million, and there will be a significant reduction in payments to government of between \$337 million and \$410 million. The report also flagged significant concerns about the long-term viability of the retail unit and the generation unit. The then Minister for Energy also received correspondence from the board of Western Power, but, again, I do not think he



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shared that with anyone. That correspondence flagged issues around reduced profitability, reduced value for the owner, reduced payments to government, and reduced viability of generation and retail. That is what the Leader of the Opposition was told when he was the Minister for Energy. But he did not happen to share that with anyone.

**Mr E.S. Ripper:** Are those the only reports that we received?

**Mr T.R. BUSWELL:** I am referring to the Deloitte report.

**Mr E.S. Ripper** interjected.

**Mr T.R. BUSWELL:** What has happened since then? The Leader of the Opposition should listen to this, because this is his track record on energy reform. Western Power's earnings before interest and taxation for the three years before the split was \$1.423 million. The combined corporations' EBIT for the three years after the split was \$948 million. That is a reduction in profit of \$430 million. That is exactly what the Deloitte report—the discredited report, according to the Leader of the Opposition—said would happen with the profit of the enterprises. What did the report say would happen with the value of the enterprises?

**Mr E.S. Ripper:** Do you oppose the split now?

**Mr T.R. BUSWELL:** What I am saying is that it was managed incredibly poorly.

Verve's annual report said that there has been a reduction in shareholder equity of \$370 million. That is exactly what the apparently discredited report predicted would happen.

**Mr E.S. Ripper** interjected.

**The ACTING SPEAKER:** Order, Leader of the Opposition!

**Mr T.R. BUSWELL:** The Leader of the Opposition does not like it, Mr Acting Speaker, because it is true. He had the facts presented to him, and he refused to share them with the public and the Parliament, but it has all come true.

I turn now to the last little fact. Western Power's cumulative payments to government for the three years before the split was \$621 million. The cumulative payments to government from the combined corporations for the three years after the split was \$367 million. That is a reduction of \$254 million. That is almost exactly what the report that the Leader of the Opposition did not release indicated would happen.

So what do we know? We know that we are managing the state's finances well in difficult times. That is a given. What else do we know? We know that the former Minister for Energy had a secret plan to raise energy prices. The Leader of the Opposition has not disputed that. We know also that the former Minister for Energy was given every indication and every bit of advice that what he was doing would be a failure, but he chose to share that with no-one. All that bad news has now come home to roost.

**DR M.D. NAHAN (Riverton)** [3.57 pm]: Mr Acting Speaker —

Several members interjected.

**The ACTING SPEAKER (Mr P.B. Watson):** Order! The member for Riverton.

**Dr M.D. NAHAN:** Thank you very much, Mr Acting Speaker.

This debate as I hear it—we have heard it many times before—is about how well the government has managed the downturn and the budget, and how best we can prepare for the next boom or growth phase. If we look back at the last 18 months, it was a very uncertain time. We did not know how bad things were going to get. It was tough. Anyone who tried to manage their finances during that period would know how hard it was. The government stated clearly that one of its priorities was to undertake —

**Mr D.A. Templeman** interjected.

**The ACTING SPEAKER:** Order! The member for Mandurah will be going to more than tea if he does not keep quiet.

**Dr M.D. NAHAN:** Thank you, Mr Acting Speaker. I cannot think through his piercing voice.

One priority was capital works. If we are to prepare for the next growth phase—as the Leader of the Opposition has said we should, and he is right—the most important priority is to put our efforts and our limited revenue into capital works; housing, both public and private; and urban redevelopment, particularly in the north of the state, in the Pilbara. That is absolutely vital. Yet that is something that the previous government completely ignored. We also need to put revenue into the provision of ports, gas hubs and other infrastructure. That is absolutely vital. That is how we prepare for the next boom. We also need to do that during a downturn, because during a

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downtown the construction sector is often hit hard. Therefore, if we provide that infrastructure, it will enable people to remain employed. I think anyone who looked objectively at what the government did during that time, given the uncertainty, would give the government a big tick.

