

Speaker; Mr Colin Barnett; Mr John Kobelke; Mr Rob Johnson; Deputy Speaker; Mr Mike Board; Dr Geoff Gallop; Mr Eric Ripper; Mr Kucera; Ms Alannah MacTiernan; Mr Terry Waldron

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**STATE DEBT, BLOW-OUT**

*Matter of Public Interest*

**THE SPEAKER** (Mr Riebeling): Today I received a letter from the Leader of the Opposition seeking to debate as a matter of public interest the following motion -

That this House condemns the Gallop Labor Government for presiding over a blow-out in state debt of around \$800 million in its first full fiscal year despite rising revenue.

If sufficient members agree to this motion, I will allow it.

[At least five members rose in their places.]

The SPEAKER: The matter shall proceed on the usual basis.

Several members interjected.

The SPEAKER: Once again, when there is a break, that is not a sign for every member to have a yak. It is a sign that it is time to move on to the next stage of today's sitting.

**MR BARNETT** (Cottesloe - Leader of the Opposition) [2.50 pm]: I move the motion. We heard during question time that the Government has now conceded that the increase in state debt is \$740 million; in other words, there has been a three-quarter of a billion dollar increase in state debt in its first full financial year. I will concentrate on three matters: the budget surplus or deficit position, the implications for state debt and the risk to future state debt associated with the blow-out in costs of the south metropolitan railway.

The Australian Labor Party has been in power for 15 months. It has had a full fiscal year in government, yet it continues to blame every financial difficulty it faces on either the Commonwealth Government or the previous coalition Government. Surely time has moved on and surely this Premier and this Treasurer should start to accept responsibility for the financial affairs of the State of Western Australia.

Most of the attention on the state budget, as it will be presented tomorrow, will focus on the details of revenue and expenditure measures. I do not intend to talk about those matters to any great extent today. I want to talk about the tests of the credibility of the budget itself. There are two ultimate tests: first, the deficit or surplus position and, secondly, and most importantly, the longer term implication of what will happen to the level of indebtedness as a State and as a people of Western Australia. I note that there have been substantial increases in taxes and charges since this Government came to office. I will not detail them -

Dr Gallop: Substantial?

Mr BARNETT: They are very substantial.

Dr Gallop: Nothing compared with your lot.

Mr BARNETT: It compares with \$147 million announced last year in increases to payroll and land taxes. The impact of that \$147 million over a full year will apply in 2002-03; in other words, the major tax increases to apply in the coming financial year have already been announced. No doubt the Premier and the Treasurer will try to boast tomorrow that they have kept tax increases to a minimum; so they should, because \$147 million of tax increases that will clock in on 1 July this year will have a substantial impact on Western Australians. Water charges have also increased by 3.5 per cent followed by 2.9 per cent in only 15 months.

The SPEAKER: Members, it is like Coles' cafeteria in this Chamber at the moment. If members want to talk outside the Chamber about issues that are not being raised in Parliament, please take that opportunity and go and do it. I am finding it increasingly difficult to hear the Leader of the Opposition.

Mr BARNETT: In total there has been a 6.4 per cent increase in water charges under this Government, a five per cent increase in motor vehicle registration fees and a 2.5 per cent increase in vehicle licence fees. The total cost to a typical household of the increases in taxes and charges announced by this Government so far in 15 months amounts to \$383. If a household is unlucky enough to have a death in the family, it will be hit by the enormous increase in probate duty also announced.

Mrs Roberts: Not to mention the goods and services tax.

Mr BARNETT: The GST impact is minimal compared with what the minister did to probate. She should not make fun of families who lose a person by trying to make a GST joke of it. She should recognise that as a minister she increased probate by an enormous amount.

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Let us look at the surplus/deficit situation. In presenting the budget in September 2001, the Government claimed it would deliver a \$51.6 million surplus. At that time I doubted whether that could be achieved, for two principal reasons: first, the effects of the terrorist attack in New York; and, secondly, at that stage there was no doubt that the agricultural sector in this State was facing a crisis. Two things changed: first, the Australian economy continued on strongly, despite the terrorist attack, which, I concede, was unexpected; secondly, the extraordinary late rains that resulted in an almost miraculous recovery for the farm sector, which went from having its worst season in 80 years to having one of its best seasons, combined with high prices for its products. That fact has been largely missed in this debate. More than anything else, the unexpected recovery of the farm sector has helped the Western Australian economy.

Significant increases were announced in last year's budget that will fully kick in in the coming 2002-03 budget and since then there have been changes. I can accept that during a year any Government will have swings and roundabouts. Some things will fall in its favour, such as the increased income from stamp duty receipts due to high-priced transactions in the commercial and property sector. Any Government can also have downswings, such as the cost of \$70 million to prop up the health system, although the Government was told months before by the Opposition that that would be necessary. Ignoring the swings and roundabouts, let us look at the policy decisions made since the budget was delivered.

The first was a decision on the eve of the federal election in October last year. At the request of the then federal Australian Labor Party leader, the Labor Party dropped its ill-fated premium property tax. When it dropped that ill-fated property tax, in that policy decision it immediately tried to make compensating cuts to expenditure. Whom did it hit first? It was country regions. An amount of \$5 million was taken out of the regional investment fund and \$4 million from the science and technology area.

We then reached the midyear financial year review in December 2001. Some of the effects of the events of 11 September had played out but they did not continue for the full year. Suddenly the surplus had reduced from \$51 million to a projected \$9.6 million. Oil prices were lower, and Water Corporation revenue was lower because of the restrictions on water usage. It had been necessary, as I said, to pump up the health system by \$70 million. In response to that, what did this Government do? It made some policy decisions. It again went straight out and hit country Western Australia. The Government never hesitates to do that; as soon as there is a problem, it hits the country. It took \$12.5 million from the regional investment fund, \$12 million from the assistance to workers in the forest industry, \$4 million from the salinity program and \$4 million from community sport. Most of those funding reductions had an effect in regional and rural areas. This Government's attitude when there is a fiscal problem is to hit the bush straight away. Those cuts in expenditure programs amounted to some \$30 million.

