

TREASURER'S ADVANCE AUTHORISATION BILL 2009

Committee

Resumed from 7 April. The Chairman of Committees (Hon George Cash) in the chair; Hon Barry House (Parliamentary Secretary) in charge of the bill.

Clause 1: Short title —

Progress was reported after the clause had been partly considered.

Hon ED DERMER: When addressing the short title of this Treasurer's Advance Authorisation Bill, my most serious concern is about the sheer, unprecedented scale of the increase in the limit being sought. The bill seeks to increase the Treasurer's advance for the current financial year to \$1.2 billion. I have calculated the increase to \$1.2 billion to be in the order of 60 per cent more than the previous highest Treasurer's advance limit. I understand that the \$750 million limit set for the 2004-05 and 2007-08 financial years were the previous highest limits. Therefore, on a quick calculation it appears to me that we are talking about an unprecedented increase of 60 per cent more on the previous highest limit. If we are to support the short title of a bill to establish such an extraordinarily unprecedented advance limit, it will require the most thorough explanation from the parliamentary secretary representing the Treasurer, and I look forward to hearing him explain this unprecedented increase in the amount of the limit.

In his second reading speech the parliamentary secretary reminded us that the *2008-09 Government Mid-year Financial Projections Statement* reported an estimated impact on the 2008-09 Treasurer's advance of \$996.8 million. That was based on government commitments made up to the midyear cut-off date, which was 1 December last year. Since 1 December last year the Treasurer's advance limit to be sought was revised to \$1.2 billion; that is, an increase of more than \$200 million, and \$149.3 million of that increase represents a provision for new decisions or cost pressures that may emerge between now and the end of the financial year—"now" being the date on which the parliamentary secretary gave his second reading speech. "New decisions or cost pressures" sounds extraordinarily like a very undetailed, non-specific description of what the money will be spent on. It sounds like the \$149.3 million could almost be described as a miscellaneous fund. It is beholden on the parliamentary secretary to offer the house more information on how that part of the increase in the Treasurer's advance limit is likely to be spent. I understand that it is often difficult to predict exactly what costs may arise in the normal operation of government instrumentalities, so there is a need for flexibility. I acknowledge that similar provisions were included in last year's Treasurer's Advance Authorisation Bill. Again, my concern lies with the very scale of that provision in this year's bill. It is \$149.3 million in this year's Treasurer's Advance Authorisation Bill compared with \$78 million for a similar provision in last year's bill. When I did a quick calculation, that looked to me like a 91 per cent increase in that provision within this year's bill to cover something as vague, nondescript and miscellaneous as new decisions or cost pressures.

Hon Norman Moore: Was it vague and nondescript last year?

Hon ED DERMER: My point is that it does not specify what it will be spent on. I understand that the provision was similar. What we are looking at for this year is almost double what we looked at last year. It was \$78 million last year as opposed to \$149.3 million this year. I acknowledge that there is a need to cover unforeseen costs and to allow for new provisions. I am concerned that this year we are being asked to approve a provision within this bill that is 91 per cent higher than last year's. That is almost double. That concerns me. The parliamentary secretary needs to offer a proper explanation to the house as to why it has increased so massively. My concern with this bill lies with the scale and quantum of what is being proposed. Such a proposition demands a proper explanation. The parliamentary secretary should explain how the figure of \$149.3 million was derived. I understand that the scale of this amount of \$149.3 million relating to new decisions or cost pressures became apparent during the preparation of the 2009-10 budget. I am very concerned that this near doubling of the new decisions and cost pressures requirement might indicate that there were difficulties with the preparation of the 2009-10 budget. I am concerned about what that decision-making process leading to the budget preparation may be if this extraordinary scale of the new decisions or cost pressures requirement is any indication of the difficulties that may have been confronted. I am most concerned for the welfare of Western Australians who have to live with the consequences of that budget when it comes down. I believe that this extraordinary increase in the provision of new decisions or cost pressures indicates that the preparation of the budget may be a torturous and difficult process. Like the Leader of the Opposition last night, I am concerned that this very loose alliance-based minority government may find it impossible to reconcile the competing electoral commitments of the Liberal Party and the National Party and might find it impossible —

Hon Norman Moore: You should just have faith and wait to see when the budget comes down and see what happens.