Another issue is the deficit. Our government inherited a very large surplus, as the previous government had had very large revenue flows. However, revenue flows collapsed because of lower commodity prices and lower commodity sales. The decision we had to make was whether we would go into deficit, as all the other states had done, bar Victoria. The Queensland government is in so much trouble that it is selling Queensland Rail, without disaggregation. The Queensland government is selling the whole lot as a monopoly, because it is desperate for money. When people mismanage debt, they get desperate and they do silly things, as Queensland is doing now. During that period, we had to make some tough decisions. Yes, we increased charges in certain cases. Yes, we pulled back tax cuts that we had proposed. But we did that because we had to draw a line in the sand. It is difficult to have a small budget surplus. I will get to how difficult that is going to be, particularly with the Labor Party's friends in Canberra.

The issue of electricity charges of course started many years ago—in 2001. The new Gallop government at that time decided to disaggregate and reform the electricity sector. Some sectors, particularly the contestable market sector, and large firms, have been a success. It has allowed competition. It allowed private sector investment. It has worked. The problem lies with the south west interconnected system, the non-contestable sector. The idea was that we would get new entrants into the market and be more contestable as new demand grew. Effectively, it did not happen—that is the problem.

**Mr E.S. Ripper:** Synergy says it saved \$1.6 million in its procurement. That is what it told the house.

**Dr M.D. NAHAN:** I think Synergy and others, because they were haemorrhaging money, were desperate and did certain things. The real problem was that during the disaggregation period, the price of fuel went up. Fuel, whether it is coal or the whole electricity industry, is determined by the world oil price. It went from \$US11 to \$US12 a barrel to almost \$US140. With it, all fuel prices shot up. What did the former government do? It kept prices constant. As a result, the effective real price collapsed slowly and steadily whereas in every other state—even those disaggregated, some determined by the market and some, like Queensland, more determined by government—it rose. As a new government the basic theme was, “We’re going to try to keep prices low.” Prices went up ten-fold and prices were kept constant. It required leadership at the time to say, “Our system is not working.” At the same time of course the former government was not driving efficiencies and competition in the delivery of production and the SWIS. That is why it failed.

Before the election, the government commissioned a review of the electricity market. I am not sure why; I hope it was because of accountability. That review stated that we needed, I think, about a 72 per cent increase in the price of electricity to get to real market costs. The government accepted the basic premise that eventually it had to get there. We share the basic aim; fair enough. It is only logical. At the same time Labor, and to some extent the Liberals, said that we have to have more realistic pricing of electricity if we are to address efficiency and global warming. We cannot even move towards that if we subsidise electricity prices. I might add, subsidising electricity prices by gouging Verve or running down its asset base is silly. It can invest; or, if we try to subsidise electricity prices through borrowing—which the government did not do because it had surpluses—or by using the state’s thin tax base is not only gouging Peter to pay Paul and distorting the incentive to save electricity, but, even worse, it is inequitable. Big electricity users will potentially be subsidised by people from low-income families. More importantly, how do we pay for the damn things? Do we pay for it by payroll tax? Oh great! Stamp duty on houses—great! Our tax base simply cannot equitably share that.

**Mr E.S. Ripper:** How does the government deliver a benefit from a boom to Western Australian families?

**Dr M.D. NAHAN:** It does not do it by subsidising electricity prices to householders.

**Mr E.S. Ripper:** How would you do it?

**Dr M.D. NAHAN:** You do not do it that way. That is the subject. It is a big issue; I admit that. Going to the last election, as the Treasurer said, he announced a 10 per cent increase. It was not clear what he was going to do after the election. I think that is fair enough, because he had to address it during the election. I am not sure how well he did it. He accepted that eventually he had to get to a 72 per cent increase.