In January 2002 we found that this Government, in a sneaky and deceitful way, had budgeted for an extra \$20 million ad hoc dividend from Western Power. The managing director and the board of Western Power did not even know about that dividend. The most disgraceful aspect of that dividend is that the 60 pages of the midyear review released by the Treasurer included the \$20 million from Western Power, but the Government was not honest enough to declare that \$20 million ad hoc dividend. This Government and this Treasurer deliberately and deceitfully concealed a contrivance and pretended that the Government was still in surplus when by midyear it had fallen into an \$11 million deficit. The Government went out of its way with tricky accounting and deceitful reporting to conceal that dividend.

*Withdrawal of Remark*

Mr KOBELKE: I think I heard the Leader of the Opposition make an accusation about the Treasurer. Accusations can be made about deceit from a Government, which often are allowed. However, the imputation was that the Treasurer was involved in a deliberate deceit. On that basis, I ask the Leader of the Opposition to withdraw his comments.

Mr JOHNSON: The Leader of the Opposition did not call the Treasurer deceitful. He referred to deceitful actions, which is a very big difference. In the past we have never taken a point of order along those lines.

The SPEAKER: Order! I thank the Leader of the House for the point of order. I do not know what the Leader of the Opposition said. The Leader of the Opposition knows what he said. He knows what is unparliamentary. If what the Leader of the Opposition said was unparliamentary, I ask him to withdraw; and, if not, to proceed with the debate.

*Debate Resumed*

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Mr BARNETT: I remarked that it was deceitful action and deceitful and tricky accounting, which it clearly is, when the Treasurer takes \$20 million in an ad hoc dividend and claims the budget is still in surplus to the tune of \$9.6 million, and does not have the integrity or accountability to include that in a 60-page document.

*Withdrawal of Remark*

Mr KOBELKE: Mr Speaker, I would not call into question what the Leader of the Opposition has just said, because he was talking generally. However, he was repeating what he said earlier when he related it directly to the Treasurer as a member of this House. On that basis, it is clearly unparliamentary, and I seek your consideration to request the Leader of the Opposition to withdraw his earlier remark.

The SPEAKER: If the Leader of the Opposition said that the Treasurer was deceitful, he should withdraw that. I urge the Leader of the Opposition to be very cautious in using that terminology, because it impugns someone's character, and not to use it in a personal sense in any way.

*Debate Resumed*

Mr BARNETT: I simply refer to that action and to the reporting in the accounts, which I found to be lacking and deceitful. To not include a \$20 million ad hoc dividend from Western Power in a 60-page document was clearly inappropriate and deceitful reporting. I do not consider those words to be unparliamentary. I am referring to the failure to report a clear \$20 million policy decision of this Government.

Mr Kobelke: That is not what you said earlier. What you are saying now is not unparliamentary. What you said earlier was.

Mr BARNETT: I know exactly what I said.

Following the midyear review in the first half of 2002, fortune favoured this Government in a revenue sense. It is estimated that stamp duty receipts went up by about \$50 million. Oil prices came back to their high level, but I still say they will not be sustained at that level in the long-term.

Several members interjected.

The SPEAKER: Order, members!

Mr BARNETT: I also note from media reports that it is intended that an in-dispute payment of some \$40 million in stamp duty from Westralia Airports Corporation Pty Ltd has been included. There is a serious question about whether that stamp duty should be included. The Alcoa alumina duty should certainly be included, but Westralia Airports is a different matter. What is the test?

Mr Ripper: The test of what?

Mr BARNETT: The test of whether there is a surplus or a deficit. As I said, in a budget over the course of 12 months there is a sense of clairvoyance. We will get swings and roundabouts, and unexpected expenditures and windfalls. Let us look at the policy decisions. Prior to the federal election, \$12 million worth of programs was cut in association with the premium property tax issue. At the time of the midyear review, \$30 million of programs was either cut or deferred. In other words, \$42 million of expenditure was taken out of the budget. In addition, an ad hoc \$20 million extra dividend from Western Power was added into the budget. The Treasurer has added together the \$42 million and the \$20 million. He has effectively taken policy decisions post budget that have inflated the result by \$62 million. I concede that any surplus that the Treasurer claims above \$62 million is a surplus on the structure of the budget that he delivered in September last year, because the Treasurer has taken out of his expenditure \$42 million and has grabbed \$20 million out of Western Power. In other words, if the Treasurer produces an \$80 million surplus, he can claim on the structure of the budget that he delivered in September last year that he has achieved an \$18 million surplus. However, if he is below \$62 million, he is in deficit from the budget that he presented in September last year. The other point is that within that budget surplus, whatever it may be, some \$41 million of revenue from stamp duty for the airport transaction is in serious dispute.

I turn now to the debt position. Under accrual accounting and swings and roundabouts, the surplus and deficit will bounce all over the place. At the end of the day, what matters in state finance is the level of state debt, because it is on the level of state debt that the Government must pay interest, and presumably it should also seek to ultimately repay the capital. State debt does not loom very large in people's minds at the moment because interest rates are at a 30-year low. However, if interest rates start to rise again, the level of state debt will impact directly on taxes and charges levied on the people of this State. During the time of the coalition Government, state debt was reduced from \$8.5 billion to \$4.5 billion. The repayment of that \$4 billion of state debt saves this Government and taxpayers between \$300 million and \$400 million a year in interest spending. That is a fact.

