TREASURER'S ADVANCE AUTHORISATION BILL 2009

Second Reading

Resumed from an earlier stage of the sitting.

HON KEN TRAVERS (North Metropolitan) [5.37 pm]: Before question time I outlined the two key pieces of legislation in this state—the Government Financial Responsibility Act 2000 and the Financial Management Act 2006. Those acts clearly show that decisions contained in the midyear review, and expressed in this Treasurer's Advance Authorisation Bill, along with the decisions made post the midyear review and contained in the bill, are of such magnitude and involve so many policy changes that they should not have been introduced into this Parliament by way of a Treasurer's advance bill; they should have been introduced by way of a mini-budget with a separate set of appropriations and documentation, as outlined in the Government Financial Responsibility Act so that, importantly, the appropriate level of scrutiny and knowledge would be available to the people of Western Australia.

Our current financial position outlined in the midyear review-I am about to talk about what I believe is possibly a deterioration in that position-is unsustainable. Those are not my words but those of the Under Treasurer. Unfortunately, on this occasion, the government has chosen to use the TAA as its vehicle, to avoid the level of scrutiny that a mini-budget, which we should be debating, would have provided. We do have some information. The most recent financial predictions come out of the midyear review. I think the cut-off date for the midyear review was 1 December, and it was released just prior to Christmas. It is clear, too, that we can make a reasonable assumption that between the cut-off date for the midyear review and when this Treasurer's Advance Authorisation Bill was brought into this house, the state's finances deteriorated further by an additional $200 million in expenses.

We do not know the full quantum, but I think we have in recent weeks seen clear evidence that the government has lost control of the state's finances and that they are spiralling out of control. The financial circumstances that the state government faces are predominantly of its own making. The Leader of the Opposition may laugh —

Hon Norman Moore: The Leader of the Opposition is always laughing.

Hon KEN TRAVERS: Sorry; the Leader of the Government may laugh. The midyear review highlights the changed circumstances in late 2008. It highlights a downturn in the cumulative operating balance of the state of some $5.2 billion across the four-year forward estimates period, which is a substantial and significant amount of money—approximately a quarter of any one year's total budget and a large amount in anybody's language. I have read some comments in which the government has portrayed that the $5.2 billion is a downturn in revenue, but that is not the case. Some of the downturn is clearly outside the government's control, maybe as a result of deals done by the last Liberal government with John Howard, but outside the current government's control. The state's goods and services tax revenue is expected to decline by $682 million over the period of the forward estimates. However, on a positive note, the fall in the value of the Australian dollar will add some $6 billion in revenue over the forward estimates. I think it is described in the midyear review as a windfall. We have also learnt—I look forward to seeing if we can get some more information later on in the debate—that as a result of the November Council of Australian Governments process, about $1.5 billion additional revenue should come into this state.

The biggest change is the rapid increase in recurrent and capital spending. Those issues are very much in the control of the government and of its own making. The midyear review highlights the results of the pre-Christmas spending spree. It reminds me a bit of when Tim Johnston of Firepower fame was running around trying to sponsor sporting teams, or Will Smith back in the 1990s when he was going on spending sprees and just about went bankrupt like MC Hammer. Government spending is causing a significant problem. About $1.5 billion of the $5.2 billion is the result of revenue downturn, but not factoring in what the state gets back from the COAG process, and $3.7 billion is spending. The midyear review highlights that the government will fail to meet its current targets in the short to medium term. Over the four years there will be years when the state will not maintain or increase its real net worth. There will be years when the state goes into deficit. At the moment it is predicted to be the final year of the four-year term, but I suspect that at the rate the government is going, unless dramatic changes are made, the time of deficit will be a lot earlier. The government will blow the net debt-to-revenue ratio target of under 47 per cent, which was never going to be breached and would not be breached if it were not for the massive growth in expenditure. The government will not ensure that in each year real per capita, own-purpose expenses will not increase, so the state faces the very real prospect that its AAA credit rating will be lost.

Has the government a plan to get back to meeting all those targets? No, but it has a plan to spend more, and that is all we have seen so far. The government has lost control of spending. The whole midyear financial review was predicated on a three per cent cut in expenditure being met. Once again, it is very clear that for many agencies a 1.5 per cent cut will not be achieved this year and nor will agencies achieve a three per cent cut in total revenue in future years. I have grave concerns that it will not be able to be achieved. Certainly, with the level of activity of ministers, I suspect that it is almost impossible. The Treasurer has recently claimed many times that it is all a work in progress, but agencies are continuing to operate and to spend. In an organisation such as the Department of Health, people cannot come out in the last month and suddenly find savings, because patients will still be coming through the front door and will still require to be nursed in hospitals. The 5 500 additional students and all the other students in the education system will still turn up. If the savings have not been made yet, it is unlikely that there will be made within the next three months savings of anywhere near the amount that has been asked of those agencies. In addition, it is clear that many agencies are blowing out expenditure and are on track to blow their budgets and exceed their previous limits for expenditure.

All those matters give rise to the necessity for having a mini-budget that could detail all the factors and provide proper scrutiny. It would appear that the state's financial position has deteriorated even further than the condition it was in when the midyear review was presented. We are now being asked to approve an additional $750 million under this Treasurer's Advance Authorisation Bill over and above what is already provided for under the Financial Management Act, and we are asked to do it without the information that we were intended to have, as outlined in the Government Financial Responsibility Act, when we make decisions of this magnitude. Unfortunately, at this stage there appears to be no remedy for this. The government may ignore the Government Financial Responsibility Act, but I intend to see whether I can find a way to hold the government accountable to that act. I look forward to the committee stage and to seeing how realistic the summary of proposed expenditure is under the Treasurer's advance authorisation. From the briefings we have received, it is clear that the document has changed from the one that was previously provided. I partly understand the reasons for that. However, it also shows the dynamic state and lack of control over the state's finances that we are seeing at the moment. I have no doubt that many of the items in that program will be delayed to allow the expenditure under the Treasurer's Advance Authorisation Bill to be reallocated to some of those areas where agencies will not achieve the three per cent cut, or will exceed their expenditure by significant amounts. I think we have seen that today potentially from the comments of the Leader of the House that the $20 million, which I think was to be spent this year on exploration, will be delayed until the out years and spread over five years. A very small amount will be spent this year. Even though that is clearly provided for in the Treasurer's advance process and the midyear review, I suspect it is a sign of the government's starting to try to push expenditure into the out years.

I certainly look forward to finding out whether the parliamentary secretary can provide the house with an updated version of the summary of excesses and new items under the Treasurer's Advance Authorisation Bill 2009. I have received some information by way of a briefing, but it will be important for us to place on record in this place how many of those amounts have already been drawn down from the Treasurer's advance by the respective agencies. The provision of that information will assist in the speedy passage of this bill. Because of the state of the finances, I have no doubt that at the end of the financial year some very creative accounting will be needed to ensure that the books balance and that the agencies' budgets are within their current appropriations, nor do I have any doubt that one of the ways in which that will be done is by using the government's cash reserves. To understand the need for and the processes of the bill, we must know what cash reserves the government holds that could be made available to agencies as an alternative to the Treasurer's advance. I hope that the parliamentary secretary is able to provide that information to us when we get to the committee stage. It will be interesting to work through those issues and to find out whether we are likely to deal with yet another Treasurer's advance bill before the end of the financial year.

I now turn briefly to one of the common complaints that have been raised over the years in this place and in the other place when debating the Treasurer's advance. Funding for the Treasurer's Advance Authorisation Bill is supposed to be for unforeseen or extraordinary matters. It has long been a matter of debate in both houses as to what exactly is meant by the term "extraordinary or unforeseen". An example of an extraordinary or unforeseen circumstance that I am sure no member would disagree with is the provision of funding in the event of a cyclone. Increasingly over the years, the interpretation of "extraordinary or unforeseen" has gone far beyond that type of meaning. I am not sure whether the policy changes of the magnitude represented by the current Treasurer's advance bill were unforeseen. My view about unforeseen expenditure is that the purpose for which the money is to be provided must be a surprise and there must be an inability to control the unforeseen circumstance. It is clear that a policy decision is not an unforeseen circumstance.

Hon Barry House: Do you classify our election win as an unforeseen circumstance?

Hon KEN TRAVERS: I understand the point the parliamentary secretary is making but I think that it is trite and it belittles the debate we are having tonight. It is a cheap shot. This is an important part of the Treasurer's Advance Authorisation Bill. I will quote the Chairman of Committees, Hon George Cash, from page 1761 of *Hansard* on 3 April 2008. I suspect that when he made this statement, he did not expect to be sitting on the government benches. He said —

> In the first instance, I want to concentrate on the words "extraordinary or unforeseen matters". It seems to me that in years gone by—I am talking many years gone by—when it was decided that provision should be made for payments to be made in excess of those that had been appropriated directly by the appropriation acts of a given year and the Treasurer's Advance Authorisation Act came into being, a particular meaning was given by Parliament to the words "extraordinary" and "unforeseen". When we talk about extraordinary matters, one would clearly think that they are matters that are not of an ordinary nature. The tenth edition of the *Concise Oxford Dictionary* defines "extraordinary" as being very unusual or remarkable. A derivative of that term is that it is outside the normal course of events. That is not as helpful as one might expect, but that would be the reasonably and commonly understood meaning of that word. "Unforeseen" means something that is not anticipated or predicted, and a derivative is that it is unforeseeable. Again, that is probably a reasonably commonly understood definition of that word. One normally associates extraordinary events with such things as floods, droughts, hurricanes or other climatic conditions that are out of the ordinary and may also be totally unforeseen or, indeed, unforeseeable. I just use that as an example.
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> It seems now that any matter that was not included in the original appropriation for a given year is included in the Treasurer's Advance Authorisation Bill. Firstly, I think that is a misinterpretation of the words "extraordinary or unforeseen" and, secondly, it goes outside what the Parliament originally intended with these words. I also acknowledge that because this has occurred over such a long time, a practice or custom has almost built up to enable almost anything to be shoved into the Treasurer's Advance Authorisation Bill and paid for. That is a very wide generalisation, but I make the point that our understanding of the words "extraordinary" and "unforeseen", as they relate to section 27 of the Financial Management Act, appears to have changed significantly over time.

I could not have said it better myself.

THE DEPUTY PRESIDENT (Hon George Cash): I do not wish to be drawn into the debate, but it is not the first time that I have said that. I have said it year after year.

Hon KEN TRAVERS: It is a debate that has been had in both chambers.

The DEPUTY PRESIDENT: The critical part is that the custom of the house has accepted the rather strange interpretation of those words.

Hon KEN TRAVERS: I find myself in an interesting position. I am yet to debate the Chair from the chair. I am to always speak to the Chair. In your last few days in this chamber, Mr Deputy President, I think it is appropriate for you to take some liberties.

I completely agree with Hon George Cash's statement. The interesting point that we are dealing with is that in the past, the Treasurer's advance has been used to seek funding for the expansion of existing programs, whereas today we are being asked to provide funding for new programs. Whole programs have been introduced and new policy decisions have been made. I am not a lawyer, but I take the view that that is not what was intended by the bill. I think it even takes the custom and practice of the house to a new degree that we have not seen in previous debates when we have dealt with Treasurer's Advance Authorisation Bills.