Hon Ed Dermer; Hon Barry House; Hon Norman Moore; Hon Ken Travers; Chairman; Hon Matt Benson-Lidholm

Hon ED DERMER: I hope so but I do not have that faith. I am looking to have my faith restored and my concerns alleviated by very thorough explanations provided by the parliamentary secretary. I am concerned that this loose alliance government of the National Party and the Liberal Party may find it impossible to frame a responsible budget to reconcile their competing needs. I am aware that at the next election we will not be looking at a coalition; we will be looking at this loose alliance. The Liberal Party and the National Party will be competing again. In that atmosphere of intense competition, I am concerned that they may not be able to frame a responsible budget. I am concerned that the 91 per cent increase in the provision of this bill for new decisions and cost pressures indicates that the government is having difficulty framing its budget. There are many important concerns. I am looking forward to hearing the parliamentary secretary address these concerns and explain each of the matters I have raised in this contribution.

The CHAIRMAN: I indicate that some of the issues being raised will no doubt be dealt with under clause 3 in due course.

Hon BARRY HOUSE: The issues that the honourable member raises are important. They were addressed in broad terms in my response to the second reading debate yesterday. The reasons for the quantum of the \$1.2 billion were outlined. The \$149.3 million contingency fund is specifically related to clause 3. We can go into the further detail of those items, if the member wishes, when we come to clause 3. I indicate to members that in 10 or 15 minutes I am anticipating being in a position to table some documents as an outcome of yesterday's discussion.

Hon NORMAN MOORE: I have been listening to this debate with some interest. A significant amount of time has been taken up with a commentary on the budget by members of the opposition. We just heard a speech saying how hard it will be for the government to put together a budget; the "so-called minority government that has been cobbled together" is the phrase that was used. I say to those members who want to comment on the budget that they should wait until it comes down and then they can see what is contained in it. Mention was made yesterday that some agencies, in giving evidence to the Standing Committee on Estimates and Financial Operations, had indicated some difficulty in meeting their three per cent efficiency dividends. That is fair enough, but the bottom line is not what they think they can do now or what they are seeking to achieve now but what will actually happen when the budget comes down. The way in which that particular subcommittee has been operating —

Hon Sue Ellery: What's that got to do with this bill?

Hon NORMAN MOORE: I am responding to the issues raised yesterday by the opposition's lead speaker about the three per cent dividend and people giving evidence to Hon Sue Ellery's committee—the committee that she does not even belong to. It is a most extraordinary state of affairs when we have a subcommittee of a committee —

Point of Order

Hon KEN TRAVERS: Yesterday I was very careful not to refer to the debates in a committee of this house because that committee has not reported to this house. I relied on public comments that have been made. Mr Chairman, I ask you to remind the Leader of the House that we are not allowed to talk about debates in committees until they have reported to the house.

Hon Simon O'Brien: That is not true.

The CHAIRMAN: That is one of the problems with this place; lots of things that are said are not true. Members would not expect me to decide on those matters every day of the week. With respect to the point of order, I understood that the Leader of the House was not referring to a committee that is currently considering the three per cent cuts, as they are sometimes known, but was referring to public comment with respect to those cuts. I can only assume that that is what is occurring.

Hon Ken Travers: He was actually referring to the activities of the committee.

The CHAIRMAN: The bottom line is that both Hon Ken Travers and the Leader of the House have been here long enough to know the rules of the place. I would be obliged if members would confine their comments to clause 1—to date, most members have—so we can get on with the debate. This is not a debate about a particular committee; it is a debate about whether the Treasurer's Advance Authorisation Bill should be agreed to or not agreed to.

Committee Resumed

Hon Ed Dermer; Hon Barry House; Hon Norman Moore; Hon Ken Travers; Chairman; Hon Matt Benson-Lidholm

Hon NORMAN MOORE: Mr Chairman, I have not referred to any deliberations of the committee that have not been made public; I read them in the paper every day. I actually know who the members of the committee are because that is also public. I was making the point as an aside, Mr Chairman, that the members of the committee are not even on the committee; they are all coopted.

Hon Sue Ellery: What has this got to do with anything?