**Mr E.S. Ripper:** We told people the truth.

**Dr M.D. NAHAN:** Did you? Did you say how you were going to get that 72 per cent increase and the timing and the rate of increase?

**Mr E.S. Ripper:** Yes.

**Dr M.D. NAHAN:** You did? Up to 10 per cent a year?

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**Mr E.S. Ripper:** We told people 10 per cent first-off, and at least 10 per cent after.

**The ACTING SPEAKER (Mrs L.M. Harvey):** Members! There is a lot of background noise in the Assembly. As just evidenced it is very, very difficult to hear the member for Riverton, who has the call. Could you please take your conversations outside.

**Dr M.D. NAHAN:** The real issue is not whether we are increasing the cost to householders, but basically how it is to be funded. The previous government was going to do the same thing. Somehow it had to plug the haemorrhage in the electricity industry. The choices are either to do it through prices or taxes, or borrowing. It chose basically to do it by taxes. It chose to do it by taxes because it was not actually being accountable. The government was saying, "We'll just put it on the never-never. We have put it in the budget as CEO and we will gouge it somewhere else." At the same time you were rabbiting on about electricity efficiency.

There is another reason why we should have—as the government did—focused on a small budget surplus; that is, focused on realistic pricing of electricity and not put it on the never-never and impose it on our tax base. This state, in common with all states, faces the graded threat to its continued survival by Rudd government changes. The Henry tax review is mooted—it has not been released. The federal government is considering effectively taking over our royalties. It had mooted the idea to put in a profit-based override royalty on all our royalties. That is the biggest threat we could possibly face.

**Mr W.J. Johnston:** No!

**Dr M.D. NAHAN:** Yes, it is; financially it is. Secondly, the GST, which the opposition leader has repeatedly said he shares concerns about, has been a systemic problem for some time—and he faced it. The Treasurer said that is going down to 68 cents out of a dollar. Actually, as a result of the changes, it is going down below 6 cents. I share the view of another potential boom, but we face a catastrophic problem with our ability to fund the necessary infrastructure and social services. We do! The problems lie not with the pricing of electricity but with the Labor Party's colleagues in Canberra. Go talk to them, especially the member for Armadale! She must support Mr Rudd's tax rip-offs proposal.

Several members interjected.

**Dr M.D. NAHAN:** Members do not support that?

This government has done a brilliant job in terms of capital works and managing the budget. Most importantly, it has been honest about electricity prices rather than fudging and hiding prices like Labor would have.

**MR P. ABETZ (Southern River)** [4.07 pm]: Madam Acting Speaker —

**Mr W.J. Johnston:** Pull out the big guns!

**Mr P. ABETZ:** When he is finished, I will commence.

I noted with interest that the Leader of the Opposition —

**The ACTING SPEAKER:** Order! It is time, member for Southern River.

[Government time expired.]

Several members interjected.

**The ACTING SPEAKER:** Order, members!

**MR J.C. KOBELKE (Balcatta)** [4.08 pm]: I think it is very telling that the Premier used backbenchers to address the matter of public interest as he was not willing to mount his own defence of his government. We have a Premier who actually cannot rise in this chamber and mount a defence of any substance, so he chose not to. We are seeing from this Liberal–National Party government something that the Liberals see as their standard approach to raising taxes and revenue—that is, hit the battlers and tax the families. That is the approach Liberal governments take every time they are in power. The approach of the Barnett government when there is a problem in the budget is simply to go out, flog ordinary families and take money from them. That is what the Barnett government is about.

Of course, the Premier did not rise because the facts are not there in support of his position. If we look at the eight years when the Premier was Deputy Leader of the Liberal Party under the Court government, we find year after year that the increase in taxes and charges, as measured by the representative household basket, was above the inflation rate. That representative household basket was put in place by the Court government because it was under attack then as a result of ripping money out of the pockets of ordinary families to try to balance the budget. It is exactly what we see now. When we look at that representative household basket, we find that in the past five years of the Liberal government for which the figures were available there was a five per cent real increase

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above inflation, which was an extra \$159 a year hit against ordinary families, and extra taxation through the charges that were levied on water, electricity, buses et cetera in that household representative sample. That was what this Premier did when he was Deputy Leader of the Liberal Party under the Court government.