Hon Ed Dermer: Perhaps what is extraordinary is the scale of the Treasurer's advance.

Hon KEN TRAVERS: It is the scale and the volume and nature of the policy decisions that are involved. The most important point is that we are dealing with a situation that we have not had to deal with for a long time in this state—we are not going to meet our financial strategy target. The path we are on is clearly unsustainable and the government does not seem to have provided us with a pathway for how to get out of this situation. I hope that the parliamentary secretary can give us some guidance about that tonight.

I will conclude my remarks about the unforeseen circumstances. There is none so blind as those who will not see. A lot of people have told me that that is a lyric from a U2 song, but I could not find it, and others have told me that it is a quote from the Bible. Although it derives from the Bible, it is not a direct quote from the Bible. I think that sums up the situation we are being asked to put ourselves in tonight. I do not believe that it was ever the intention of the Parliament to allow the Treasurer's advance to accommodate significant policy changes. The Government Financial Responsibility Act provides for governments to bring down mini-budgets and supplementary budgets. I do not see why the government could not have done that and I look forward to hearing an explanation from the parliamentary secretary about why that was not the case.

Recently I followed the case in the High Court concerning whether payments made by the federal government were appropriate. I wonder whether the appropriations that are sought in this bill would stand the test of a challenge in the Supreme Court if a retired lawyer or an academic decided to take these matters to court. A number of the items contained in the excesses are new items. I wonder whether they would meet the requirement of being considered unforeseen or extraordinary matters. If they were not, it would leave us and the government in a very interesting situation. I have neither the time, knowledge nor money to take that case to the Supreme Court. The federal government faced it, although it had not actually made any payments. I wonder what would happen to the state government if that were to happen in Western Australia.

I look forward to a more substantial explanation from the parliamentary secretary about the government's interpretation of the words "extraordinary or unforeseen matters". Please, do not just give us the example of the cyclone. It is clear that we have gone way beyond the cyclone example. No-one disagrees with it.

Another interesting matter is the point at which the government incurs an obligation before this bill is passed. It appears that the government has already entered into a number of arrangements that create an obligation on the state for many of the items listed in the excesses and new items summary. I would like the parliamentary secretary to explain when the government believes the state incurs an expense. In his response, the parliamentary secretary might like to provide a general explanation and then during the committee stage we can examine some individual cases in more detail. I am also interested in knowing for each item which is a one-off expenditure and which will place a burden on the state in future budgets. That is particularly important because of the state's unsustainable finances at this stage. How are the items in the summary of excesses and new items chosen? Again, it appears to be arbitrary. It appears that a number of agencies have a number of excesses and new items but that only one of those items has been chosen to go on the list. It is appropriate for this house to know all the items in the different agencies that are new and excessive over what was previously budgeted for during the past year.

Sitting suspended from 6.00 to 7.30 pm

Hon KEN TRAVERS: I am coming to a conclusion. Before the break I pointed out that it was interesting to try to ascertain why the items in the summary of excesses and new items were chosen over other items within each agency in which a number of new items or excesses have occurred. The opposition would certainly like to explore that further during the committee stage of the debate. I have provided details during my briefing and hopefully the officers will be able to assist the parliamentary secretary in that area.

Another area we need to have a good understanding of before passing this bill is the impact the bill will have on the debt-to-revenue ratio. When the pre-election financial statements were issued, it was planned for the state to remain under the 47 per cent cap imposed by the previous government. It is becoming increasingly clear to Parliament and to others that, under the forward estimates, we are facing a blow-out of at least 60 per cent debt-to-revenue ratio. This expenditure will have an impact on that. A number of the items will have an ongoing flow-on impact through the forward estimates. It is important that we gain an understanding of what the long-term impact of the bill will be on the state's debt-to-revenue ratio.

In case people want to raise this point later, I will head them off at the pass by saying that during the negotiations about who would form government after the last state election, the Labor Party made it very clear that one of our parameters was that we would need to remain under the 47 per cent cap. I know there were debates at the time amongst other parties about maintaining the state's AAA credit rating, and before this bill is passed, it is incumbent upon us to have an understanding of whether the blow-out in expenditure, of which this bill is part, will increase the debt-to-revenue ratio, and by how much it will increase it. We need to know whether it is sustainable in maintaining the state's AAA credit rating, and we need to know what sorts of measures are necessary to bring it back below the previous level.

I turn to the area of contingency. Last year, as I understand it, the summary provided to members indicated a contingency of $70 million. This year it is $149 million. On top of that, a range of big-ticket items are listed on the summary that are unlikely to proceed or to be fully funded this year. It is important to place on record why we have such a large jump in the contingency component this year. I have some idea of why it is, but that will be an important thing to put on record during the committee stage. It is crucial for us to continue to seek information during these debates. I have two quotes sitting in front of me—one from Hon George Cash and one from Hon Murray Criddle. On this occasion I will quote Hon Murray Criddle. On page 3022 of *Hansard* on 24 May 2006, he stated —

> If the government wants more money, it must be able to provide justification for it. It would also avoid any concern about cost-shifting and that sort of thing. We just want a realistic approach.

I think that sums up the debate that we are having. As members will be well aware, the speech I am making is a speech that has been made by opposition members for as long as I can research back through the pages of *Hansard*. There are many similarities, but as I said at the beginning of my speech, a number of issues make this debate different from many previous such debates.

I remember sitting in the chamber during an earlier debate on financial affairs. It is a shame that the Minister for Energy is away on urgent parliamentary business; he gave members a lecture about the separation of powers and the role of Montesquieu in that principle. At the time, I listened to the Minister for Energy and thought that it was not quite the way I remembered the Westminster system. The Minister for Energy gave a very defined view about the separation of powers, and this is relevant to the debate we are having now. I thought that there was a bit more blurring of powers under the Westminster system, and more of a combination. I hope the Minister for Energy did not give that lecture to his students when he was a teacher of political studies, because, as members know, there is a merging of the three arms of government—the executive and the legislature in particular—under the Westminster system. For instance, under the Westminster system, we allow the executive to pass laws by way of regulations. The executive also regularly tries to sneak Henry VIII clauses into legislation to give it greater legislative powers. The executive sits within Parliament and, some would argue, dominates Parliament. However, it is clearly the job of the legislature to approve appropriations for executive expenditure, and to scrutinise government expenditure. In fact, some would argue that the main principle advanced by Montesquieu in his doctrine was not about a complete separation of powers in the strictest sense, but about ensuring that power is distributed to avoid a monopoly of power. As we go through this debate tonight and during this week, it is our job, as the legislature, to subject the executive to the appropriate scrutiny. The money it spends needs to be appropriated—in this case, provided for by way of a Treasurer's advance—and it is incredibly important for the Parliament to be informed about why the government needs the money and what impact it will have on the state's long-term financial position. We could all argue for a better process than the one we have, but, hopefully, through the processes we have available to us, we can subject the executive arm to the sort of scrutiny Montesquieu would have expected of us before approving this expenditure by the government. I look forward to the parliamentary secretary's response in due course.

HON PAUL LLEWELLYN (South West) [7.40 pm]: I am rather surprised that there was not a stream of speakers on the Treasurer's Advance Authorisation Bill 2009. I was under the impression that it was an urgent matter on which the opposition in particular wished to have a long debate. I took the time to listen to some of the debate in the other place and hear some of the arguments. In my short period as a member of this place I have dealt with three of these bills. On each occasion there has been a slight increase in the amount of money the Treasurer was seeking to have advanced. Not so long ago we passed a bill that set a three per cent limit on the amount that the Treasurer could obtain in advance of the budget without any need for an advance allocation.

In a previous debate I spoke at some length about the propensity of our economy to continuously expand, as if that were something desirable and necessary. It is accepted as necessary that this ongoing expansion will occur. I have even heard language to the effect that we should set out a budgetary framework that would be sustainable. However, there is nothing sustainable, in any sense of the word, about the way in which we organise our finances. There is nothing sustainable about continually being on this treadmill of requiring more and more advances over time. I am interested to learn the reasons for this particular Treasurer's advance having exceeded every record, and having in fact been blown right out of the water. I am surprised that the Nationals have not talked about this, because I would have expected that they would have had something to say about the requirement for an advance authorisation of this quantum, which is quite extraordinary. A significant proportion of the quantum is driven by royalties for regions election promises.

Right at the very beginning of the *2008-09 Government Mid-year Financial Projections Statement* a number of reasons are given for the situation in which we find ourselves. The first is that there has been a decline in revenue that could not have been predicted. However, it is not so much that we have had a decline in revenue that we could not have predicted but rather that we were intent on using every capacity in the economy; expanding to fill every nook and cranny to the extent that we have failed to exercise prudence in management of the economy. In times gone by perhaps, if not in these heady days, one would have expected that during good times something would be put aside, and some slack maintained in the system. However, the way we are running the economy in Western Australia is to flat strap everything and run faster than we are able to manage. A decline in revenue may be something that could not have been foreseen, but I am sure we have been talking in this house about how we thought the economy would overheat and we would hit the limits to growth. I am sure that that was predicted when I was sitting on the other side of the house. We talked about the fact that this constant expansion was unsustainable in the true sense of the word, and that it was not practical and reasonable to continue. It was inevitable that that friction would result in what we are seeing right here.

The world is experiencing a global economic meltdown, but that is incidental to the analysis. We could not have expected the housing market to continue the way it was going. After all, we were experiencing drag because we did not have the skilled labour force to continue building houses at the rate we were expected to. There was an inevitable explosion of housing prices, which led us into a false sense of security about the revenue streams that would come from those sources. In other words, we had become addicted to those revenue streams in a casino economy. We kept putting the money into the slots in the hope that some day we would hit the jackpot. The jackpot is here, and the Treasurer needs an advance of massive amounts of money to cover the costs. There was a weaker than expected housing market, but who was expecting that the housing market would carry on as if it were an endless fountain of wealth?

Hon Ljiljanna Ravlich: I think you know the people who forecast these things.

Hon PAUL LLEWELLYN: That is right, and I know that in the global economy financial advisers were giving poor advice to companies like Enron, or covering up their trails on a massive scale. A massive intellectual fraud has been perpetrated, and we have fallen into the trap. The intellectual fraud was about the potential to continue driving economies at the rate that we have been when it is clear that there are limiting factors, not least air, water, energy, minerals, resources and human capacity. Let us pretend that the world is actually not like that. Let us pretend for a moment that there are fairies at the bottom of the garden who manufacture money and resources, and that we can continue this casino economy the way that we have been doing it. We will be back here next year asking for more money to fund another irrational and fundamentally flawed economic policy of the state. Deteriorating international conditions were always on the cards. They were predicted by insightful commentators years ago.

The next point on the first page of the *Government Mid-year Financial Projections Statement* is about the impact of implementing the government's election commitments to royalties for regions. There was a fundamentally flawed analysis about where that money would come from. Therefore, we now need to ask, cap in hand, that the new bill will provide us with the money. Hon Norman Moore's ministerial statement today indicated that the royalties for regions program has made a pledge that some money will be available for a mining incentive scheme; that is, as I understand it, roughly $80 million. I made some very brief, back-of-the-envelope calculations because the minister stated —

> Although WA still leads national expenditure, with mineral exploration worth $343 million and petroleum exploration worth $799 million for the last quarter, the Government is committed to identifying new opportunities and ensuring the future prosperity of our resources sector.