Hon NORMAN MOORE: As much as the speeches made yesterday by Hon Sue Ellery had to do with clause 1. That is the point I am making. Half of the members opposite made speeches about the coming budget and how difficult it will be or about the coalition and the alliance between the Liberal Party and the National Party. When the last speaker talked about that, I was prompted to stand and say that when the budget comes down in May, everybody will be able to see the end result of the work of the government in putting together that budget and the ultimate consequence of that budget in respect to the state's finances.

Hon Sue Ellery: The Treasurer's advice is that this bill is based on an assumption that the three per cent efficiency dividend will be met, so we are entitled to canvass that.

The CHAIRMAN: Order, Leader of the Opposition and Leader of the House! If you want to argue with each other, please go outside so that the rest of us can get on with this bill.

Leader of the House, mere mention of the budget is not out of order when considering the Treasurer's Advance Authorisation Bill.

Hon NORMAN MOORE: I did not say it was. I am simply responding to the comments made by members opposite that we would not be able to get a budget in place. I am trying to say we will get a budget in place. I also indicated to the chamber that just because some public servants gave evidence to a committee—a committee of a committee that does not actually exist in a strange, roundabout way—that they were having difficulty meeting their three per cent cuts does not mean that they will not meet their three per cent cuts when the budget comes down. That is the point I am trying to make. The government has made a decision that that is what will happen, and so that is what will happen with the budgets of the various agencies.

Those members who want to speculate about the budget, as Hon Ed Dermer wanted to today, should just be patient, and what they will find, in the circumstances, is a very good budget.

Hon KEN TRAVERS: I want to make it clear that while the budget has some relationship to this, the key issue is that we are being asked to advance money, and I think it is reasonable for members in this place, as part of that advance authorisation, to understand what is the current state—not the state that will be outlined in the budget, but the current state—of the state's finances.

The CHAIRMAN: Yesterday I made the point that fiscal capacity of the state, past, present and future, is relevant to this debate.

Hon KEN TRAVERS: I am not arguing with the Chair on this. I am making the point to the Leader of the House, through you, Mr Chairman, that these matters are absolutely crucial.

What is the current state? We are being asked by the government to advance, over and above what was included in last year's budget, an effective \$1.2 billion of additional expenditure. That is what we are being asked to do: eight per cent of the last year's total budget! Do not worry about next year's budget! We are being told not to worry that evidence exists that a number of agencies are not running to budget. We do not need to worry about next year's budget; we need to worry about what is happening with this year's finances, of which this bill is an important part.

The other crucial issue here is that the Leader of the House keeps telling us that it is government policy that these agencies will deliver this three per cent cut. I refer to an article in *The West Australian* of 20 March quoting the state's Treasurer. The article reads —

Troy Buswell conceded he would not achieve the controversial 3 per cent cuts expected to pay for election promises in this year's May Budget.

Mr Buswell refused to say how many government agencies would fail to deliver the cuts but admitted there were enough to have a significant impact on the Budget's bottom line,

That is why these matters are so important to our deliberations. The parliamentary secretary told us yesterday that the three per cent cuts would be met, but there is public comment by the Treasurer saying —

Hon Barry House: The assumption contained in this bill is that the three per cent cuts will be met.

Hon Ed Dermer; Hon Barry House; Hon Norman Moore; Hon Ken Travers; Chairman; Hon Matt Benson-Lidholm

Hon KEN TRAVERS: “The assumption contained in this bill”! This is the dilemma that faces the opposition. The government is giving us mixed messages about the state’s finances. The government is asking for \$1.2 billion—or an additional \$750 000 over the standing appropriation in the Financial Management Act 2006. The government cannot tell us what it will be spent on, unlike in previous years when we have had a pretty good idea where that money would be spent. We are now learning, as the summary is given to us, that this money clearly will be spent not on new items, but on covering the three per cent cuts that the government will not make. That is the extraordinary situation. That is what makes debate on the Treasurer’s Advance Authorisation Bill 2009 different from any other debate on any other Treasurer’s Advance Authorisation Bill that I can recall in my time or from my research on previous debates in this place. We do not know where this money will be spent or the purposes for which it will be used. We have a rough idea, but we do not know, and we have never before been asked to grant as much money to a government when the state’s finances are in clear decline. This is not because of the global financial situation but because of outrageous spending programs by the government—a level of spending like we have never seen before which will arguably send this state bankrupt and which in the words of the Under Treasurer “are unsustainable”. That is the debate we have to have here this afternoon. The Leader of the House needs to understand that we cannot wait till May to find out the state of the budget. We need to know those things before we pass this bill and write that blank cheque for the government.