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Since the Gallop Government has been in power, and on its admission today, state debt will rise during 2001-02 by \$740 million.

Several members interjected.

The SPEAKER: Order, members!

Mr BARNETT: I am delighted that you are in the Chair today, Mr Speaker. It is important that you be here when we discuss state debt. Why has state debt blown out by \$740 million and what do we have to show for that \$740 million? I remind members that not a spike has gone into the ground and not a bit of rail track has been laid on the south west metropolitan railway. State debt has gone up by nearly 20 per cent in a year and because state revenue has not gone up the ratio of debt to revenue - that magic number of 45 per cent - will increase substantially during 2001-02. It is perilously close to the 45 per cent level that the Treasurer likes to talk about. If state debt continues to rise over 2002-03, which I suggest it will, by a further significant amount, there is no doubt the State's AAA credit rating will be at risk. Members opposite may laugh. One of the first speeches I made in this Parliament, apart from my maiden speech, was on the issue of state debt. State debt had rarely, if ever, been discussed in this Parliament before I talked about it. State debt became a major issue, because under the Lawrence Labor Government state debt was rising by \$1 billion a year. In the first year of the Gallop Government, state debt has gone up by \$740 million. The Treasurer can make all the excuses in the world, but it is the bottom line debt that ultimately matters.

The Government's administration of the southern rail project is quickly developing all the elements of a stage farce. We have a railway to Rockingham that does not go into Rockingham. We have a railway that is totally central business district orientated and ignores cross-transport issues -

Several members interjected.

The SPEAKER: Order! I am sure a lot of members on the right-hand side of the Chamber will more than take up the opportunity to have their say on this motion.

Mr BARNETT: We have a railway that under the Government's proposal will apparently have two stations in the central business district. Where in the world, even in a city the size of Perth, is there a rail system that does not connect? As I said the other day, a person in London who wants to go from the blue line to the green line will go up, or down, the escalator. In this city, a person will have to grab her bag and run across the street and the crosswalks, and run past Katis if she wants to go shopping, and then pop down to the next rail station. Where in the world are there two rail lines that do not go through the same station? It is ludicrous. However, those are technical issues. I want to concentrate on the cost factor of the rail line. The coalition announced, after a lot of study, a decision to proceed and then came out with cost estimates. In October 2000, based on 117 railcars and the configuration through Kenwick, the coalition costed the south metropolitan railway, including the northern link to Clarkson, at \$1.14 billion. In July 2001, the Labor Party said that the cost of its plan would be \$1.22 billion, an increase of \$70 million, but that the line would come down the freeway before going into Perth. I refer to the previous Government's press release of October 2000, when it announced the rail project. The then Government's estimates provided -

\$398 million to be funded by way of an operating lease to the private sector for the supply and maintenance of railcars, including the necessary infrastructure;

In October 2001, when the Labor Party started to grapple with costs, it decided to not lease the cars but to purchase them. The Minister for Planning and Infrastructure boasted in her press release of 12 October 2001 that -

This decision is expected to save taxpayers tens of millions of dollars over the cars' estimated 15-year lease period,

She boasted that there would be tens of millions of dollars in savings. The issue goes on. In December 2001, estimates of the cost started to emerge. The minister was sticking to her figure of \$1.2 billion, but it suddenly became unclear whether that included the Clarkson extension as well as the south metropolitan line. It seems that Clarkson has been dropped from the rail extension project and become part of another project. The minister is not here, but her press release of December 2001 states -

Ms MacTiernan said the contract, in the order of \$300million was a major element of the \$1.2billion Perth Urban Rail Development project . . .

She is talking about the contract for the railcars -

Ms MacTiernan said the contract would include:

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- design, manufacturing and supply of 31 x 3 car sets;
- maintenance of the new railcars for 15 years; and
- design and construction of two new railcar maintenance facilities.

She was still sticking to her \$1.2 billion budget, with the cost of the supply and maintenance of the railcars put at \$300 million. We accepted that in good faith. In May this year - just a few days ago - the Premier and the minister announced -

The Gallop Government's commitment to the construction of the South-West Metropolitan Railway was forged in steel today with the signing of a \$437million railcar contract.

It was not a \$300 million supply and maintenance contract that was signed. In the space of a few months, the cost for supply and maintenance rose from \$300 million - which had been clearly stated in the minister's earlier press release - to \$437 million. Apparently it is forged in steel. Yesterday the member for Carine asked a straightforward question about the contract and why the cost had increased to \$437 million. The minister got on her feet, shook her head a bit and said, "come in spinner". She told this House that the \$437 million contract is for supply and maintenance, and that the \$300 million she had previously spoken about was simply for the supply of the railcars. The spinner from Carine went away and checked the press release, and confirmed that, by the minister's own words, the \$300 million was for supply and maintenance.

Mr Johnson: She has not been truthful.

Mr BARNETT: She has not. Who is telling the truth? Was the \$300 million for supply and maintenance? It is now \$437 million. Come in spinner; the minister was bowled middle stump. The other day she could not answer whether the train was longer than the platforms or vice versa. This week she does not know whether the railcar contract is for supply and maintenance, and today she also does not know whether it will cost \$300 million or \$437 million. It is clear that this Government and, in particular, this minister has lost control and competency over the south metropolitan railway project. They want railways that do not go into Rockingham, two stations in the city and to spend an extra \$137 million in maintenance. Clearly this minister -

Several members interjected.

Mr BARNETT: The Minister for Planning and Infrastructure has staggered in at last. She has come wandering into the Chamber for the debate.

Ms MacTiernan: You are a hideous little creature.

Several members interjected.

The DEPUTY SPEAKER: That level of interjection is clearly unacceptable. It makes it very difficult for the Hansard staff to hear.