I wanted to look at the analysis of those figures. I spoke to Hon Norman Moore behind the Chair and I asked whether he was sure these numbers are right, because we are talking about $799 million for a quarter, plus $343 million a quarter. I added those two figures, and I do not have my paper with me, but it came out to quite a bit. I thought that if that is a quarter, then we are talking about nearly $4 billion worth of exploration money going into this state a year. That is $4 billion a year, and then the royalties for regions program will add another $80 million to subsidise small exploration in Western Australia. That is $80 million on top of $4 billion —

Hon Norman Moore: Not all of it—just read the statement carefully.

Hon PAUL LLEWELLYN: Exploration. I know the breakdown of the funds will be —

Hon Norman Moore: Most of it is to be used for the Geological Survey of Western Australia for all sorts of exploration.

Hon PAUL LLEWELLYN: My point is that it is $80 million over approximately four years. I do not have the figures in front of me, but it is approximately $16 million a year of corporate welfare for the mining sector, which is already spending $4 billion—$4 000 million—a year on exploration for minerals and oil.

Hon Norman Moore: Most of that is being spent on petroleum. As you know, in respect of mining, most of it is on brownfield sites; that is the problem.

Hon PAUL LLEWELLYN: I fully understand where that money is going because I was paying attention when the minister spoke to me. Most of that money will be spent on oil. I spoke to a number of other colleagues who were around and I asked: is this real? I was astounded: this is $4 billion a year being spent and we are handing out some corporate welfare. This is part of the Treasurer's advance that we have on the books. This is part of the royalties for regions commitment because the Nationals could not resist going out and saying, "We will hand out money to our mates", in spite of the fact that money is going absolutely nowhere in making a genuine commitment, a genuine contribution, to wealth generation in the context of $4 billion—$4 000 million—and our minimal contribution that we will make.

Hon Norman Moore: The money will be allocated by the Department of Mines and Petroleum on the basis of submissions from mining companies.

Hon PAUL LLEWELLYN: I fully appreciate that somehow or other we will be able to justify this money going for some useful purpose. However, I wanted to simply put it into some numerical context. The numerical context of this, the quantum, is very clear. This Treasurer's advance is a bit of extra money to roll out an ill-conceived royalties for regions program conceived for short-term electoral advantage in a total intellectual vacuum about the way in which royalties are generated and the way in which they are translated through to the commonwealth grant scheme and the real amount of money that Western Australia was actually going to get. Therefore, we are handing money out to our mates and we have to have a Treasurer's advance in order to —

Hon Norman Moore: I take exception to your comment about the money being handed out to mates because it will be handed out by the Department of Mines and Petroleum on the basis of proper submissions and a decision will be made —

Hon PAUL LLEWELLYN: I am glad the minister thinks so.

Hon Norman Moore: Well, that is what is going to happen. I am telling you now because I am in charge of this.

Hon PAUL LLEWELLYN: I am glad that it will be put to some useful purpose; however, the point is made.

I will go on to talk about other aspects of this advance and the financial and economic context in which we are doing this. I have not finished with royalties for regions. Page 1 of the *Government Mid-year Financial Projections Statement* lists by dot point the key changes to the financial outlook presented in the midyear review. Dot point three states —

> a sharp rise in net debt levels, reflecting the impact of the issues noted above and other parameter changes —

I will read out the footnote about the parameter —

> Parameter changes include movements due to issues not subject to policy decisions, such as variations in Commonwealth grants, cost escalation, movements in interest and depreciation, etc.

Let us drill deeper; dot point three continues —

> (including a weaker operating outlook for the State's major public corporations) …

We should expect that to be the case as the whole thing unwinds and melts down and the transactions in the economy slow down as a result of all these kinds of internal friction. The fourth dot point states —

> pressure on the State's financial targets, including the operating surplus and net debt …

The interesting thing is that the overview on page 1 states —

> Unprecedented volatility on international financial markets and the flow-on effect to the global economy have seen rapid falls in confidence and forecast economic activity and, in turn, commodity prices.

This is not unprecedented; we have seen this before. We saw this in the 1930s when we were running the casino economy; we should have been able to predict this. There are slightly different parameters and ramifications but it is the same sort of stuff. It is not unpredicted or unpredictable. It is very predictable because we organise our finances the way we choose to. The overview also states —

> … spot prices for oil and iron ore have fallen by around 60% in $US terms, while Western Australia's property market has declined more sharply than expected. Similar factors have led the Commonwealth government to revise down its estimates of national GST revenue, reducing the State's GST grants by $682 million over the forward estimates period.

What was unpredictable about that? It was probably that oil prices did spike. Interestingly enough, my proposition in my previous contribution to the Treasurer's advance was that this situation created friction in the economy: people defaulted on their mortgages because not only were their mortgages rising, everything was rising around them. It created sufficient drag for the whole thing to spiral down into a slowdown in the economy. Therefore, oil prices have gone down again and as the whole world bounces back, we will see it oscillate up to these out-of-control developments. However, that will not be for some time because this wind back is very serious.

However, the interesting thing is, and I do think these two things work in a kind of perverse but complementary way, that the actual decrease in oil prices in fact results in a $6 billion revenue windfall in forward estimates. It is therefore working counter to the general thrust of the whole trend. That, to some extent, is a very good thing.

The question is: when these shock events hit, what should the government be investing in to reset the economy to work so that any future adjustment does not cause these major fluctuations? I will say again that the government should invest in wealth-generating industries and wealth-generating assets. It should invest in communities and community resources. It should build resilience at the local level. That is where it should be investing. That is not what is happening with $80 million, for example, going as corporate welfare to the mineral sector. It is not necessarily happening when the government blows $200 million on an Ord scheme or hands out hundreds of millions of dollars to people to build new roads. It is not that new roads are unimportant, but that is not the way in which the government should reorganise the economy to create a wealth-generating basis to the economy. However, if the government has a heap of money to hand out—it is kind of like the most popular boy on the street these days—it does not seem to be doing it in a very considered and strategic way. Therefore, in spite of these trends to collapsing revenue streams, the government has actually had a windfall because oil prices have collapsed simultaneously. There has, therefore, been a rebalancing of the balance sheet, which would have been expected to roughly cancel itself out, but has not because of other structural issues. The state has become almost entirely dependent on the revenue stream from the mineral industry, and the mineral industry has been hit by commodity prices because of the slowdown in other economies, which was not unpredicted. Economies do not keep growing at 13 to 15 per cent, not even the Chinese or Indian economies.

I think the last time I spoke about this matter the language I used was we had been feeding China dirt-cheap commodities—in effect feeding the dragon—and that we had burnt our fingers. China expanded rapidly because we were giving it dirt-cheap resources; we had something to do with the way the boom happened there. When a country has a significant number of the world's mineral resources, it is a price setter, not a price taker. Australia and Western Australia have been behaving like the price taker rather than the price setter, even though we control a significant proportion of the world's resources. By being a price taker, liquidating our resources and giving them away as fast as we can and by burning the Chinese economy and getting burnt on the way back ourselves, we have set up a dynamic that has left us exposed. This small bill before us is part of that adjustment that we are having to make, because we have undervalued resources at the pipe end, undervalued them at the ports—freight on board—undervalued them at the wellhead and undervalued them as we were digging them out of the ground. If we had valued them at those points, their value would then have transferred to the whole economy and there would not be this bubble that we have created. We know that if we had put the full value on our resources, they would have fed back into high utilisation and a more efficient use of the resources. That would be sustainable; liquidate the capital.

I have had to teach my children good economic management. We have discussions about them being prudent in their financial dealings, but they look outside and what do they see? They see irresponsible financial management at a state level. They see us partying on, thinking that this is going to go on forever. It is extraordinary. So here we are with a Treasurer's advance bill requesting more money to pay for promises that were unrealistic, unsubstantiated, fanciful, lacking any prudence and lacking any sense of thrift; that old fashioned concept of running an economy in a thrifty way and being efficient with the resources that we use.

If I had to put a microphone where I stand and a speaker on the other side of the chamber and I put the mike in front of the speaker, it would go off like it would at a pop concert—vroom. That is called feedback. It makes a noise. I do not think Hansard picked up that one. It is a screech, which is actually positive feedback as the mike is put in front of the speaker. That is precisely what we are doing with this bill: we have put the mike directly in front of the speaker and got positive feedback into our economy. That is what we are experiencing.

Hon Wendy Duncan: Positive feedback too in the regions that we have neglected for decades.

Hon PAUL LLEWELLYN: I want to comment on the Greens (WA) view of royalties for regions and regional support. It goes like this: we fully support the sentiment of totally getting behind our regional areas. We fully support building wealth-generating enterprises at the regional level. We fully support bringing high quality education, health services and community development to the local level so that people in the regions can engage in wealth-generating enterprises. We have laid out some of the primary wealth-generating enterprises: growing food, which is the energy source for human beings; producing energy from renewable sources, which is the energy resource for the industrial economy; and we have precisely laid out a long-term viable program for regional Australia to become the economic engine for the economy using wealth-generating technologies, wealth-generating enterprises and building communities.

Hon Wendy Duncan: So why didn't you do it when you had the balance of power?

Hon PAUL LLEWELLYN: Hon Wendy Duncan is going to find out very shortly about how this place works and how the balance of power works. I have made my contribution to this place through negotiation and persuasion. I have a particular bee in my bonnet about the way in which we have organised the economy. In part there is more than a grain of truth in the saying that we have been greedy in the way we have been doing this, because we have exceeded the goodwill in the capacity of our land, earth, water, mineral and air resources to provide genuine, sustainable wealth to us. In exceeding that goodwill we have created that positive feedback boom that I was talking about.

I return to the *Government Mid-year Financial Projections Statement*, which now refers to the revenue changes in 2009; to the *Pre-election Financial Projections Statement*; and to the hits that we have taken on the revenue side of the budget. Obviously, as we have slowed down, we have taken a hit on taxation to the tune of $348 million. We have taken a hit on transfer duties, as transactions in the economy have slowed down to the tune of $489 million. It goes on through insurance and vehicle duties and licences. Goods and services tax revenue grants are projected to be more than $526 million over the forward estimates to 2012, but these are down $128 million, as we would expect when the economy slows.

Royalties have to cascade downwards as global commodity prices fall. Royalties will have to cascade downwards because we have set up projects that high grade our resources and are economically viable only at very high prices. For example, some of the iron ore and recent nickel projects were viable only at the top commodity prices. We set up a false expectation in the economy that we could somehow continue to deliver. I know people think that the Greens (WA) are fairies at the bottom of the garden, but I again put on record that it is the people who believe this could continue to happen, the people who believe in magic and the invisible hand of the market, who are the fairies at the bottom of the garden. We, the Greens, are shining a clear light on and providing a clear view of the destructive and unproductive analyses that state that we could continue this frenzy of consumption without consequences. Iron ore prices have taken a hit and are going down, and alumina prices have taken a hit and are going down. All of this is to be expected.