Hon MATT BENSON-LIDHOLM: In taking the opportunity to speak about the Treasurer’s Advance Authorisation Bill and continue on the same line as Hon Ken Travers, I will make an observation that I took from last night’s adjournment debate. All members here would agree that the speech given by Hon Sheila Mills on the role that this house plays underpins the role that we have as an opposition, which is in scrutinising legislation. That scrutiny is not carried out all that well in the other place.

I was saying to Hon Barry House earlier that I had a phone call this morning from the *Albany Advertiser* asking me to comment on remarks made by the member for Riverton about the Legislative Council. My comment to this particular journalist was very simple: my suggestion is, so long as we have a Legislative Assembly in this state, we will need a Legislative Council. My point is that scrutiny of legislation, which is perhaps what Hon Norman Moore does not want to see too much of at this early stage, is what we are all about. When the Treasurer’s Advance Authorisation Bill provides for \$1.2 billion, members on this side of the chamber would be kidding themselves—just like members opposite who were on this side last year—if we did not sit down and significantly question what was going on with the state’s finances. That is basically what we are all about.

Mr Chairman, I will not speak for too long as the points have been made already about this record amount of money. We are being asked to approve this in a recession. I will say this a little later, particularly when we get to clause 3, when I will be looking at the extraordinary and unforeseen nature that perhaps the government will put to us in arguing the need for this \$1.2 billion in the Treasurer’s Advance Authorisation Bill.

I can certainly understand “unforeseen” events, but I will be asking about “extraordinary” events, because, as Hon Ken Travers has already alluded to, the extraordinary part of this bill stems from the fact that departments such as police and education and training will not be able to deliver their three per cent efficiency dividend. How will that deficit be paid for? Two of the three biggest government departments will not be able to make the required cuts in costs.

Some of the scrutiny of the Treasurer’s Advance Authorisation Bill 2009 could well have been avoided had the other place sent the bill to the Public Accounts Committee to allow it the opportunity to do its job. But the government saw fit to disallow that process; the notion of open and accountable government seems to have disappeared in the other place. That is exactly why we on this side of the chamber seek to have the government held accountable. Members on this side of the chamber regard the request for the extra \$762 million as being an issue of quite some concern. Money cannot continue to be spent at such a rate; it is totally unsustainable. I say to the parliamentary secretary that the extraordinary nature of this request is the cornerstone of my argument, and I ask him to outline why we should go down this path.

Hon BARRY HOUSE: I hear the honourable member loudly and clearly, as I did the previous speakers. Their comments are valid and I take their points. I mentioned that, yes, it is a big figure—\$1.2 billion; yes, it is unprecedented. I outlined a very quick summary of the expenditures that make up that \$1.2 billion during the second reading debate. When we reach consideration of clause 3, I am sure opposition members will have some further questions relating to each of those specific areas. I will be happy to expand on them.

As for the comments about the other place and this chamber’s relevance in the scheme of things, I would not presume to comment, except to say that I do not particularly disagree with what the member said.

Hon KEN TRAVERS: I have a very short and sharp question to the parliamentary secretary: will he table the documents referred to last night?

Hon Ed Dermer; Hon Barry House; Hon Norman Moore; Hon Ken Travers; Chairman; Hon Matt Benson-Lidholm

Hon Barry House: Can you just give us five minutes?

Hon KEN TRAVERS: I will ask another question whilst the parliamentary secretary gets the documents ready.

Last night I asked a question about the three per cent cuts because of their importance to this funding request. If my memory serves me correctly, the parliamentary secretary basically concluded with a line to the effect that the current estimate is that all agencies will meet their three per cent efficiency dividend. I asked him the same question about the three per cent dividend a couple of times. I now ask the same question again with reference to the Treasurer's comments to the media that I quoted earlier in which he acknowledged that the three per cent dividend will not be met by a number of agencies and it will have a significant impact on the bottom line. Firstly, I invite the parliamentary secretary to clarify his comments last night, as I am sure he did not intend to convey that all agencies will meet their three per cent dividend; they are clearly not going to, so maybe he will clarify that point. I again ask him whether he will table a list of those agencies that will not meet that target, and the shortfall in their requested 1.5 per cent saving on this year's budget.

