STATE FINANCES — AAA CREDIT RATING

Matter of Public Interest

THE SPEAKER (Mr M.W. Sutherland) informed the Assembly that he was in receipt within the prescribed time of a letter from the member for Victoria Park seeking to debate a matter of public interest.

[In compliance with standing orders, at least five members rose in their places.]

MR B.S. WYATT (Victoria Park) [3.05 pm]: I move —

> That this house has no confidence in the Barnett government's stewardship of the state's finances and deplores its loss of the AAA credit rating.

Can I just say that in the three weeks that I have not been here, I have missed all members. Being away from Parliament for a week gives one the chance to observe from afar. Government members had an interesting last week of Parliament. The Minister for Transport does not know what is going on with his transport line and the Minister for Water tabled documents she should not have tabled. I congratulate the member for Swan Hills on his retirement from Parliament. I am not so sure the member for Swan Hills knew it was about to happen, but all the very best to him for the future! I think the Leader of the National Party is right: the Premier is captured by oil companies, and I am stunned that he did not stand up for the people of Onslow. I share the Leader of the National Party's concerns about that.

Mr F.A. Alban interjected.

The SPEAKER: Member for Swan Hills, settle down, please.

Mr B.S. WYATT: We will all be sorry to see the member for Swan Hills go.

Nothing surprised me more than the rhetoric from the Premier when Moody's Investors Service, after casting its eyes over the government's fiscal action plan—remember Treasurer, some come, some go—stated that it is not good enough and that it is "a weak policy response". It made Standard and Poor's rhetoric last year look mild by comparison. The reason Moody's has said this about the government is that the government has never had a consistent plan or a consistent message around debt. The government has had six different views and six different opinions about what the finances are doing. What is the government's overarching strategy about the finances? There has never been a consistent methodology and that is why Moody's says that it has been "a weak policy response to the deteriorating financial and debt position". The Premier, in his typical way, comes out and attacks the messenger and says that there is nothing wrong with the Western Australian economy. He got it wrong again. It was not an assessment of the WA economy; it was an assessment of the finances and the government's management of them. That is what it is. The government's management of the finances has been found absolutely wanting. I remember the lack of political will and now the weak policy response. And what do we get? We do not get a policy response; we get a reaction. The government rushed out a couple of days later and said it was selling some assets. That is no change from what the government said at budget time, except that the government said that it would start the due diligence process now. The government has really rushed into this and has a sense of urgency about the state's finances. I want to make the point that this is not a revenue issue. This is not an issue about "Oh, my God; it is not our fault; it is the GST's fault." That is not the point. I want all members on the other side of the chamber to read Shane Wright's piece. It is a scathing assessment of the government's performance. I quote a paragraph from the article. Looking at the graphic on this page, members will see the hollowness of Barnett's claims and the strength of Moody's analysis. The article states —

> No Government in the country has enjoyed as big an increase in revenue as that enjoyed by the Barnett Government.
>
> Between the 2008–09 Budget and the most recent, revenues have lifted 44 per cent.

Despite the GST—remember that the Premier said, "God bless the GST"—this government still had the biggest growth in revenue of any government in the country. The problem that government members have is that they have a Premier who simply spent the revenue he wished he had, not the revenue he actually had. That is sustainable for a very short time. No wonder Joe Hockey was so scathing about the government's reform credentials. No wonder the Prime Minister had to close down discussion about the WA Liberal Party. The WA Liberal Party has become the crazy old uncle of the Liberal Party around the country. No-one wants to talk about it. It is an embarrassment!

I kind of get the federal Liberal agenda—it is a Liberal agenda. I am not saying that I agree with it at all, but when I look west, no wonder Joe Hockey is so scathing. The government has not reformed because it has always assumed it would get the revenue back. I hope we do. The problem is that we should not spend as though we are going to get the revenue back; we should spend according to the revenue we will get. As I pointed out, and now as Shane Wright has written, out of all the governments in the country since 2008–09, this state government has had the biggest increase in revenue. The issue is certainly not a revenue issue.