On the expense side of the ledger, I was interested to see that we want our agencies to achieve an across-the-board three per cent efficiency dividend. It is interesting that we should even want a three per cent efficiency dividend from our government agencies when we squander our natural resources with gay abandon. Why can we not take a three per cent efficiency increase in the use of our energy, water and mineral resources? That is where we should look for a three per cent efficiency. We would then have built-in wealth accumulation in the economy, instead of now stripping it from the public sector. Greens (WA) have introduced two measures into this house that aim for efficiency dividends in energy and water. Achieving a three per cent efficiency dividend in terms of our energy, water and mineral use would be a more fruitful endeavour than trying to strip our workers and the public service. We should invest in the public service and the public sector to deliver higher quality services; after all, we are wealthy enough to do that. The government is prepared to cut away at the very place that underpins the quality of services Western Australians receive while it squanders natural resources. It makes no sense whatsoever. If the Greens (WA) were in government, the efficiencies bills put forward would transform the economy in a big way, and we would not be having these kinds of debates. As much as one might chuckle about the concept, I noted before that every stimulus package around the world is tagged “green economic stimulus package” or “green new deal”. There must be something in that. I say it again: there is only one green political party in Australia; that is, the Greens. It is hard to be so.

Turning once again to the expenses and the policy decisions about royalties for regions, the government is handing out money for capital works, which will, to some extent, be good. However, I do not think it is good to build Oakajee and to spend money on large-scale infrastructure that does not invest in real communities at the community level; that money should be injected directly into communities. I said previously that power infrastructure is a good place to invest money, and I do not necessarily refer to money from the royalties for regions fund: we should get our power infrastructure ready for the clean energy revolution that awaits.

The Treasurer’s Advance Authorisation Bill 2009 contains a stream of additional unexpected costs that were supposedly unpredictable—albeit a contentious notion—and that threaten our credit rating as a result of having to borrow against the future. The government will spend money on a raft of promises and supposedly unforseen expenses. Only one part of the Treasurer’s advance is a contingency; that is, the $149 million for things that we may genuinely not predict. That is a genuine allocation. We do not know, but there might be a major bushfire or a major cyclone. We do not know whether either will happen this year, but we can be sure that such events will hit us and that such contingency planning is a normal and prudent part of good financial management. The $149 million contingency is the one line in the Treasurer’s advance to which the Greens (WA) said, “Yes, you need to have a contingency to allow you to respond to an Ash Wednesday type fire.” Also, we note that given the drying climate and so on, we may well, heaven forbid, experience those events sooner rather than later. We should be fireproofing our communities and building resilience at the local level. If the royalties for regions money were to be spent on a good thing, it would be invested to make our communities fire safe and prepared in the event of such unfortunate occurrences. Those events will happen and we need to invest in such contingency areas.

If there was a spare $1.2 billion, the Greens would be putting that into light rail services and networks throughout the Perth metropolitan region to future-proof the community from rising oil prices, because they will rise again. We would be putting money into making the housing stock and buildings more efficient right across the economy because that will save money and it is a prudent economic investment. We would not be spending money by giving it to mining companies to continue their exploration in the form of corporate welfare to those companies. I look forward to dealing with this bill in committee and to hearing the issues raised by the Labor Party.

HON NORMAN MOORE (Mining and Pastoral — Minister for Mines and Petroleum) [8.20 pm]: I want to take a couple of moments to respond to some of the comments made by the previous speaker about the incentives scheme for exploration. As he has pointed out, the amount of money that has been made available through this scheme of $80 million is a drop in the ocean compared with the amount of money being spent by mining and petroleum companies on exploration in Western Australia. But the member fails to acknowledge and understand that the vast amount of that expenditure is being spent on offshore exploration by very large international oil companies—and thank goodness for that, because they are finding very significant gas and petroleum reserves off the Western Australian coast, which are going to be very, very important for our energy needs in the future and for export activity from Western Australia. He also fails to acknowledge that most of the drilling being undertaken on land by the mining industry is in fact on brownfield sites; that is, sites that have already been drilled and are being further drilled to delineate further expansions of ore bodies. That is being undertaken by very large multinational companies.

The concern that the government has, and the reason why I think this scheme is so important, is that many small exploration companies are finding it very difficult at the moment to raise the necessary capital to do the drilling that is necessary to find the mines of tomorrow today. They are finding it very difficult indeed. That has put a significant amount of pressure on not just small mining companies but also small drilling companies that live off the mining industry. This particular program, albeit relatively small in dollar terms, will be a significant boost to those junior mining companies and those small drilling companies in this period of economic difficulty.

As I also said in my ministerial statement earlier today, the funds will be allocated on the basis that priority will be given to those companies wishing to drill in greenfield sites and sites that the Geological Survey of Western Australia is anxious to gain more knowledge about in terms of the geology. Some money will be provided by way of subsidy—I do not regard it as welfare at all—to small mining companies and drilling companies to do some greenfield drilling and exploration. That is an insurance policy, in my view, and I desperately hope that they will find some significant ore bodies. The problem in Western Australia has been, as I said earlier, that most of the drilling is on brownfield sites. One of the reasons why greenfield sites have not been drilled much in recent times is the difficulty that companies are having getting on the ground because of the approvals processes that we found to be in very bad shape when we came into government. That is part of the package that we will make —

Hon Paul Llewellyn: You could not even keep up the mining operations we already had. You had run out of labour and you had run out of resources. You did not need any more mining approvals. That is a complete fallacy and it is a gaping hole in your argument.

Hon NORMAN MOORE: I think that the honourable member ought to go and have a look at the economic statement that underpins the economy of Western Australia. He will find that the resources sector probably pays his salary. The resources sector keeps this economy going. The resources sector is responsible for about 80 per cent of our exports and is a very, very significant component of the state's economy. What the member seems to misunderstand is that every mine site is finite. Every mine has a finite life—they run out of ore. That is a simple fact of life. If we do not start looking for the mines that will succeed the ones that are in progress now, then we will come to a grinding halt. It is as simple as that.

Hon Paul Llewellyn: I do not understand that.

Hon NORMAN MOORE: Perhaps the member does not. I do not quite understand where he is coming from, other than to say the member does not have much enthusiasm for the mining industry. I can understand his view about that, but that is his opinion. I happen to think the mining industry is very important. I notice that the member drives a car, which is made out of steel, which comes out of the ground. He uses oil and petrol in his car, which comes out of the ground, provided by the resource sector. All those people who say this is a terrible industry ought to acknowledge just how much of their life is dependent upon the products that are made available through the resource sector. I am absolutely of the view that we must take advantage of this downturn to improve our knowledge and understanding of the state's geology.

Only part of the $80 million is going towards a drilling subsidy. It is not going to our mates, as the member stated. I do not happen to have any mates who might want this money; however, the money will be allocated by the Department of Mines and Petroleum and the department will make decisions based upon the criteria that are established for the application of those funds. It will be a totally open and transparent process. I will not be involved. That is how it should be and that is how it will be. I resent the implication in the member's speech that somehow or other there is a bit of corruption attached to this, which is just not true at all. The insinuation he makes about giving the money to our mates and National Party friends is fundamentally insulting, quite frankly, and I take exception to it.

Most of the money will in fact be spent by the Geological Survey on doing all those things that the Geological Survey does. I suggest the member one day goes down and has a look at what they actually do. They do a vast amount of work, most of which is highly technical and beyond my capacity to understand. They use all sorts of techniques to understand the state's geology. A lot of it is aeromagnetic flying and all the processes that go with that. The beauty of that work is that that intelligence and knowledge is made available to all mining companies, just as, I might add, the drilling that will be done by companies in the subsidy section of this program will also have to be made public so everybody has access to that geological knowledge.

This is a great opportunity to spend some taxpayers' money to assist a section of the resource industry at a time when there is a serious economic crisis affecting us all. What it will provide for us and the state is a significant amount of information and knowledge that we can then use when the tide turns, and the companies can again raise the capital they need to develop our resources.

Hon Paul Llewellyn: It is $16 million out of a $4 000 million exploration program. It simply does not factor in a rational way.

Hon NORMAN MOORE: I recommend to the member that instead of wandering around the south west saving our trees, he heads to Kalgoorlie and starts talking to a few of the mining and drilling companies that have people unemployed right now, who are looking for some assistance. I have been asked by the opposition what we are doing to help—this is one thing we are doing to help. I suspect that people who work for small drilling companies in Kalgoorlie, for example, will be highly offended by the view of Hon Paul Llewellyn that their jobs are not important and that it is just a drop in the bucket and will hardly make any difference. This particular package would not be going ahead if it was not going to a very useful purpose, and I assure members that it will be.

After Hon Paul Llewellyn reaches Kalgoorlie, he should just keep going across the Nullarbor to South Australia. I acknowledge that South Australia came from a very low exploration base, but the Labor government in South Australia implemented the plan for accelerating exploration program to assist in encouraging exploration in South Australia. Our program is modelled on that PACE program. It was highly successful in South Australia, but came from a very low exploration base. The funds available in Western Australia are greater than those in South Australia, and I believe our program will have a similar impact on our exploration industry as the PACE scheme had in South Australia. That is a simple fact of life. I just cannot understand how people who say we should not do this believe the future of the Western Australian economy will pan out.

In four years, I will be very, very anxious to know what we have found out about the state's geology that we do not know now. As members know, vast areas of Western Australia have not been explored for minerals for all sorts of reasons; namely, they are a long way away; the topography is not conducive to normal prospecting; there are vast areas covered by sand and other weathered material; and the ore bodies are well underground. Every now and again somebody finds one by accident, like the Nifty copper mine in the Pilbara, the Telfer goldmine, and the Tropicana gold deposit east of Kalgoorlie. These are the sorts of deposits that we believe could be found in abundance if the work was done by the Geological Survey of Western Australia to provide encouragement to the mining industry to get out there and put holes in the ground and find out what is there. If people get offended by holes being put in the ground, I cannot help that.

That is what this program is about. It will be done in a totally transparent way. The government has no intention whatsoever of providing support for mates, as the member said. The funds will be available to bona fide companies that put forward propositions that meet the criteria of the Department of Mines and Petroleum, which will make the decisions about where the funds will go. At the same time, the department will engage companies involved in aeromagnetic survey work and other activities that the Geological Survey engages in; that will provide an employment boost for those people as well. It will also involve the employment of another four or five people in the Department of Mines and Petroleum to manage this. That is another way of providing some employment for a very small number of people, but at least it is better than the number going down.

This is a very good program that has been very, very much welcomed, particularly by the junior mining companies, as a means of providing them with some assistance in a time of need, as it is now. Finally, it is an insurance policy until the economy improves, as it eventually will, and companies can start borrowing funds to do the work necessary to provide the mines of tomorrow.

HON BARRY HOUSE (South West — Parliamentary Secretary) [8.33 pm] — in reply: I was expecting to hear from a few more speakers, but I thank Hon Ken Travers, Hon Paul Llewellyn and Hon Norman Moore for their contributions.