Mr BARNETT: There is a \$137 million discrepancy. Is the minister wrong this week or was she wrong in December? Either way, the Government cannot buy and maintain the cars for \$300 million. The original cost estimates have been blown out by \$137 million.

Ms MacTiernan: Wrong! Wrong!

Mr BARNETT: The minister can speak later. Already an extra \$137 million has been added to the estimates.

I do not have time to talk about the dopey central station issue. We will have two stations. People will run past Katies, across the crosswalk, up the escalator and through Myer to change trains. What a farce. What a laughing stock Western Australia will be.

Ms MacTiernan interjected.

Mr BARNETT: There will be a pub on the way. People could drop in and have a glass of red wine as they move between trains. That is very commuter friendly.

The minister's original estimates said that the cost of putting the line into the central area would be \$90 million. She has now conceded that it might be about \$170 million. People generally talk in terms of \$200 million. The estimates have blown out by \$137 million for the cars, plus another \$110 million for the line. The Opposition's estimate from day one that this project would blow out by about \$300 million may end up looking conservative. I draw that issue into this debate because state debt has already grown by \$740 million.

We have probably \$300 million extra expenditure on the south metropolitan and Clarkson railways, and nothing has been done. It has been 12 months. We simply ask the minister to table the information and show us the costs. We asked the minister for this a month ago. She still cannot answer simple questions about whether the

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train is longer than the platforms. It is not a tough question. She cannot answer it. She did not know the difference between the contracts. She is a confused, struggling, disengaged and incompetent minister.

**MR BOARD** (Murdoch) [3.17 pm]: I will address my comments to the health budget. We all know that one of the biggest cost drivers in this State is health. That is evident in the federal budget that was presented last night, and we will see it in the state budget that will be brought down on Thursday. The Premier has already announced an increase in the health budget.

Dr Gallop: Do you applaud it?

Mr BOARD: I do not know. I say to the health minister that the biggest cost drivers in the State are in health. The Government's funding increases do not put us in a position in which we can curtail the growth in the demand for health services. The Government's regime is not ready to deal with the increases in the cost of those services. That is the problem the Government faces in health. When the health budget was brought down last year, we said that the three per cent increase - the lowest increase in health in this State in 10 years - was not enough to meet the demand in health. I said in September, when that health budget was brought down, that it was an illegitimate budget. The health minister, the Treasurer and the Cabinet knew that three per cent would not go anywhere near meeting the demand in particularly tertiary hospital services. By December, just three months after the State Government had brought down its health budget, it had to inject another \$70 million into the tertiary hospitals. I know the feeling that the minister had, but the reality is that the minister knew it in September when he brought down the budget, some three months after June.

Mr Kucera: Will you take a question?

Mr BOARD: I have only a minute. We will talk about this during the budget debate. My colleagues from the National Party need to have a say.

We demand that this minister and the Government put the parameters for change into the health portfolio. They talk about the need for change, cost drivers and taking away demand in the tertiary services and putting them into secondary hospitals. We recognise that, and it was all part of the 2020 plan. However, the second Gallop budget contains no significant change to those cost drivers. We will see again this winter and during next year - I do not want to forecast it but it will happen - that the Government will need to put more cash injections into tertiary hospitals until such time as it makes the significant changes that need to be made.

**DR GALLOP** (Victoria Park - Premier) [3.21 pm]: When it comes to motions of this sort, which assess the quality and performance of Governments, many issues can be looked at. First, one can look at the legislative priorities of the Government and the way in which they are determining the relationship between the laws of the State and its citizens. The current Government in Western Australia is trying to establish legal equality for all Western Australian citizens. It has already achieved a significant part of that agenda. The issue may be debated of the priorities that the Government of the day sets for its expenditure. This Government has made it very clear that its priorities are to strengthen and build the health system, to provide for education, research and training, to get the skills and capacities of our people mobilised for the future, to make sure that we have adequate police in the community and, of course, to improve the environment.

Secondly, we may look at the financial accountability of the Government of the day. The Government is very happy to have a debate on the finances of the State. The Government has said that it will be responsible when it comes to managing its finances. Let us compare our performance with that of the previous Government. We are delivering surpluses; the previous Government delivered deficits. We are delivering a financial framework for this State that is sustainable. It is fascinating that the Leader of the Opposition wants to talk about debt but not about the relationship between debt and surpluses or deficits. He does not want to talk about the relationship between debt and the future of our State and the way we build infrastructure. He has extracted out of the argument one element, and that is what he wants to focus on. I am afraid that when there is a serious debate about financial accountability and responsibility, people must deal with every aspect of the equation. That is what I intend to do today in my contribution, before I hand over to the Treasurer who wants to say a few words.

The Opposition had similar targets to ours for financial responsibility. The difference is that we are achieving our targets and the Opposition did not achieve its targets. I want to illustrate those points. Let us start with the operating surpluses. The Opposition had a target of surpluses, and we have a target of surpluses. The Opposition did not achieve its target in five out of the eight budgets that it presented to the Parliament of Western Australia. It delivered four deficits in a row, leading up to 1999-2000. Will the Leader of the Opposition now admit to the people of Western Australia that his Government delivered five deficits? Why will he not acknowledge to the people of Western Australia that he delivered five deficits out of eight budgets? This Government will be accountable tomorrow. Its financial responsibility is accountable today. When will the Leader of the Opposition accept his accountability and admit to the people of Western Australia that his

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performance in government was to deliver five deficits out of eight budgets? We are delivering surpluses. Tomorrow people will see very healthy surpluses delivered for this financial year and into the future.