When the Labor governments came in and looked to sharing the benefits of the boom, every single year the cost of that same basket of household goods was reduced in real terms. The increase was below the inflation rate. We do not have the figures for the final year, but in the final year the increases were well below the inflation rate, and if we take the seven years to 2007–08, there was cumulatively a 10.8 per cent real reduction in the cost of that basket of goods. What did we see under the Liberals of the Court–Barnett government? An increase of more than five per cent real in those charges. When we had a Labor government, we had a 10.8 per cent reduction. Then in the first budget of the Barnett government, we see an increase in the cost of that same standard representative household basket of 9.1 per cent in one year, when the reference rate of inflation was 4.2 per cent. It was over twice the reference rate of inflation. If we take the estimated increase in the Perth consumer price index for 2009–10, which is 2.5 per cent, it was nearly four times the inflation rate for the year that the Barnett government was increasing charges.

This government is true to form for Liberal governments. When it needs to balance the budget, it slugs ordinary families. They are the government's simple target to try to raise money. Why does the government need to raise that money? It needs to raise that money because that was the cost of buying government. The deal the Liberal Party had to do with the National Party required it to find an extra \$3 billion across the four years. Where is that \$3 billion being found? It is being found largely from out of the pockets of ordinary families, who are being slugged to try to pay for this coalition government. That is what it is all about; it is simply paying extra costs in power, water, sewerage and drainage and a range of other charges, so that this government can actually try to make its budget balance because of the deal it has done.

What does the government do? It has to create a story to try to shift the heat. This Premier is very good at making up stories. We hear his stories all the time. We remember his story when he came out of the ABC studio about hundreds of weapons in Northbridge. We really had to back him because there were hundreds of weapons in Northbridge!

**Mr C.J. Barnett:** There are.

**Mr J.C. KOBELKE:** He says that there are. Where are the figures for it?

**Mr C.J. Barnett:** Do you deny there are weapons in Northbridge?

**Mr J.C. KOBELKE:** Does the Premier have any objective evidence that there are hundreds of weapons on the streets of Northbridge? Does he have any evidence? It is a classic example of the Premier simply making up a story with no facts to back it up. It was convenient at the time to create a story, as he did with his claim of weapons in Northbridge, which he had to back away from because it was simply not true. Again, we see in respect of electricity charges that he has concocted and fabricated a false story about the disaggregation creating the problem. The disaggregation has saved the government money. It has enabled private providers to come in and to actually build power stations, which the state would have to fund if they had not been disaggregated. We hear the raucous noise from those opposite because the government has been caught out. It has fabricated a false story, and part of that is that they have stolen—I repeat stolen—the \$780 million that was in the budget to help subsidise the power costs for ordinary families because the Liberal Party needed it to back up its deal with the National Party to form government. That is what it was. All the rest is the concoction of a story to try to sell why they are hitting ordinary families with these extra charges.

In the Treasurer's Statement in this debate there was another story as big as the one concerning the weapons in Northbridge that do not exist. The Treasurer says that this government is managing the state's finances well. It is another weapons in Northbridge story. Everyone knows that the government is a total shambles at economic management. Members can talk to anyone in the public sector about the instructions and the problems that they are facing. There is the cut to front-line services in education, health and police. We can see that this government is a shambles. However, the Treasurer's story, without any substance, is that the government is managing the state finances well. I do not think that is actually going to wash with the people out there who have to pay the increased costs for electricity and other charges.

It is very interesting that part of his willingness to impose an extra penalty on ordinary families and small businesses is the removal of the uniform electricity tariff. Back in the days of the Court government when the current Premier was the Minister for Energy, he attempted then to get rid of that uniform tariff, which, in simple terms, means that we pay a bit more for power in the city to look after the people in regional areas so that they do not have to pay such a huge differential because of the extra costs.