Let us keep in mind what we are debating. The Treasurer's Advance Authorisation Bill is authorising the best estimates from Treasury, made around about the middle of February as I understand it, for the extra decisions made by government over and above those contained in last year's budget. Three per cent of total appropriations are available without coming back to Parliament. This equates to about $437 million. Expenditures before 30 June will almost certainly go beyond that $437 million, and the estimate is that they may go as high as $1.2 billion. These figures are based on the best estimates that Treasury can provide, given a range of variable factors, some of them quite volatile, such as fluctuations in revenues. Although we are talking about expenditures, revenues into government obviously affect the amount of money the government has available to expend. The revenues that the government is receiving in royalties—goods and services tax payments, property taxes, payroll tax, stamp duty, land tax—are volatile in this sort of climate. Commodity prices are volatile, exchange rates are moving up and down all the time —

Hon Paul Llewellyn: Why? Let's be analytical about this!

Hon BARRY HOUSE: That is the nature of the world.

Hon Paul Llewellyn: Let's explore this intellectually! Let's have a deeper discussion!

Hon Norman Moore: Let's drill down into something, shall we?

Hon BARRY HOUSE: There have been cost overruns on certain projects, there have been natural, unforeseen disasters, and there is a changed political environment, which is what we are dealing with because an election occurred in the middle of this budgetary cycle.

Members know that it is not an exact science, and we are not dealing with a line-by-line assessment of actual expenditures. This is a global assessment of the financial impact of decisions that have already been made. The Treasurer's Advance Authorisation Bill is the instrument used in our parliamentary system to get Parliament's authorisation for that expenditure. The line-by-line assessments will come later in the year, around August, when the actual expenditure figures have been tallied, are known and are publicly released.

Yes, $1.2 billion is a very large amount of money; yes, it is higher than ever before, but I draw the house's attention to three factors. Firstly, because two government administrations have been involved, there is inevitably a legacy of the past administration. We know that expenditure was already running at very high levels under the former government. If one was unkind, one could say it was out of control. A figure I was given makes for interesting analysis: I was told that $158.5 million had already been spent as at 10 August last year—that is, 40 days into the new financial year. Just doing a back-of-the-envelope calculation, that is roughly 30 per cent of the total $437 million.

Hon Anthony Fels: With the government?

Hon BARRY HOUSE: No, globally; across the whole of government. Roughly 30 per cent of that $437 million had already been spent 40 days into the financial year —

Hon Anthony Fels: Who spent the $140 million-odd? Who spent that?

Hon BARRY HOUSE: The government. I am talking about the government broadly.

Hon Anthony Fels: The whole government?

Hon BARRY HOUSE: The whole government budget, yes.

If we extrapolate that to a 12-month figure by doing a back-of-the-envelope calculation up to the end of June, the figure comes out at about $1.5 billion. I am the first to admit that that calculation cannot be done with too much certainty, but it is a global analysis —

Hon Ken Travers: A more realistic one would be to take off the $1.2 billion, and compare $150 million to $1 billion.

Hon BARRY HOUSE: That is a way that we can analyse the expenditures we inherited from the past administration.

Hon Ken Travers: You could have cancelled those programs as the new government.

Hon BARRY HOUSE: I am also told that about $273 million of that $473 million has already been spent, which leaves only about $160 million, and there are still many extra commitments to finance and fund. In addition, we have to admit that we are operating in some unusual circumstances. Firstly, I refer to the election itself. Members will recall that the election was held on 6 September and the government took office on 23 September. Under normal circumstances, we would have been dealing with an election mid-February this year, 2009. As it was an early election, we have a different political climate and a different administration with different political agendas. Those election commitments were implemented far earlier than normal in the budget cycle. They were implemented from 23 September last year. If there was a change of government mid-February, we would have seen those election commitments implemented much later in the budget cycle. With a later election, we could naturally expect many of those election commitments to be included in the next budget, but they have already been funded.

Hon Ken Travers: But that's an argument for having a mini-budget, not using the Treasurer's advance.

Hon BARRY HOUSE: The member can use that argument. The sheer quantum of the $1.2 billion is naturally largely due to the fact that most of the election commitments—the government is committed to honouring all its election commitments—have already been implemented and most have already been funded.

The global financial situation is another unusual circumstance. It mostly impacts on revenues to the state rather than expenditures but it has an impact on the amount of money that the government has available to finance its programs. Our expenditure on services is not on the same scale as the federal government and we are not seeing Rudd-like incursions into expenditures at a state level.

Hon Anthony Fels interjected.

Hon BARRY HOUSE: I do not recall Hon Anthony Fels making a speech. I think he had an opportunity.

Hon Anthony Fels: I am just interested in why this expenditure is going up.

The DEPUTY PRESIDENT (Hon George Cash): Hon Anthony Fels, the second reading is to deal with the substance of the bill. The committee stage is available to members who have specific inquiries about particular line items. It seems to me that your question is a committee question.

Hon BARRY HOUSE: Hon Ken Travers was very wise to quote Hon George Cash in his speech because we know that Hon George Cash is a man of enormous experience, wisdom and knowledge.

Several members interjected.

The DEPUTY PRESIDENT: Order, members! We cannot hear!

Hon BARRY HOUSE: Do you want me to repeat it, Mr Deputy President? Suffice to say, after 21 May, we will miss that knowledge and wisdom. Hon Ken Travers, in quoting Hon George Cash, rightly pointed out that over the years the Treasurer's advance has progressively been used to include increasingly broad definitions of contingencies. They have become incorporated into the conventions and customs associated with this particular legislative instrument. Whether that is right or wrong is a matter of opinion. We may well need a reassessment of the way governments present financial bills to Parliament in the future. If somebody takes it seriously enough, they may do what somebody did in the federal arena, as Hon Ken Travers mentioned. A retired academic with lots of time on his hands and obviously a bit of money took an issue to the High Court for an interpretation. That may happen down the track. That would certainly clarify the situation. If it does, it will certainly guarantee that the government and the Parliament move very swiftly to clarify what method is used to gain authorisation. That is what this is all about.

Hon Ken Travers: The argument about the custom and practice of this house is not as strong as you might think it is. As you mentioned earlier, we as a house are just approving a global allocation at this stage. It is then what Treasury does where the problem is. They are the ones who would be acting illegally. Some argument about the customs and practices of this house may never come into the debate.

Hon BARRY HOUSE: Treasury cannot expend money without parliamentary authorisation.

Hon Ken Travers: They can't expend it on anything that isn't unforeseen or extraordinary, and that is where the problem is.

Hon BARRY HOUSE: I suspect that it will come to that in one form or another in the coming years. This has progressively crept up on governments and Parliaments over the past decade or so; it has not just happened tonight for this bill. It has happened for the past few years; otherwise, Hon George Cash would not have been making those outstanding speeches in past years.

I thank Hon Paul Llewellyn for his comments and interesting observations on the global financial crisis. I am interested to know how he was so sure he could predict it was going to happen. There are lots of economists around with lots of different views. I guess it is like anything; if we followed one person's train of thought at some stage, he or she could have been right.

Hon Paul Llewellyn: You don't think if you keep gambling endlessly that you'll lose money? If you go to the casino and keep putting money into a slot machine, do you reckon you're going to win? That's what we're doing—it's a casino economy.

Hon BARRY HOUSE: Regardless of who won the last election, whether it was the Labor Party or the Liberal and National Parties, we could not have predicted just what the situation could have been at this point in September last year.

Hon Norman Moore responded to Hon Paul Llewellyn's comments on royalties for regions and the cost of mineral and petroleum exploration. The only comment I would make about that is that the South West Region, which both Hon Paul Llewellyn and I and others represent, contains about 20 per cent of the state's mining activity, which is quite significant, in conjunction with everything else.

I will give some broad figures on the rundown of the main areas and we will deal with the detail later. The authorisation being sought is made up as follows: Department of Agriculture and Food, $3.1 million; Department for Child Protection, $3.2 million; Commissioner for Main Roads, $20.7 million; Department for Communities, $29.8 million; Department of Corrective Services, $16.6 million; Disability Services Commission, $14.2 million; Department of Education and Training, $48.4 million; Fire and Emergency Services Authority, $1.4 million; Department of Fisheries, $1 million; Great Southern Development Commission, $5 million; Department of Health, $35.1 million; housing authority, $94.2 million; Land Information Authority, $3.2 million; Department of Mines and Petroleum, $1.7 million; mines and petroleum administered, $26.1 million; Department for Planning and Infrastructure, $9.3 million; Public Transport Authority, $94.9 million; Racing, Gaming and Liquor Administration, $1.1 million; royalties for regions, $337 million; South West Development Commission, $12.1 million; Department of Sport and Recreation, $2.7 million; Department of Treasury and Finance, $2 million; Treasury and Finance administration, $250.4 million; Western Australian Electoral Commission, $4.3 million; Department of Water, $2.6 million; and Western Australia Police, $10 million. All other items, very small items, are $6.6 million. Contingency is $149.3 million and repayable advances is $15 million. That brings the amount to a total estimated Treasurer's advance of $1.2 billion. I am sure that members have a lot of specific questions on all those areas. The committee stage will offer an opportunity for members to explore those areas in more detail. I am also aware that Hon Ken Travers posed some general questions. I believe it would be in everybody's best interests if I could provide more detailed answers to those questions tomorrow during the committee stage. With those comments, I commend the bill to the house.

Question put and passed.

Bill read a second time.

Committee

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

Clause 1: Short title —

Hon JON FORD: This is a very interesting bill in that it has only three clauses; in fact, it really has only two clauses. Although the opposition supports the bill, it is very important that during this debate we flesh out exactly what the bill means. For a newcomer to this side of the chamber, it seems to me it would have been better if the second clause gave us an indication of the length of time over which this money will be allocated—it is an extraordinary amount of money—so that we could see the phasing of this expenditure. Phasing of expenditure is one of the most important considerations of budget management, especially when working out the value and impact of expenditure on the budget and on delivering what the government wants to do. We obviously need this money, because apparently we will run out of money, so knowing the date on which the money will run out is important. It is also important to know how long this money is expected to run for—whether it will run for the rest of the financial year or for a period of the year. For those reasons, if that information were stated in the bill, it would be a useful thing.

It would be easy for members reading the third clause of the bill to think that the advance is for around only $762 million. Of course, the amount is about $1.2 billion, because under the Financial Management Act there is an automatic allocation of three per cent of the state budget, which, in this case, is around $437 million, which brings us to the total of $1.2 billion. There has been a lot of debate in the lead-up to this bill, and we have heard a lot from the government about efficiency dividends and how they apply to the budget. We know that the government has been trying to achieve three per cent efficiency from 1 January. It would have been useful from a debating perspective, given that the opposition supports the bill, and easier for the opposition and other members to target their questions if the bill actually explained the impact of what the government has been able to achieve through the three per cent efficiency dividend, and why it was asking for extra money. I suspect that the government is asking for a lot more money for the reason that it has not been able to achieve its three per cent efficiency dividend, especially in the big-spending areas of health and education. As we get into the proper debate, we will understand that. Both major parties made a commitment to the three per cent efficiency dividend to pay for their election promises. We now have to have this advance to pay for the election promises. Again, it would have been helpful if that had been stated in the bill. Both the Liberal Party and the Labor Party made the commitment to the three per cent efficiency dividend to pay for their election promises. The National Party did not, so now an extra lump of money is required for the reason that there are two parties in government. It would have been good to see how that was divvied up in the bill; we could have been more focused on that area. Because of the way the bill is constructed, we will have to spend a bit more time trying to flesh out those details.