As a result of the largesse of the government's first term—that is the problem; the first term is still washing through into the second term—and as a result of the government's lack of a strategy and lack of a coherent narrative around financial policy, this is what we are getting. It is worth noting what debt is doing. I know the Premier likes to refer to a couple of different measures, but let us look at what net debt is doing as a share of the economy. That is the most interesting measurement. When the member for Cottesloe became Premier, the percentage of debt to gross state product was 1.8 per cent. It is currently at 8.5 per cent and by 2017–18 it will be at 10 per cent. In New South Wales it is 8.4 per cent, plateauing at 9.1 per cent, and in Victoria it is currently 4.3 per cent, declining to 2.2 per cent.

Mr C.J. Barnett: Debt to revenue is irrelevant.

Mr B.S. WYATT: No; it is a share of the economy. I will come back to what the Premier is saying about debt to revenue. There are six problems the government is facing.

Mr C.J. Barnett: I'm leaving. I'm not listening to this.

Mr B.S. WYATT: The Premier should stay, because I think he might learn something. Halfway through a two-term cycle the government has changed the measurement of debt. The first term was all about maintaining the rate of total non-financial public sector net interest costs as a share of revenue at or below 4.5 per cent. Post-election, the government changed that to debt at or below 55 per cent of revenue. I know what the government is doing. Its first term was beautiful. It had the perfect strategy in an environment of low interest rates: low debt and a AAA credit rating. The government blew apart all of that in the first term, so it changed. It moved its assessment away from the cost of debt—that is now more because the state lost its AAA credit rating and because of the gross debt—to another measurement. We still have the same government. The government should not go chopping and changing the measure upon which it calculates debt because it is simply inconvenient the first time around.

I want to make a second point about the Premier, who has been one of the seven Treasurers a couple of times. In *The West Australian* of 4 September 2010—I have quoted this ad nauseam—the Premier, who was Treasurer at the time, is reported to have said —

> In reality you don't have to pay back the debt, what you have to do is make sure the debt is (under) control and as a guide I'm intending keeping our total level of net debt below $20 billion …

Where are we at now? We are looking at about $25 billion and we are on our way to $29 billion. It is interesting that the Premier said that it is not going to get there but that he cannot tell us what it is going to be. I thought to myself: Well, we have exploded through the $20 billion mark. We must have had a different revenue result from when Mr Barnett imposed that $20 million cap. It was the forward estimates of the 2010–11 budget that guided the Premier's statement around $20 billion. The projected revenue was $96.3 billion. The actual revenue was $103.1 billion—a $6.8 billion increase in revenue since Mr Barnett imposed the $20 billion cap. He not only burst through the debt, but also got $6.8 billion more in revenue than he ever expected when he made that commitment. That is why Troy Buswell said that the odd asset could be sold, but until the spending side is fixed, it will just be washed over. Effectively, there was already $6.8 billion in asset sales. The government got that revenue in and the government blew it. Here we are now on our way to $29 billion and the Premier says, "No, it's never going to happen." This is the bloke who could not deliver on capping debt at $20 billion with $6.8 billion in extra revenue. For heaven's sake, what a weak policy response! I am not surprised Moody's said that.

The fourth point I want to make is about another former Treasurer, Christian Porter. I again ask members to imagine being a credit rating agency that is trying to draw a bead on the government's debt strategy. Christian Porter stated in his budget speech on 17 May 2012 —

> This Budget also shows net debt peaking in 2014–15, again at a level below previous estimates; and shows debt commencing its reduction in the final out year 2015–16.