**Mr C.J. Barnett:** "People", was it?

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**Mr J.C. KOBELKE:** And small businesses.

**Mr C.J. Barnett:** They were Coles and Woolworths.

**Mr J.C. KOBELKE:** They were small businesses being hit. The Premier then did not get his way, because the then Leader of the National Party, Hendy Cowan, stood up to him so he could not do it. But it seems that now the current Leader of the National Party has got that \$3 billion, he does not worry if the battlers in the bush are going to be hit because the uniform tariff is being taken away. The point I make there is that it is not a matter of whether people live in the city or the country; this government is about putting its hands into the pockets of ordinary families to try to cover a problem it has created, and a problem it has very clearly created. It was in government for most of 2009–10 and it had the ability to pull the levers to adjust things. The 2009–10 budget, as presented in the midyear review, showed an increase in recurrent expenditure by this government over two years of 23 per cent. If health expenditure blows out by \$250 million, there are extra costs and the government does not get revenue from some of the utilities, we will find a 25 per cent increase in recurrent expenditure in two years under this government.

The Premier tries to make up this story that the government is actually managing the state's finances. The government is not managing the state's finances. To its shame, and the cost of all families, its solution is to whack up electricity bills and whack up other charges way above the inflation rate, because it needs to bring in the revenue to try to stem the flow created by its total lack of control of expenditure. The government's false stories and its attempts to try to rationalise away what is the real truth and reality will not wash with the people in my electorate of Balcatta. I am sure that it will not wash with the people in the electorates of the Liberal members opposite when they are hit with this unnecessary and huge increase, because where we put the \$780 million in to provide a benefit to ordinary families from the boom, the government has taken it out. It has stolen that \$780 million, so it has to increase electricity charges by a much steeper rate in order to try to cover the holes it has had in its budget. I therefore commend the motion to the house.

Question put and a division taken with the following result —

Ayes (26)

Ms L.L. Baker	Mr F.M. Logan	Mr J.R. Quigley	Mr P.C. Tinley
Ms A.S. Carles	Ms A.J.G. MacTiernan	Ms M.M. Quirk	Mr A.J. Waddell
Mr R.H. Cook	Mr M. McGowan	Mr E.S. Ripper	Mr P.B. Watson
Ms J.M. Freeman	Mrs C.A. Martin	Mrs M.H. Roberts	Mr M.P. Whitely
Mr J.N. Hyde	Mr M.P. Murray	Ms R. Saffioti	Mr D.A. Templeman ( <i>Teller</i> )
Mr W.J. Johnston	Mr A.P. O'Gorman	Mr T.G. Stephens	
Mr J.C. Kobelke	Mr P. Papalia	Mr C.J. Tallentire	

Noes (30)

Mr P. Abetz	Mr V.A. Catania	Mr A.P. Jacob	Mr C.C. Porter
Mr F.A. Alban	Dr E. Constable	Dr G.G. Jacobs	Mr D.T. Redman
Mr C.J. Barnett	Mr M.J. Cowper	Mr R.F. Johnson	Mr M.W. Sutherland
Mr I.C. Blayney	Mr J.H.D. Day	Mr A. Krsticevic	Mr T.K. Waldron
Mr J.J.M. Bowler	Mr J.M. Francis	Mr W.R. Marmion	Dr J.M. Woollard
Mr I.M. Britza	Mr B.J. Grylls	Mr P.T. Miles	Mr J.E. McGrath ( <i>Teller</i> )
Mr T.R. Buswell	Dr K.D. Hames	Ms A.R. Mitchell	
Mr G.M. Castrilli	Mrs L.M. Harvey	Dr M.D. Nahan	

Pair

Mr B.S. Wyatt

Mr A.J. Simpson

Question thus negatived.