After all, in a time of declining revenues after a period of extraordinary revenues, we are trying to understand why expenditure is increasing. It is a contradiction for the government to ask everybody to tighten their belts but also spend. I am not saying that the government is presenting this Treasurer's Advance Authorisation Bill in a way that is any different from previous such bills, because that is the way it has always been presented. However, I think there is an opportunity in future to actually add that detail because it would, in the end, lead to a far more focused and shorter debate. I am not convinced that all this expenditure is extraordinary, and I am not convinced that it is for unforeseen matters because I think most of it was foreseen; that is why both parties made a commitment to the three per cent efficiency dividend.

I will be asking questions, as I am sure other members will, to deal with that. I support the bill, but I expect that the questions that I and other members have asked will be answered and not be ignored, as they were in another place and another debate.

Hon BARRY HOUSE: I am happy to respond to some of the points raised by Hon Jon Ford and by interjection from a couple of other members. Firstly, the construction of this bill is exactly the same as in previous years; there is no change in the method or construction of the bill. Secondly, it is based on the assumption that all agencies will achieve their three per cent efficiency dividend. With regard to the member's reference to length of time and phasing, perhaps I can head off some comments other members may wish to make. The government seeks to secure passage of the Treasurer's Advance Authorisation Bill through Parliament by the end of this week—9 April—so that it can meet its commitments and responsibly manage the disbursement of funds to agencies over the period to 30 June 2009. This is consistent with the timing of last year's Treasurer's Advance Authorisation Bill, which sought Parliament's approval to increase the Treasurer's advance limit for 2007-08 to $750 million and which was passed by the Legislative Council on 3 April 2008.

It is extremely difficult to determine precisely when the existing Treasurer's advance limit, which is $437.7 million, will be fully exhausted, as some of the major factors that impact the Treasurer's advance are demand driven—for example, the first home owner grants—or outside the government's control for other reasons, such as court or tribunal rulings resulting in refunds of tax. However, based on current trends it is estimated that the existing Treasurer's advance limit will be fully exhausted in early May, although for the reasons noted above there is a risk that it could be exhausted sooner. In light of this, and the fact that Parliament does not resume after next week until 5 May, it is essential that that the Treasurer's Advance Authorisation Bill 2009 be passed by Parliament by the end of this week. Otherwise, the timely payment of the following sorts of payments will be at risk: first home owner grants, payments for which amount to some $2 million a day and are trending upwards; refunds of previous year's revenue, which are lumpy in nature and must be paid within a short time frame to satisfy legislative requirements; public service salary increases under the public service general agreement; the seniors' cost-of-living rebate; and funding for the daylight saving referendum.

Hon SUE ELLERY: I will make a few comments about the short title. There are only three clauses in this bill. It is a small bill, but it is a very big bill for the state, if I can be so bold. Clause 3 is the essential core of the bill: it is the component that asks us to authorise expenditure in respect of extraordinary or unforeseen matters, or to make advances in respect of certain purposes. When we authorise that expenditure for extraordinary circumstances, we authorise a global allocation, for which agencies have prepared a general estimate of what they think they may need. In this case, because of the amount of money we are talking about, the word "extraordinary" is indeed appropriate. It is the highest amount that has ever been sought, and it has been done in part to meet election commitments. However, there is another source of funding for those election commitments; that is, the three per cent efficiency dividend—the tool that both Liberal and Labor declared that they would use to meet their election commitments. We have just heard the parliamentary secretary tell us that the amounts in this bill are based on the assumption that the three per cent efficiency dividend will be delivered to government.

It is already a matter of public record that the two biggest spending agencies have said that they will not be able to meet the three per cent efficiency dividend.

Hon Norman Moore: That is what the public servants have said; it is not what the government has said.

Hon SUE ELLERY: That is exactly what I just said. I just said that we have heard that from the agencies. The honourable member and I are not disagreeing. He does not need to comment on how we are agreeing with each other.

How are we then to make a leap of faith? How are we to judge how much of the global allocation this bill asks us to grant is actually required? We do not know yet how much of the three per cent efficiency dividend will actually be delivered to fund the election promises. We are asked to make an assumption that the three per cent will be delivered, but we know that the two biggest agencies are saying that they are struggling with that and we know that both the major parties went into the election saying to the Western Australian public that they could fund their election promises by using a three per cent efficiency dividend. Two parties went head to head in the election—the National Party and the Liberal Party. They had two sets of election promises. The two parties may well again go head to head in a number of seats in the next election. However, for present purposes, we are now being asked to pay for two sets of election promises.

The global allocation is $1.2 billion, up from the $996 million quoted in the midyear review, which was only three months ago. At the time we were told that it was unlikely that departments would need to use all of that. It has gone up by just over $200 million in three months. The onus is therefore on the opposition to apply due scrutiny, and we will exercise it. The Western Australian public was told by the two major parties that the three per cent efficiency dividend would cover the election promises. We ended up with a minority government based on a partnership between two parties, each of whom authored a different set of election promises that now require us, as clause 3 says, to provide an extraordinary authorisation. From the information we have already been given either in the briefings or in the parliamentary secretary's second reading response, we know that where the agencies will spend the allocation put next to the name of the agency is a question mark. It is an arbitrary exercise; they may or may not use their allocations, and if one department does not use its allocation, that is okay because it is a global allocation and some other agency can use that amount of money.

It is a big bill in the sense of the amount of money that is required. It is an extraordinary set of circumstances in the sense that only three months ago the people of Western Australia were told in the midyear review that agencies would be unlikely to use all that was then identified. Clause 3 talks about three criteria: extraordinary, unforeseen, or advances for certain purposes. My proposition is that there is nothing unforeseen about the amount of money in one sense because two partners, the National Party and the Liberal Party, entered into an agreement on the basis of their commitment to each other to implement two sets of election promises. They did that knowing that the Labor Party was not prepared to do the deal at the price that the Liberal Party paid because we took the view that that was financially unsustainable. We find ourselves in the position six months after the election in which that is the very word that the Under Treasurer uses to describe the figures in the midyear review. That is the position the government finds itself in, and that is why it is asking for the biggest amount ever asked in a Treasurer's advance authorisation bill.

There is a component in the bill for contingencies—those things for which no government can plan—and that is as it should be, but that allocation is very small compared to what has been arbitrarily put alongside a range of agencies and in respect of election commitments. That leaves us with the word "extraordinary"—that must indeed refer to extraordinary matters, or advances for certain matters, or matters certain, if I can put it the other way. Those are the matters, and those are the questions that we will be seeking answers to in the rest of the committee stage. My colleague has already indicated that we will support the bill, and we have already voted for the second reading. However, it is appropriate, given all the circumstances, including a minority government, that we apply due and proper scrutiny, and that is what we intend to do.

Hon BARRY HOUSE: Perhaps I can address one of the issues that the Leader of the Opposition raised. She questioned the rather rapid jump from $1 billion in the midyear review to $1.2 billion now. That increase of $200 million is due to $149 million allocated for contingencies, $21 million allocated for additional tax refunds —

Hon Sue Ellery: Any Treasurer's advance authorisation bill will include a component for contingencies. What makes the actual amount so extraordinarily high? There is no argument that you need to factor in contingencies; that is what these bills are about.

Hon BARRY HOUSE: The contingencies would not have been factored into the midyear review in February. Just continuing that, the increase was $149 million for contingencies, $21 million for additional tax refunds,

$34 million for the Public Transport Authority enterprise bargaining agreement, and parameter changes to some capital projects.

Hon ANTHONY FELS: I want to address a couple of questions. I failed to get up in time to make a second reading contribution. I thought that the second reading stage of the Treasurer's Advance Authorisation Bill 2009 might have gone on for a bit longer than it did tonight, given how long debate has gone on for in previous years when the amount requested was not —

Hon Ken Travers: You invite the Chair to call you to order if you make comments like that, Hon Anthony Fels.

Hon ANTHONY FELS: The amounts in previous years were significantly less than this, and, at that time, I thought they were significant and great amounts to be authorised. I might have missed this: was a schedule of the breakdown provided to members? I have been given one but I am not sure whether it was provided by the government; it is one that was passed to me by the opposition. Has a schedule been tabled because I recollect in previous years —

Hon Ken Travers: The schedule that I gave the member is a copy of the one that was given to me by the government.

Hon ANTHONY FELS: All right. I thank Hon Ken Travers for that. I thought that in previous years it had been included as a schedule to the bill.

Hon Ken Travers: That is at the stage when we appropriate it and the bill has come back.

Hon ANTHONY FELS: Some things seem to have been done a little differently this year to what I recall from previous years.

After the first couple of years that I dealt with these Treasurer's advance authorisations, we brought in a change whereby there was an automatic three per cent change that has been referred to; namely, the $437 million that is available. That was three per cent of the appropriation number one and number two bills, which outlined the recurrent expenditure and capital expenditure. When there is an increased amount to the Treasurer's advance authorisation, is there discretion about whether it can be three per cent of the recurrent expenditure and then a total separate amount for capital items? I do not have a major problem with expenditure made now or even brought forward from next year that might be of a capital nature or for infrastructure, for example, because it must be spent sometime and it might as well be spent now, if there is a bit of availability in the economy to do so. However, I wonder whether a significant portion of the Treasurer's advance will go into what would otherwise be recurrent expenditure.

I want to ask about another issue with the Treasurer's advance authorisation. I do not expect that we will fork out money that will otherwise not be spent in next year's budget, but I would like the parliamentary secretary to indicate what will be the effect on next year's surplus if we authorise $1.2 billion to be spent now. Will it mean that the surplus this year will be less than it otherwise would have been if it were not authorised, and, therefore, will the surplus next year be changed by that amount?

Hon Ken Travers: More likely the impact on what will be the deficit next year, rather than what would be the surplus at the rate we are going.

Hon ANTHONY FELS: The issue I have confronted —

Hon Norman Moore: Have you seen the budget, have you?

Hon ANTHONY FELS: — in the previous four years was where we had increasing —

Several members interjected.

Hon ANTHONY FELS: They are very disruptive.

Hon Ljiljanna Ravlich: I am listening.

Hon ANTHONY FELS: However, we had a totally opposite issue to deal with in the previous four years; namely, the state had rising royalty incomes and rising revenues from the whole stream of taxes. It was presented to me that the reason we were bringing the Treasurer's advance authorisation in at that time was that Treasury wanted to spend its money to bring it forward so that the surpluses that were still being produced were not so embarrassing.

Hon Ken Travers: I actually thought about that and that maybe this year they were trying to bring it forward to hide a bigger deficit next year, but I then realised that it is just that their spending is so out of control that they have to do it. I actually did contemplate that option.

Hon ANTHONY FELS: I share some of those concerns, but it really will impact on the deficit or surplus or whatever it will end up being next year. I hope that it will still be a surplus, but I am simply very interested to hear from the parliamentary secretary about what the effect on next year's surplus will be, if there will still be one, of bringing the $1.2 billion forward into this financial year.

Hon BARRY HOUSE: There was a series of briefings today. I had a briefing just after 12 o'clock and members of the Australian Labor Party had a briefing at one o'clock —

Hon Sue Ellery: Only two of us were allowed into that one.

Hon Ken Travers: There was a broader briefing at two o'clock.