Hon BARRY HOUSE: In answer to that question, the assumption is, given that this is an estimate, that all areas of government will meet their requirements under the three per cent efficiency dividend. That is what this bill is based upon. There is no list; no list exists. Treasury does not have a list of agencies it believes will not make the three per cent efficiency dividend because it is still working on the assumption that all areas of government will meet those three per cent requirements.

Hon KEN TRAVERS: Will the parliamentary secretary then advise me on what basis the Treasurer made his media comments, or are we dealing with a bill based on a false assumption?

Hon BARRY HOUSE: I think the Treasurer was merely expressing a view that was quite obvious to him—probably to many other areas of the community—that some agencies were finding it difficult, but the assumption remains that we will proceed to the budget assuming that all areas of government will meet that three per cent cut. The budget is still under consideration. We will not know the exact picture until that budget document is presented.

Hon KEN TRAVERS: I am interested in next year's budget because it will have significant impacts on the state, but I am more interested in this year's finances. This Treasurer's advance relates to this year's finances—the budget that we passed last May. I am hearing from the parliamentary secretary that this bill is based on a false assumption. It is based on an assumption that three per cent cuts will be made when we know that they will not be made. We know that the Treasurer knows that they will not be made, but the parliamentary secretary is telling me that he does not know which agencies are likely to make their three per cent cuts. If Treasury is saying that it does not know which agencies are unlikely to fulfil their 1.5 per cent cut this year, it is an extraordinary statement. That statement raises two issues—either the parliamentary secretary does not know or he does not want to tell us! If he does not want to tell us, that is fine; he should tell us he does not want to tell us! We will not understand it, but at least it will be an honest answer to this chamber. If he does not want to tell us and wants to hide it, that is okay, but he should make it clear that he is being secretive. Let us not mess around any longer, and then we can just move on from this point. I am sure that Treasury has an idea about which agencies are unlikely to make their 1.5 per cent cut. If it does not, it would show complete incompetence in the financial management of this state. My view is that Treasury officers of this state are not incompetent; they are actually very good. I invite the parliamentary secretary to answer my question.

Hon BARRY HOUSE: The answers to Hon Ken Travers' questions are still subject to budget deliberations now, and that will be the case right up until the delivery of the budget on 14 May. There are no hidden agendas or figures. When that budget is produced on 14 May, it will focus on the achievements of the revenues and expenditures of the state for the year 2008-09. It will also contain the forecasts for the next financial year, 2009-10. That is a budget's function. A budget provides a snapshot in history of our financial situation, and the forecasts for the next 12 months and the projected forwards estimates for the next five years. That is the budgetary process. That is being considered, determined, analysed and put together as we speak. I am not privy to it, so I am not hiding anything from members. I am providing as much information on this bill as I can to members, to the chamber in general, and to the public of Western Australia. The budget process will reveal all.

Hon Ken Travers: In the meantime you want us to give you \$750 million that could send the state closer to deficit, but you cannot tell us.

Hon BARRY HOUSE: That has become a normal process in the financial management of this state.

Hon Ken Travers: When was the last time we were asked to approve a Treasurer's advance that was likely to get this state closer to a deficit budget?

Hon Ed Dermer; Hon Barry House; Hon Norman Moore; Hon Ken Travers; Chairman; Hon Matt Benson-Lidholm

Hon BARRY HOUSE: We went through that yesterday. We have had several of these Treasurer's Advance Authorisation Bills in recent years. The last one last year under the previous administration was for a then record amount of \$750 million. This one is larger, yes, but I have explained several times the factors involved in that quantum figure. We can go through the individual elements of that in clause 3 when it is more relevant.