The operating expenses of government are a crucial measure of the financial responsibility of any Government. Under the previous Government, there was no control over expenditure; in fact, the current Leader of the Opposition and former Minister for Education was one of the ministers most at fault. That point has been illustrated in the Parliament by the current Minister for Education, my colleague the member for Willagee. Expenditure growth averaged 5.6 per cent from 1993-94 to 2000-01. Compare that with our record. This year expenditure growth has been controlled to around two-thirds of that amount that was achieved by the previous Government; in other words, this Government is controlling public expenditure. Why are we doing that? It is because we want to spend money on infrastructure. We want to create jobs and spend money on our ports, water resources and schools and hospitals. In order to do that we must control the recurrent side of the budget. We are doing that. Next year the figures will be even better. They will be announced by the Treasurer in the budget tomorrow.

We are delivering surpluses. We have control over the expenses of government. Is it not fascinating that the Leader of the Opposition wants to talk about revenue? Under the regime that existed in this State before February 2001, revenue was rolling into the Government of Western Australia. The previous Government was adding to that revenue by its privatisation policies. It still delivered deficits. Revenue increased by 6.6 per cent between 1993-94 and 2000-01, and in five out of eight budgets it produced a deficit. What sort of financial responsibility is that? There is a direct relationship between operating surpluses, control over the expenses of government and the ability to deliver on capital works and infrastructure. The Leader of the Opposition does not want to address that equation. He knows that if he must address the equation, the faults of his Government will become obvious to the people of Western Australia.

Let us look at net debt. It is true that debt has gone up in 2001-02, but is it not interesting that the Treasurer and Deputy Premier has revealed to the Parliament the role played in that by the Matrix deal and the rolling stock decision of our Government? We have a very clear policy on the management of debt and a very clear set of targets.

Mr Barnett: What is your target on debt?

Dr GALLOP: The Leader of the Opposition has seen our targets. I will tell him this: the net debt to revenue this year is less than forecast at the time of the pre-election statements. Our performance on debt management is better than the performance of the previous Government, because we have control over public expenditure. The Leader of the Opposition does not want to debate the figures. The debt to revenue ratio under our Government this year is definitely better than that forecast in the pre-election statement of the Leader of the Opposition's Government. The conclusion is that this Government manages debt better than the Opposition did.

Mr Barnett: That ratio has jumped to precarious levels under this Government. That is a fact.

Dr GALLOP: Precarious levels! What a lot of nonsense! Let us compare the criteria used for these issues by the federal Treasurer, Peter Costello, with the performance of this State Government. An interesting document was put out yesterday when the 2002-03 federal budget was brought down. In that document, the federal Treasurer looks at the general government net debt as a percentage of gross domestic product. That is a very important figure. In New Zealand, that figure is around 20 per cent; the average for the Organisation for Economic Cooperation and Development is around 40 per cent; the average in the European Union is about 50 per cent; in Japan, the figure is up to 70 per cent; and in the United States, it is just under 40 per cent. The general government net debt as a percentage of GDP for Australia is 5.4 per cent. What do members think the figure is for Western Australia? It is 1.3 per cent. The criteria used by the federal Treasurer, a member of the Liberal Party, to give a tick to his Government for its performance and to Australia for its performance has been achieved and bettered by Western Australia.

Mr Barnett: Did you notice that in the federal budget, commonwealth total debt reduced from some \$90 billion to \$30 billion under the Liberal Government. He has paid back \$60 billion in debt. That is the statistic that matters.

The DEPUTY SPEAKER: Order, members! The Leader of the Opposition! The Premier has the call. Once again the level of interjection across the Chamber is unacceptable. Next time, members will be called to order.

Dr GALLOP: Let us take the Leader of the Opposition -

Mr Barnett interjected.

The DEPUTY SPEAKER: I call the Leader of the Opposition to order!

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Dr GALLOP: Let us take the Leader of the Opposition at his word and quote it back to him. He just said that the important issue is the level of debt, not the sustainability of debt. I ask the Leader of the Opposition - he will be asked this question by the people of Wyndham, Derby, the Pilbara, Gascoyne, Murchison, the mid west, the goldfields, Esperance, Albany, the south west and the metropolitan area - if the level of debt in Western Australia is too high, which capital works program will he cut?

Mr Barnett: It is simple. We will put the railway back through Kenwick for a start.

Dr GALLOP: The Leader of the Opposition has that wrong.

Will it be the \$130 million for common user infrastructure for Burrup, which he criticised? Will it be the \$225 million for port expenditure and expansion in the State? Will it be the \$32 million to tackle homelessness, a portion of which is for capital works in housing? Will it be the expenditure to improve the water resources of this State? The Leader of the Opposition will face a challenge: because he has chosen to deal with one figure, he will be accountable to that figure.

Mr Barnett: I am wounded! Let us talk ratios. You will be talking ratios while you go bankrupt the way you are going. It is the absolute amount of money that you ultimately have to service and repay.

Dr GALLOP: Exactly. That is why the debt to revenue ratio is the relevant measure. That is why our performance will be judged on that. We are quite happy to be judged on whether we have operating surpluses or deficits. There were five deficits under the previous Liberal Government. We have had two surpluses so far in our two years in government. Operating expense was out of control under the previous Government and it is under control under ours. We will look also at whether the Leader of the Opposition is in a position to control the expenses of government. We are capable of doing that and the Leader of the Opposition is not. Targeting the one figure and using it as the basis for the Leader of the Opposition's contribution to economic debate in Western Australia will hold him to account to the people of Western Australia about which capital works he will cut. The Leader of the Opposition does not believe in the south west metropolitan railway. If he wants to cut that program, he should be honest with the people of Western Australia and tell them that he will not spend that money.