Peaking at $23.2 billion! No wonder he quit as soon as he delivered this little baby onto the table of Parliament. He did not want to be around to try to deliver on something that the Premier had no interest in. We move from a peaking debt level to, post-election, one year later when Troy Buswell said that there was no limit on debt. We now have absolutely no limit, echoing the Premier's statement during the leaders' debate that debt is going to level off in the second term. He cannot even tell us when it is going to peak, let alone level off. Troy Buswell, the then Treasurer, said that there was no limit. When the government's friend Joe Hockey says in a sharp critique of the government, "You know what; we're going to make the states sell assets to fund infrastructure", what did we get from Troy Buswell? He said, "We're not in a position to do so. We won't be at the hall for that dance." Then the new Treasurer Mike Nahan said that there was no way in hell he would succumb to pressure from Joe Hockey to pump more money into infrastructure rather than pay debt. What did we end up getting? In the space of about two months, we ended up with a change from selling assets to retire debt to selling assets to fund more spending. Then the Premier said that Moody's got it wrong. What an extraordinary response from the Premier! He has such little understanding of his own finances. I remember him on radio in Dowerin saying, "Moody's has got it wrong. We have never been in deficit." If he had read one Moody's statement over the past 20 years, he would understand that Moody's looks to the cash balance of the state. He has never presided over a surplus of that level—never. Either the Premier knew that and was deliberately being mischievous or he simply did not understand. Going by his answer in question time today about all the surpluses during the Court years, I dare say that he does not understand. This is the problem we face. Ultimately, the assets sale is not a plan; it is a reaction. It is a short-term reaction because the government has not solved the fundamental problem—that is, the government's spending proclivities. There was $6.8 billion in extra revenue and the government could not even keep it under $20 billion!

I will conclude in a minute with a quote from the Premier—although, admittedly, he was not the Premier at the time. When finishing his speech in a debate on a motion that he moved in 1991, which he describes as the most significant debate he has brought on in the Parliament, he said —

> … we need a change in policy in the way in which we operate our State Budget. We need to shift the financing of non-income generating assets away from debt finance into finance from current revenues. That is the socially responsible thing to do, it is the economically responsible thing to do, and for this generation it is a fair thing to do for the coming generation.

That is the key: income-generating assets versus non-income generating assets. I note the Premier talks about good debt and bad debt, but the problem is the government has gone from a position of having the general government sector net debt free with $3.5 billion in assets to 40 per cent of total debt being held in the general government sector on its way to 45 per cent. The non-income generating assets are causing the problems. C.Y. O'Connor understood this. John Forrest understood this. Charlie Court understood this. Colin Barnett can talk about how he likes to be included in that crowd of people, but the problem he has is borrowing to build assets that add to the recurrent cost of the state. Back in 1991, the member for Cottesloe said that that was the economically and socially responsible thing to do. Eric Ripper, Geoff Gallop and Alan Carpenter worked their guts out to have surpluses to fund the capital works program, but members of this government all get up in here and talk about transformational projects. This is why the state Liberal Party is the cantankerous uncle of the Liberal Party of Australia. That is what members have become. Members of the cabinet are involved in this. I know it is a bit of a creche in there, with the Premier in charge, and all the ministers are wandering around with their blocks, but they are responsible! They have to stand up to him. I fear that it is a little bit late, but if they do not stand up to him, whoever is elected in 2017 is going to have to deal with the consequences. Believe me, members, it cannot continue in this way.

I know that the Treasurer will get up and talk about his fiscal action plan of $6.8 billion but that has been discredited. Moody's has said that it will have no impact over the medium term. The Treasurer will talk about a $1 billion to $2 billion asset sale program. For heaven's sake—$6.8 billion in extra revenue and the government could not even stick to a $20 billion cap on debt! Until members opposite start taking responsibility and outline, articulate and live by a clear strategy around debt, we will continue to have these problems. They can all get up and talk about the wonderful assets that they are building but ultimately they will not be responsible for the next generation. That is exactly what the member for Cottesloe said back in 1991. C.Y. O'Connor understood it, Charlie Court understood it and John Forrest understood it. For the Premier to wrap himself in the flag of asset builders is an outrageous misunderstanding of what he is actually doing.