Hon BARRY HOUSE: Well, it was during the day. There was another briefing at two o'clock which I believe Hon Anthony Fels, Hon Shelley Archer and Hon Giz Watson were invited to, or Hon Paul Llewellyn, but I understand that he had already had a briefing. Anyhow, Hon Anthony Fels was, I understood, expected to be at one of those briefings, but he did not attend. I am pleased that Hon Ken Travers has apparently provided him with a schedule that was provided to other members.

The three per cent consists of total capital and operating expenditure relating to the 2007-08 budget. Therefore, it includes an element of both capital and recurrent expenditure. For example, the midyear review that had a cut-off date of 1 December 2008 contained—this is when the figure was $1 billion—$514 million in recurrent expenditure and $468 million in capital expenditure, but all those figures, because of the very nature of the business, were subject to change.

Hon LJILJANNA RAVLICH: I want to put on record my concern about the Treasurer's Advance Authorisation Bill 2009. I am particularly concerned by, firstly, the quantum of money. I think Hon Sue Ellery was quite right; in some ways it is only a small bill, but in many ways it is a very big bill. However, more importantly, it is a bill that has a very nasty sting in its tail. What is very, very concerning is the fact that never has such a large quantum of money been sought by a Parliament in this state at a time when we have unprecedented economic conditions. I am not saying we have unprecedented good economic conditions, because we seem to have had them; they have been and they have gone. We are now looking down the barrel of some very, very difficult economic conditions.

Hon Ken Travers: The revenue is not actually dropping as much as the expenditure is exploding.

Hon LJILJANNA RAVLICH: That is an interesting point. I spoke to some people in the tourism sector and the small business sector today, who advised me that one of the big difficulties faced by businesses in this state is the lack of access to funds. Banks simply are not lending; consequently, businesses are suffering. When we look at some of the key indicators we find that employment activity has dropped to its lowest level since 1991, operating conditions for businesses have also fallen, and there has been a decrease in trading conditions, in business turnover, in profitability and in exports. There is no doubt that businesses are scaling down capital spending and investment. At the same time this state government is hell-bent on spending money to the extent that it has come to this Parliament and sought an increase in the Treasurer's advance limit for the current financial year to $1.2 billion; that is, an increase of $762.3 million on the currently approved limit. Originally the expected outcome for the 2008-09 Treasurer's advance was $996.8 million in excess of the authorised limit; that has, therefore, jumped up. However, in reference to that sum of $996.8 million, the *2008-09 Government Mid-year Financial Projections Statement* dated December 2008 at appendix 4 on page 108 states —

> This projection is consistent with the agency data underlying these mid-year review projections. However, due to timing changes and underspends that are likely to occur over the remainder of 2008-09, it is considered unlikely that agencies will need to fully draw down the $996.8 million estimate which was shown in Table 4.1.

That begs the question: if it was considered unlikely that agencies were going to spend that particular amount, why has the government sought to increase that amount? I will leave it to the parliamentary secretary to provide us with the answer to that question.

There is no doubt that the *Government Mid-year Financial Projections Statement* is very revealing. There is no doubt that at the centre of it there is the $2.4 billion royalties for regions revenue ask. That was the price for forming a minority government; there is no doubt about that. When the National Party negotiated with the Labor Party, the best we could do was $1 billion over the forward estimates. The Liberal Party did a deal at a cost of $2.4 billion, as opposed to $1 billion. In the debate on this bill we will go through line by line each expenditure that is part of the royalties for regions.

The documents that we have been provided with are very concerning; there is certainly not enough information provided. I am amazed at the extent of the summary on the amount of money and for what it is to be allocated. I am also concerned that on reading the bill it is hard to argue that the payments are for extraordinary or unforeseen matters; many matters must have been foreseen. As a shadow minister with responsibility for the accountability portfolio, I can tell the house that this government is spending like a group of out-of-control drunken sailors from a long time ago; there is no doubt in my mind about that. Let us take Mr Oates, for example: $110 000 for three months' work for one consultant. The Leader of the House may not like it, but the point is that four times that is more than $400 000 a year for one consultant to sit on a board on behalf of the Minister for Energy because, quite frankly, the Minister for Energy is not up to the job. At that rate there is no doubt that this government will have difficulties managing its finances. There is no doubt in my mind that this government has not come to terms with the fact that people in the community are hurting. The economy is heading towards a very serious state, and it is not a good state for it to be in. Quite frankly, this is a time when the government should be tightening its belt rather than going out and spending willy-nilly and being extravagant with taxpayers' money.

Hon Norman Moore: You will tell us what we shouldn't spend it on, will you?

Hon LJILJANNA RAVLICH: I will certainly tell the Leader of the House.

Hon Norman Moore: Go through the list: there are all these things you shouldn't spend the money on.

Hon LJILJANNA RAVLICH: I will certainly put my view on the public record.

Hon Norman Moore: Good! I look forward to hearing it.

Hon LJILJANNA RAVLICH: The Leader of the House should be much more concerned and a lot less relaxed than he is currently, because it is unprecedented that this quantum of money is being sought at a time when the state is in such a poor economic condition. It is a huge ask for a huge spend by a minority government.

Hon BARRY HOUSE: I will respond to a couple of points. Hon Ljiljanna Ravlich referred to the extra $200 million; again, that was the same amount that the Leader of the Opposition referred to previously. The total of $200 million is for identified contingencies that might arise, and I have gone through the list. However, it might help members to understand it if they knew a little bit of recent history on the pattern of these Treasurer's Advance Authorisation Bills. Prior to the election in 2001 there was no need for a Treasurer's Advance Authorisation Bill. The final limit was something like $300 million, of which $235 million was the final outcome.

Hon Ken Travers: That that was a requirement for a supplementation to the Treasurer's advance.

Hon BARRY HOUSE: No.

Hon Ken Travers: There would have still been a Treasurer's advance.

Hon BARRY HOUSE: No, there was not a bill.

Hon Ken Travers: There would have been a Treasurer's advance bill but there was not a further supplementation.

Hon BARRY HOUSE: It fell within the three per cent.

Hon Ken Travers: It wasn't three per cent in those days, but at the time the bill was passed there would have been another bill passed that would have provided a Treasurer's advance.

Hon BARRY HOUSE: Yes, that is right.

In 2001 after the election there was a final limit request of $600 million, of which $486 million was drawn—a substantial leap in that election year. In the following three years there was no requirement for a subsequent supplementation. The final limits were $300 million, of which $274 million was drawn in 2001-02, $185 million in 2002-03, and $240 million in 2003-04. In 2004-05, after the 2005 election, the Treasurer's Advance Authorisation Bill sought $750 million, a substantial leap, of which $682 million was required. In 2005-06, $500 million was sought in the Treasurer's Advance Authorisation Bill, of which $349 million was the final outcome. In 2006-07 no supplementation was required, but $365 million was included, of which $349 million was the final limit. This figure has been mentioned several times; the Treasurer's Advance Authorisation Bill in 2007-08 was for $750 million, which was a large amount of money. That last advance was the abnormal one in the scheme of things. This Treasurer's advance, after the last election, fits the trend of the previous decade.

Hon Kate Doust: But you have been in only six months; that is an outrageous amount of money for six months.

Hon BARRY HOUSE: We have explained that many of the election priorities have been implemented early because of the early election called by the Labor Party.

Several members interjected.

The DEPUTY PRESIDENT: Order, members; one at a time.

Hon JON FORD: Further to the honourable parliamentary secretary's response to my comments, in which I agreed with him, I was not saying that the Treasurer's Advance Authorisation Bill 2009 is constructed differently from those before it; I was saying that it might help future debate if the bill was constructed differently. I agree that it is no different from any other Treasurer's Advance Authorisation Bill. The clause 1 short title debate is a fairly limited debate, and I look forward to debating clauses 2 and 3. However, the parliamentary secretary provided the house with very useful information about the period 9 April to 30 June. A quick front-of-bill calculation reveals that it works out to be about $14.8 million, or $15 million, a day. In response to phasing, the parliamentary secretary talked about lumpiness. I have worked around budgets for nearly 20 years and I have never heard that expression. I have heard of peaks and troughs. The parliamentary secretary might want to explain what lumpiness means, because although I have an idea about what it means, it seems to be a new term that has crept into the budget vernacular. In future, the government of the day should break the figure down, because we are debating how it is to be divvied up, and that point only assists my argument. I disagree with the parliamentary secretary in his attempt to paint a story from 2001 to the present day. I cannot agree with his explanation, as it still does not take it up to the $1.2 billion figure. As the old saying goes: it does not matter how much lipstick you put on something, it is still a lemon when you kiss it. That explains this bill.

Hon BARRY HOUSE: Obviously quite a few members have points they wish to make and I will not respond to every single point that is made. I think Hon Jon Ford mixed his metaphors with something Sarah Palin said; I think she was talking about lipstick on a pig or something of that sort.

Hon Jon Ford: That would have been unparliamentary.

Hon BARRY HOUSE: I have had to cast my mind back to economics 100 at the University of Western Australia. I recollect that "lumpy expenditure" is usually in the form of capital expenditure whereby a large amount of money is required at one time; it is not expenditure of an ongoing nature as with, for instance, expenditure on salaries. Lumpy expenditure might be a couple of hundred million dollars that is required to pay a contractor who is building a railway line or a road. From the deep recesses of my mind, the definition goes back to economics and —

Hon Jon Ford: So that relates to capital expenditure and the expenditure is one off?

Hon BARRY HOUSE: Yes.

Hon SALLY TALBOT: I was not going to talk about this, but the parliamentary secretary has addressed the question of lumpiness. I cannot see how his definition applies to anything that would appear in the Treasurer's Advance Authorisation Bill 2009. If we are talking about major capital expenditure, as opposed to salaries bills that just chug along, that does not sound to me like a viable explanation. I need some assistance from the parliamentary secretary representing the Treasurer on the question on timing.

I notice that the retiring member for Fremantle made some less than flattering comments about the upper house as part of his exit from the other place. I am certain he was not talking about this side of the chamber, as his views are well known on that subject. In response to the comments made by Hon Jim McGinty, I noticed that the Premier defended the role of the upper house as a house of review. That is certainly a part of our job that members on this side of the chamber take very seriously. It is fair to say that we took that role very seriously when we were in government, too.

We were told last Thursday night by the Leader of the Government in this chamber that this bill would come to us by Thursday and would need to be out of this place by the end of that day. It clearly was not acceptable for a bill of this kind with a substantial allocation of extra money—a figure over and above any that we had ever had before—to be dealt with in one day. Therefore, I am very pleased, as are other members on this side of the chamber, to be debating the bill earlier and so have a little more time. I cannot make sense of the request by the government that this bill should be dealt with with such huge urgency. It seems there would be a better and more thorough way of dealing with the bill that would, perhaps, end up serving the government better and would bring out some of the subtleties that we may not have had time to talk about. The government is convinced that the subtleties are there, although it is not obvious to members on this side of the chamber. However, given time, the government might be able to explain those to us.