The Leader of the Opposition has determined a course for himself to oppose everything that the Government does, to be negative about the State and its future prospects and to not support the Government of Western Australia when it takes up the battle against Canberra and the eastern States to defend the interests of this State. He has determined his course of action as Leader of the Opposition, and he will be judged on the decision to be a negative and nasty Leader of the Opposition.

We are quite happy to have a debate on financial responsibility. We are producing the surpluses; we are being honest with the people of Western Australia about revenue; we are creating the capital infrastructure for the future of this State; and, crucially importantly, we are spending money on education, research and science so that we are in a position to meet the challenges -

Mr Barnett interjected.

Dr GALLOP: When we have a growing economy and great prospects, what do we have to do?

Mr Barnett interjected.

Dr GALLOP: We must build our infrastructure. This Government is going for growth. Has the Leader of the Opposition not noticed? We will be very interested in which roads, rail projects, ports or hospitals the Leader of the Opposition will cut. He has now forced himself into a position. The Leader of the Opposition has chosen a course of action for himself. As a result of that, I am not surprised that the member for Murdoch is currently organising the numbers to take over as Leader of the Opposition.

**MR RIPPER** (Belmont - Treasurer) [3.37 pm]: It is important to put a few facts on the record to de-construct the question of debt. State debt is divided between general government debt and public non-financial corporations debt. Let us note that distinction. General government debt is used to fund capital projects such as new schools, hospitals and police technology. At the midyear review, general government debt accounted for around 13 per cent of total debt. Public non-financial corporations debt is the debt incurred by organisations such as Western Power and the Water Corporation to undertake major capital investments. At the midyear review, public non-financial corporations debt accounted for around 87 per cent of total debt. That debt is serviced by the commercial activities of those organisations; in other words, they make a return that makes the capital investment financially viable.

Mr Barnett interjected.



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Mr RIPPER: I would like to know -

Mr Barnett interjected.

The DEPUTY SPEAKER: It might be a good idea for members to my left to allow the Treasurer to draw breath before they start interjecting.

Mr RIPPER: I would like to know the position of the Leader of the Opposition on the debt incurred by Western Power and the Water Corporation. I would like to know the position of the Leader of the Opposition on investment by Western Power and the Water Corporation. Would the Leader of the Opposition cut the investment program of Western Power?

Mr Barnett: No, but you did. I would expand it.

Mr RIPPER: Would the Leader of the Opposition cut the investment program of the Water Corporation?

Mr Barnett: I would reduce the dividends of both corporations to 50 per cent. That is what I will do.

Mr RIPPER: Would the Leader of the Opposition cut the investment program of the Water Corporation or Western Power?

Mr Barnett: I would reduce their dividends to 50 per cent.

Mr RIPPER: Would the Leader of the Opposition cut the investment programs?

Mr Barnett: No. In fact, you have cut Western Power's programs. You cut the transmission program.

Mr RIPPER: Therefore, the Leader of the Opposition would not cut the investment programs of the Water Corporation and Western Power. In fact, if I understand him correctly, he would expand the investment programs of the Water Corporation and Western Power. The capital works programs of those organisations account for 87 per cent of the debt, yet the Leader of the Opposition, who complains about debt, would not only not cut the capital works programs of those two organisations, but would seek to expand them. He has offered the observation that he would reduce the dividend payout ratios for those organisations so that they can spend some of that money on capital works. Of course, he conveniently forgets that that would decrease the surplus run by the general government sector, and, therefore, there would be a reduced offset to the borrowings undertaken by that sector.

*Withdrawal of Remark*

Mr KUCERA: From 35 years of working in another place, I say that the comments of the Leader of the Opposition directly impugn the character of the Premier. Comments are being made about people filing away money in bags and skimming off money. A whole range of things are being said about the Premier. I suggest that the Leader of the Opposition should either withdraw his comments or stop the kind of nonsense that is going on in this House. This is a House of debate. It is the people's House. It is not a schoolyard or the kind of place that we come into, when there is a serious debate on the finances of this State, and impugn a man who I know to be one of the most honest politicians in this State. I ask the Leader of the Opposition to withdraw those ridiculous remarks.

Mr BARNETT: Further to the point of order, I did interject and comment that when this Premier was the minister responsible for the State Government Insurance Commission, and, indeed, a minister in the Lawrence Government and a member of the Dowding Government -

Dr Gallop: I was not in the Dowding Government - mistake.

Mr BARNETT: The Premier was a member of the Dowding Government. He was not a cabinet minister.

Dr Gallop: I was not a cabinet minister.

Mr BARNETT: No. However, he was a minister in the Lawrence Government, and he had responsibility for the SGIC.

Dr Gallop: Withdraw.

Mr BARNETT: I am simply explaining my comment. During the WA Inc period, government funds were channelled from the SGIC into Rothwells and into property transactions in the Perth metropolitan area.

Dr Gallop: Not by me, which is what the Leader of the Opposition said. The Leader of the Opposition should show some decency and withdraw.

Mr BARNETT: The Premier was the responsible minister when money was transferred into WA Inc deals.

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Dr Gallop: That is a disgrace.

Mr BARNETT: We can debate that. The Premier was the responsible minister when funds were transferred to prop up WA Inc deals. That is a matter of fact. The Premier was the minister.

Dr Gallop: That is not true. A royal commission showed that.

Mr BARNETT: The Premier was the minister. It is on the public record.

The DEPUTY SPEAKER: Unfortunately, I did not hear the comments at the time. I ask members to note that reflections on members of this House should be made by way of a substantive motion. Any imputation or reflection on any member in this House that is not put forward by that means is considered disorderly. If the Leader of the Opposition made those comments directly to the Premier, I ask him to withdraw them.