Hon KEN TRAVERS: I will make one final comment on this and then I will move on to my next question. People can go to the Perth railway station and get on any train. The trains might all look the same, but when people get on them they go to different destinations. The reality is that every previous Treasurer's Advance Authorisation Bill that we have passed has been on a train whereby the state's finances have been heading up and it has been in good financial times. They have never been of this magnitude, but even when they have been half this magnitude, it has been during good financial times. The difference today is that we are being asked to get on a train that is heading to a dead-end track and that will crash. The predictions in the midyear review have the state going into deficit. The Treasurer is on the public record as saying that the state will probably get there sooner than the prediction in the midyear review. There is clear evidence that there is about to be a three per cent cut. That is why it is important that we know exactly what train we are getting on. It is not just about going down to the railway station and getting on any train; it is about understanding the train and where it is going to. This train is a very dangerous train.

I hope my next question is a bit simpler. Can the parliamentary secretary advise me what impact this bill will have on the net operating balance of the government for this financial year and, if it has any flow-on into forward estimates, what impact will it have over the forward estimates?

The CHAIRMAN: It is a relevant question and the parliamentary secretary has the call, recognising he may need to consult.

Hon BARRY HOUSE: In the midyear financial projections statement for 2008-09 the figures to explain the member's request are contained on pages 6 and 7. During the pre-election assessment the net operating balance for 2008-09 was \$1 930 million and the midyear financial projections statement for December 2008 has that figure at \$1 186 million, so there is a decline there of something in the order of \$800 million. While I am on my feet, I table one of the documents requested yesterday, which is a document containing a table of historical information of the financial instruments that have come to this Parliament to seek contingency funding from 1993-94 to the current one in 2008-09.

[See paper 677.]

Hon KEN TRAVERS: I hope the parliamentary secretary misunderstood my question. I understand the midyear review. I asked what impact this bill will have on the net operating balance. The Treasurer's advance in the midyear review figures that the parliamentary secretary quoted was at that stage expected to be \$981 million. We now know that we are being asked for a \$1.2 billion Treasurer's advance, so it has gone up significantly since the midyear review. I want the new figure, not the midyear review figure. I do not know what impact this will have on the net operating balance, but I am sure it will have some impact.

Hon BARRY HOUSE: The midyear review contains an assessment of the situation as it was in December 2008. Revenues and expenditures will change and do change all the time. That was the snapshot in history at that time. The next snapshot in history will be contained in the budget. It is therefore basically a pointless exercise trying to estimate, project or whatever to try to work out what will be the impact on the budget of the current situation. That is what we are doing here. The best possible estimates have been put into providing this contingency arrangement so that the state does not run out of money.

Hon KEN TRAVERS: That is an extraordinary answer. The parliamentary secretary is asking us to get a credit card out, to hand it over and not to check the current balance. He is telling us not to worry about the current balance but worry about what the balance was three months ago. We know the balance is higher. The parliamentary secretary is asking us to give him a blank cheque, and he will not even tell us what the end balance will be once we have written the blank cheque. It is an extraordinary situation.

Hon BARRY HOUSE: The standard convention is to release the state of the state's finances in a pre-election situation, which was done; in a midyear review; and in the principal release of the information in the budgetary process when the budget is tabled in the Parliament. The member talks about a blank cheque. That is exactly why we are here. We are here authorising the expenditure. There is no blank cheque because there is full accountability. We can account for where the figure is derived from. When we get to clause 3, if the member wishes, I will answer questions on those specific items. Every item on his bankcard statement, as it were, can be queried, we can delve into them and I can explain the detail behind each of those estimates, if that is what he wishes. However, if he wants to wait until the budget process, he can have a proper, final statement for the

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bankcard, as it were, and that will show actual expenditures and actual forecasts. These are the best estimates possible.

Hon KEN TRAVERS: As I said before, I do not recall the last time we sat in this chamber in such circumstances. The midyear review predicts that in 2011-12 the state will go into deficit by \$361 million. That was based on a figure of \$981 million. In 2010-11 there was a projected surplus of \$105 million. This bill adds more than \$200 million to the expenses of the state this year. I am therefore assuming that the state will be in deficit in 2010-11. In the four-year period the state will be in deficit and in breach of its financial targets on at least two occasions. I suspect on this basis the state will be going into deficit next year as well. I do not think it is unreasonable for the opposition to be asking what the impact will be. I know that it may not be the full \$200 million because the government may be able to recoup some of that money from other sources within the Treasurer's advance. I am trying to find out what is the full amount, but I accept that the government wants to ask for a blank cheque and live in secrecy. So be it.

Committee interrupted, pursuant to standing orders.

[Continued on page 2927.]