Instead, we are told the bill has to be out of this house by the end of this week. We have given a commitment to do our best to ensure that happens. In trying to make sense of the timing of this whole thing, I went back to the midyear review. I will use round figures here because it helps my back-of-the-envelope numerical dyslexia to cope with the numbers. What I found in the midyear review is a figure for expenditure of about $18 billion a year. That fairly obviously divides into about $1.5 billion a month. I think I am right so far. That being the case, $1.2 billion, which is what we have been asked to look at here, is a little short of one month's expenditure. We are not even one-third of the way through April, and that leaves us the rest of April and the whole of May before we get to 1 June, which presumably would be the point at which the $1.2 billion becomes a matter of urgency.

In saying that, I am not naive enough to suggest we would want to leave it to late May to have this debate. As I said, I am pleased to be starting the debate now, and I wish we could have longer; however, it makes no sense to have this kind of haste introduced into the proceedings at this stage.

Another matter I want to raise is by way of a technical question on the question of timing. Mr Chairman, I am sure you will put me right if this is not the place to raise it. I can make no sense, and nor can anyone that I have consulted on this, why different clauses of the bill will come into effect at different times. I know that we are now debating clause 1; however, clause 1 and clause 2 will come into effect the day before clause 3. If the parliamentary secretary will take that as the third part of my question, I would appreciate hearing his response.

Hon NORMAN MOORE: The parliamentary secretary will respond to most of those issues in a moment, but I want to go through one issue that the honourable member raised about this chamber's role in respect of this bill. If members read *Hansard* very carefully, they will see that last Thursday I said to the house that we had received this bill on Thursday. The tradition of this chamber is that when a bill is brought in from the other place, it lies on the table for a week and then the house deals with it. I said to the house that because the bill came in last Thursday, I would anticipate this debate beginning on this coming Thursday. I also indicated to the house last week that, on the basis of last year's $700 million Treasurer's Advance Authorisation Bill being debated and passed in two and a half hours, if the house wanted to take much longer than that, we could extend Thursday in order achieve an outcome that would have seen the bill passed. I did not say that the government said it had to get passed. I cannot make that happen.

If members want to talk for the rest of eternity, then the bill will not be passed for the rest of eternity. By the sound of things, that is what will happen. What I did say is that there are some time constraints—I am sure the parliamentary secretary will add to what I am saying—but I outlined those in my comments last week. If the bill is not passed by Thursday prior to the three-week break, there may be a situation after the three-week break in which the funds simply cannot be paid because we have run out of money. If the opposition wants to delay the passage of this bill until after the three-week break, that is entirely up to it. I cannot stop it, because it has the numbers and I have got to accept that as a fact. When the opposition came back to me and said, "We'll start on Tuesday," I said, "That's fine by me. We'll spend the whole week doing the bill." If the opposition needs more time than that, I would find that rather extraordinary, particularly as we are not going to do any other business for the whole week except this. The opposition has to make up its mind what it wants. Does it want six months to debate this? Is one week enough? Is it going to pass the bill this week? Is it not? But nobody said to the opposition last week—certainly not me—that we were going to make it pass the bill, because we simply cannot.

I am in the minority in this chamber. I said to the house that I would be seeking the opposition's support and assistance to expedite the passage of the bill this week before the break. That is all I asked. I did not make any threats—nothing of that nature at all. I simply said, "We'd like your cooperation" just as has been the case for as long as I have been here. When there were time limits on bills when we were in opposition, we agreed to the government's requests that they be dealt with expeditiously because there were time constraints. I believe there are time constraints in respect of this bill. It is entirely up to the opposition whether it accepts my request. The former Leader of the House knows very well that when he was the Leader of the House he asked us on many occasions if we would pass bills by a certain date because there was a time constraint. We always obliged in respect of those requests. On this occasion, I simply asked the opposition for its cooperation. If it does not want to accept my request, that is entirely up to it.

Hon SALLY TALBOT: I make the point very briefly—I knew that the Leader of the House would respond to the questions in that way and that is why I specifically addressed them to the parliamentary secretary representing the Treasurer. When the Leader of the House got up last Thursday night and talked about bringing this bill before the house, he talked about a number of things that the government would be unable to pay for unless this bill was expedited by this house, including some public servant salaries, first home owners' grants and the seniors' cost-of-living rebate. That is why I have addressed my question in terms of my back-of-the-envelope calculation about the $18 billion reducing to $1.5 billion a month. My question is not why do we have to do it today rather than tomorrow; my question is why do we have to do it this week in April rather than a later week in April or a week in May?

Hon Norman Moore: If you don't want to do it, knock it back.

The CHAIRMAN: Order, members! I want to progress the bill in an orderly manner, and I think to this stage we have. I am also aware that the majority of questions will be asked during debate on clause 3, when the schedules are discussed. In the meantime, members have some relevant questions that they want to ask. I give the call to the parliamentary secretary if he wants to respond to Hon Sally Talbot.

Hon BARRY HOUSE: Hon Sally Talbot has made a couple of points. Firstly, it is important to note that we are not dealing with just one bucket of government money; we are dealing with a series of appropriations to particular agencies, and each agency has its own schedule of expenditure. Some agencies will run out of money before the next scheduled meeting of the house on 5 May and some agencies will have some money in reserve. I cannot generalise across the whole of government.

The member raised a point about the commencement date. That matter is dealt with in clause 2. The member has asked a good question, and I will have a statement to read to the chamber tomorrow when clause 2 is debated about why there are a couple of commencement dates. The member also made a point about lumpiness. When I gave that explanation, I was calling on my faded memory of economics when I studied at the University of Western Australia years ago.

Hon Jon Ford: It's the beds in the dorm that you were talking about!

Hon BARRY HOUSE: I will give the member a couple of examples from the Department of Treasury and Finance administration estimate, which amounts to $250.4 million. It includes the commonwealth government's first home owners boost and the pull-forward impact on the existing first home owner grants scheme for the state, which amounts to $130.8 million. That is very lumpy expenditure over the next couple of months. It also includes stamp duty refunds enforceable under statute law and payable by the Office of State Revenue, and that relates primarily to part IIIBA of the Stamp Act 1921. The amount of that contingency is $95.8 million. I am told that that is unusual. The estimate also includes refunds of national tax equivalent regime payments to public corporations, which amount to $20 million. The national tax equivalent regime is an administrative arrangement between the commonwealth and the states under which commonwealth income tax laws are applied to certain government bodies and commercialised business units to promote competitive neutrality. It also includes the WA health services development fund and the rebuild of Albany hospital. A major part is related to the completion of stage 1 of the rebuild of Albany hospital by 2012, which amounts to $3.9 million.

The CHAIRMAN: When it comes to lumpiness, Hon Jon Ford had better talk about iron ore!

Hon KEN TRAVERS: I think it is about time to move on to the fines then!

The parliamentary secretary has just outlined some of the amounts included in the schedule, but earlier in the debate he mentioned that $172 million—I might have the figure wrong—had already been drawn down on the Treasurer's advance. I wonder whether the parliamentary secretary could provide us with a list of the agencies that have already drawn down on the advance and the amounts that have been drawn down. Can he also tell us whether there is an expectation that that money may be recouped as the result of a transfer between now and the end of the year? Whilst the parliamentary secretary is answering that question, his officers might get the next answer ready: the parliamentary secretary mentioned that he expects that we may reach the point by the beginning of May at which the government has drawn down the full amount of the three per cent available to it, which is why the bill needs to be passed this week. Is he able to identify the agencies that he expects to draw down on the advance between now and the beginning of May?

Hon BARRY HOUSE: I will check overnight which agencies have drawn the $273 million out of the available $437 million amount. I will get back to the member tomorrow with that information. As for the agencies that are expected to run out of money, royalties for regions is an obvious one. Members recall that one of the first allocations through the royalties for regions program was a $100 million allocation for local authorities around Western Australia.

Hon Ken Travers: Will the parliamentary secretary tomorrow provide us with a break-up of those he believes need to be funded by the beginning of May?

Hon BARRY HOUSE: Yes, we will get that for tomorrow. Also, in answer to an earlier question the member asked by interjection, we can get the member a table outlining that as well.

Hon Ken Travers: Is the parliamentary secretary saying he will table the document he read out earlier about the history?

Hon BARRY HOUSE: Yes.

Hon KEN TRAVERS: Earlier in the debate the parliamentary secretary indicated that the Treasurer's Advance Authorisation Bill 2009 was predicated on all agencies meeting their three per cent efficiency dividend, which this year is 1.5 per cent of their budget. Will the parliamentary secretary assure the house that all agencies will meet that target, or are there any that Treasury has already identified as being unlikely to make that 1.5 per cent saving this financial year?

Hon BARRY HOUSE: I do not think I can provide that absolute assurance because we are not exactly sure what will happen between now and 30 June. I am sure there will be a statement with some more detail about this in the budget when it is handed down on 14 May.

Hon KEN TRAVERS: I understand the situation the parliamentary secretary is in, and I understand the vagaries of dealing with this bill, and the budget schedule, but it is within the house's rights to expect to understand whether the schedule we are dealing with today is accurate, or whether some of the Treasurer's advance will need to be used to supplement the funding of agencies that cannot meet their 1.5 per cent efficiency dividend for this year. The parliamentary secretary has indicated that it is predicated on that. I would be very amazed and surprised if Treasury and the government did not have an idea at this stage of those agencies that will not make that 1.5 per cent. I understand that even after the parliamentary secretary makes that statement some agencies may find other savings and some may not. I think that, as a house, we have a right to know about those agencies already identified as likely to have problems making that 1 5 per cent saving, and which therefore may be a draw on this Treasurer's advance.

Hon BARRY HOUSE: That is largely what the contingency item—a figure of $149.3 million—is for. There always will be an element of flexibility in the figures and the estimates because, as I said, we are not dealing with an exact science. We are dealing with the best possible estimate that Treasury can come up with, given all the circumstances leading up to the end of June.

Hon KEN TRAVERS: I understand that it is an estimate. Is the parliamentary secretary saying that the contingency component of this bill is based on some estimation of the agencies that are not going to make the 1.5 per cent cut? Is that the basis on which the $149 million has been determined?

Hon BARRY HOUSE: The answer is no, not specifically. It is based on any circumstances that might arise between now and 30 June.

Hon KEN TRAVERS: I again come back to the same question: is the parliamentary secretary prepared to tell this chamber, based on the best estimates of Treasury at this point in time, which agencies will not meet their 1.5 per cent cut, and by how much? We are being asked to write out a blank cheque. The parliamentary secretary has told us that this is predicated on all the agencies meeting their 1.5 per cent cut. The parliamentary secretary is not able to give us a commitment that all the agencies will meet that 1.5 per cent cut, but he will not tell us, based on the best estimates of his Treasury officers, which agencies will not meet that 1.5 per cent cut. I find that extraordinary. The parliamentary secretary is really asking us to give the government a blank cheque. That puts this chamber in a very difficult situation. I am not asking for a definitive list. I will be happy if the parliamentary secretary tells us that he cannot identify the exact amounts because that is still a work in progress. However, can the parliamentary secretary tell us whether Treasury has an estimate of the number of agencies that it thinks will not meet their 1.5 per cent cut?

Hon BARRY HOUSE: The current estimate is that all the agencies will meet their three per cent efficiency dividend. There is no list. Treasury does not have a list of agencies such as the one the member is referring to.

Progress reported and leave granted to sit again, pursuant to standing orders.