Mr BARNETT: I did not make the comments that the Minister for Health implied. However, if in any sense the Premier takes offence and if in any way my comments impugn his personal standing, I withdraw. It is a matter of fact that he was the minister responsible for that agency when funds were transferred into WA Inc. That is a matter of fact.

Dr Gallop: It is not.

Mr BARNETT: The Premier was the minister responsible.

*Debate Resumed*

Mr RIPPER: One can tell that a leader has reached his use-by date when he must go back to a success he had 10 years ago to justify his analysis of the day. The highlight of the Leader of the Opposition's political career was apparently a speech he gave in 1990. It is now 2002, and it behoves the Leader of the Opposition to make an analysis of current conditions, not go back to 1990.

We have established that the Leader of the Opposition would not only not -

*Withdrawal of Remark*

Mr BARNETT: The Premier referred to me - I will not use the word he used - in a most unparliamentary way.

Dr Gallop: I did not open my mouth.

Mr BARNETT: He mouthed across the Chamber the word that I will not use in this Parliament. I ask that he withdraw.

Dr GALLOP: I withdraw. I did not say anything, but I withdraw.

*Debate Resumed*

The DEPUTY SPEAKER: In fact, the level of discussion in this place over and above the person who has the call is unacceptable. Therefore, I ask members to be courteous to the member who has the call, in this case the Treasurer.

Mr RIPPER: We have established that the Leader of the Opposition would not only not cut the capital investment programs of the Water Corporation and Western Power, but would prefer to expand them. His solution of cutting the dividend payout ratio for those organisations is absolutely useless for managing debt, because all that would do is cut the operating surplus and increase general government debt. Therefore, it does not wash.

Mr Board: In 1992, what was the debt?

Mr RIPPER: I will respond to the comment of the alternative Leader of the Opposition. The important thing is where this Government is now compared with the forecast and the committed programs that it inherited. As I said in question time, the main contributions to increases in debt in 2001 and 2002 are \$368 million to fund capital works commenced by the previous Government, which were always intended to be funded by debt. Does the Leader of the Opposition think that when we came into power we should have stopped the convention centre project and the other projects which were halfway through and which were being funded by debt? We could only deal with the situation that confronted us when we came into office. We were confronted with \$368 million dollars worth of debt in the pipeline as a result of decisions that had already been made by the coalition Government. What should we have done? Should we have stopped a capital works project halfway through and said, "That is a coalition project that is funded by debt. It does not like debt, so we will leave the school half built, or we won't start the convention centre. We will breach the contract it left us with. We will leave the bridge halfway across the river"? What a ridiculous proposition!

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Another source of the increase in debt is \$229 million that was needed to escape from the previous Government's car fleet financing arrangement. Would the Leader of the Opposition have had a stay in the Matrix deal? It would have been \$2 million a month extra cost for taxpayers, but it would have saved adding to the debt. Would the Leader of the Opposition have a stay in that facility?

Mr Barnett interjected.

Mr RIPPER: He can answer in general. He does not want to add to debt in general, but he will not make a commitment on the specifics. He does not agree with the totality of our program, but he will not commit himself to any cut in it. There is only seven per cent of the debt from the Water Corporation and Western Power, but he wants to expand the program. There is \$368 million of the debt from coalition decisions, but he does not want us to cut any of those programs. An amount of \$229 million was involved in the termination of the Matrix car fleet financing facility, but he does not want us to change that decision. How about the \$15 million debt from unrealised asset sales in the Western Australia Police Service, in the Department of Education and in the Geraldton southern rail corridor project? It is an interesting set of circumstances.

When we came to power, the Department of Education, for which the Leader of the Opposition had been responsible, said that its capital works program was based on a lie. It was based on the supposition that the department would raise money from asset sales, but it did not have the assets to sell. There were no plans for the sale of assets. No money was coming in, but the department had told the community, courtesy of the previous Government, that it would get schools. What should we have done? Would the Leader of the Opposition want us to not build those schools that were promised by the coalition when it was in government, on that shonky basis?

Mr Barnett: Sell the assets.

Mr RIPPER: Sell the non-existent assets! We might come to the sale of assets a little later. However, members can see the problem. The Leader of the Opposition has a general proposition but he does not want to operationalise it. He does not have the political courage, will or analysis to make the individual, tough decisions that need to be made to control debt; he just talks about them generally. When I asked him what he would do, there was no answer. Would the Leader of the Opposition cut the \$10 million for the construction of public housing?

Mr Barnett: Would you cut capital works on sewerage?

Mr RIPPER: Would the Leader of the Opposition cut \$10 million for public housing?

Mr Barnett: You have sewerage programs.

Mr RIPPER: Would the Leader of the Opposition cut \$10 million for public housing? There is no answer, Madam Deputy Speaker. Moreover, he complains that the infill sewerage program has been cut.

Mr Barnett interjected.

The DEPUTY SPEAKER: I call the Leader of the Opposition to order for the third time.

Mr RIPPER: The Leader of the Opposition complains that the infill sewerage program has been cut. He is demanding, by implication, that the Government spend more on the infill sewerage program. The infill sewerage program is funded by Water Corporation debt. The Leader of the Opposition is a bloke who will not agree to any cut in the Water Corporation's capital program but wants to expand it. He wants to expand also Western Power's capital investment program. Those two organisations account for 87 per cent of the debt.

I will ask a few other questions. Would the Leader of the Opposition cut the bus acquisition program? There is no answer. He would not cut the bus acquisition program. Would the Leader of the Opposition cut the funding to complete the new police academy? No. Would he stop funding the Delta Communications and Information Technology program, which was not properly funded but half completed when we came to office? No, he would not do that. Would he stop the construction of three new high schools? No, he would not do that. What about the Armadale Health Service's health program? No, he would not cut that. What would the Leader of the Opposition do?

Mr Barnett: Keep debt in control.

Mr RIPPER: The Leader of the Opposition would fail to manage the debt. I have some figures with me which I intended to reveal tomorrow but I will reveal them today. Do members know what the forecast of debt to revenue ratio was for this current financial year in the coalition's pre-election projected statement? That is a statement that is required by law to be issued at the beginning of an election campaign. The coalition did not

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want to issue that statement. Richard Court was frightfully embarrassed when the Under Treasurer issued it but, unfortunately, the Government is required by law to issue it. The debt to revenue ratio for this current financial year in the pre-election financial projection statement was 39.2 per cent. We bettered that in our budget last year because our forecast of the debt to revenue ratio was 39.1 per cent. Guess what we will deliver. We will deliver a debt to revenue ratio of 38.9 per cent. We will deliver a better debt to revenue ratio than we forecast in the budget in September last year, and a better debt to revenue ratio than was forecast in the coalition's own plan released by law at the beginning of the election campaign. Members opposite lack credibility. I can see the Minister for Planning and Infrastructure anxiously awaiting her turn to demonstrate exactly how wrong this hopeless mob opposite can get it.

**MS MacTIERNAN** (Armadale - Minister for Planning and Infrastructure) [3.53 pm]: I do not have much time but I would like members to refer to the south west metropolitan railway master plan of April 2000. That plan indicates the capital price expected to be paid was \$2.9 million per railcar plus one per cent for project and engineering management. When we multiply that figure by the 114 railcars to be purchased and add to that the cost of building the depots to the north and south, the total capital cost under the previous Government was \$398 million. This Government has been able to reduce that cost by \$108 million, largely because we have reduced the number of railcars from 114 to 93. This Government said it would save \$79 million; in fact, it has saved \$108 million. It is absolutely on target. All of the allegations by the Leader of the Opposition are just opportunities for personal insults. He is an intellectually lazy man who has not done his homework.

**MR WALDRON** (Wagin) [3.55 pm]: I support this motion. The Leader of the Opposition and the member for Murdoch have covered very well the performance of the Government in the past year. However, the National Party fears that the state budget to be presented tomorrow will deliver more of the same unless the Government recognises that Western Australia is undeniably a commodity-based economy; for instance, the resource sector and the agricultural industry are key regional industries and a vital foundation to WA's economy. Given that the minerals and oil and gas sectors underwrite the state budget, the National Party wants to see increases in those areas. I also mention that the regional business community wants a budget that will provide incentive for growth that will attract investment to this State, such as relocation grants that the National Party has tried to get in my area to attract business to country WA; that on-the-ground stuff really does make a difference.

The National Party also wants tax arrangements to facilitate growth, not just taxes that stall business. The budget needs to outline the Government's priorities for the next 12 months. Many people have told the National Party that the vast number of reviews and inquiries conducted by the Government appear to be uncoordinated and cause a deal of uncertainty in the business community. Small and large businesses are losing confidence and are unsure of where the Government is going. Mention was made of the railway costs; I do not want to go into that other than to state the fear -

The DEPUTY SPEAKER: Members, once again the level of discussion in the Chamber has reached unacceptable levels. Members are making it very difficult for both me and the Hansard staff to get on with our job. If members wish to have a discussion, would they please leave the Chamber and I will give the call back to the member for Wagin.

Mr WALDRON: The funding required for a railway to be built down the freeway has already been mentioned by previous speakers. I will not refer to that except to say that when money has to go to one area, it must come from somewhere else. It concerns small business, the agricultural industry and people who live in regional WA that a blow-out of money for a project such as this means that it must come from somewhere else, such as health and education. I said yesterday that the supply of a few more teachers to the secondary area is an important issue and I applaud the Government's decision to increase the number of primary teachers. However, it is important to consider other aspects that affect the everyday lives of families and their children in regional WA. It is important to those communities and indeed to the future of this State that those matters be taken seriously.

Another point I wish to raise relates to road funding. I will not go into the detail of funding for different roads but I will mention the very serious issue of road safety. I would like to see a great deal of input for overtaking lanes in the budget to be released tomorrow. I will leave it at that as my time has expired.

Question put and a division taken with the following result -

**Extract from *Hansard***  
[ASSEMBLY - Wednesday, 15 May 2002]  
p10442a-10453a

Speaker; Mr Colin Barnett; Mr John Kobelke; Mr Rob Johnson; Deputy Speaker; Mr Mike Board; Dr Geoff Gallop; Mr Eric Ripper; Mr Kucera; Ms Alannah MacTiernan; Mr Terry Waldron

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Ayes (18)

Mr Barnett	Mrs Edwardes	Mr McNee	Ms Sue Walker
Mr Birney	Mr Edwards	Mr Pendal	Dr Woollard
Mr Board	Ms Hodson-Thomas	Mr Barron-Sullivan	Mr Bradshaw ( <i>Teller</i> )
Dr Constable	Mr House	Mr Sweetman	
Mr Day	Mr Johnson	Mr Waldron	

Noes (28)

Mr Andrews	Dr Gallop	Ms MacTiernan	Mr Murray
Mr Bowler	Mr Graham	Mr McGinty	Mr Quigley
Mr Brown	Mr Hill	Mr McGowan	Ms Radisich
Mr Carpenter	Mr Hyde	Ms McHale	Mr Ripper
Mr Dean	Mr Kobelke	Mr McRae	Mr Templeman
Mr D'Orazio	Mr Kucera	Mr Marlborough	Mr Whitely
Dr Edwards	Mr Logan	Mrs Martin	Ms Quirk ( <i>Teller</i> )

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Pairs

Mr Trenorden	Mr O’Gorman
Mr Grylls	Mr Watson
Mr Ainsworth	Mrs Roberts

Question thus negatived.