MS R. SAFFIOTI (West Swan) [3.21 pm]: Today in question time we saw the problem with this government; that is, the Premier does not understand the state's finances. Today in question time he was taking pride in the eight surpluses that have been delivered. But back in 1999, he delivered five deficits out of eight—four deficits in a row. He does not understand his record, today's finances or tomorrow's finances, which is why the state is in this predicament. What an incoherent, inconsistent and erratic approach we have to the state's finances from this government. What has been the hallmark of this government? Yes, the Treasurers of this government might have understood the state's finances but they have no power and no plan in state cabinet. The Premier has the power in state cabinet but he does not understand the state's finances. That is the problem. I do not doubt the Treasurer's ability to stand and talk about the balance sheet but I doubt his ability to have any power and any coherent plan that lasts for more than one day. Time and again, we have seen plans announced one day disappear the next.

Everyone around Australia is asking how we lost the AAA credit rating. All the economic commentators around Australia are asking how the state of Western Australia lost the AAA credit rating. Revenue is up $9 billion since the government was elected. We have not seen a fall in revenue. Taxation is up $2.5 billion and royalty income is up $4.3 billion. The government has had significant revenue growth yet it has lost the AAA rating. Why is the AAA rating important? I had a quick read of the book *Reform and Recovery: An Agenda for the New Western Australian Government*, which was edited and authored by the Treasurer. It states —

> As well as providing financial markets with an independent source of information, credit ratings exert an influence on business and consumer confidence. Indeed a strong credit rating not only reflects a State's capacity to repay debt, but also an acceptance by the government of the need for sound fiscal management.

This is why the Treasurer says that the credit rating is important. What happened? There has been a downgrade and the credit rating is no longer important. The Premier said it was probably written on the back of an envelope by a 21-year-old, yet his own Treasurer has contradicted him.

I want to go through the Premier's logic for blowing the state's finances. He has been saying that we have boom conditions and a once-in-a-lifetime opportunity to build the infrastructure. Let me discredit that in three ways. I will give three reasons why that is absolutely false. It has not happened. The Premier has not used the money resulting from the boom for infrastructure because if he did, debt would not have gone up by $18 billion. If the Premier had invested the results of the boom in infrastructure, debt would not have gone up by $18 billion. The whole premise of what he has said is absolutely false. If the Premier used the results of economic growth in infrastructure, he would not need borrowings. He cannot say that he is using all this revenue for infrastructure and then have debt increase by $18 billion. That is inconsistent.

The second point is that the proceeds of the significant royalty increase have been sucked up into recurrent expenditure. That is basically it. The Premier has not used the results of the boom to fund infrastructure; it has been sucked up into the recurrent side and created a massive structural imbalance. The government does not have the surpluses to fund the infrastructure. In fact, the surpluses are predicted to go down to $5 million, and we are possibly facing a deficit. The government is not doing that either. An interesting point can be made about what to do with royalty income. In that book by the Treasurer, which I enjoyed reading, he referred to royalties being capital revenue, such as land sales, because the government is basically getting revenue from a non-renewable source. It states —

> … royalties represent payments for the right to consume a public asset. In this sense, royalties are tantamount to asset sales, and similar to the sale of land, …

The Treasurer argued back then that royalty revenue should not be used at all to fund recurrent expenditure. That is another key reason why the Premier is wrong about the once-in-a-lifetime opportunity to build infrastructure.

Third, the Premier talks about infrastructure as if it is all done. He is a great person to have delivered all the infrastructure that the state will need for generations to come! He says it is all there. It is not all there. In five years, governments, the public and the next generation will need more hospitals, schools, roads and a better public transport system. The government is not doing it. It is as if that $18 billion is all there—the government can have its turn—but it is not all there. There are always demands. The government has reduced the capacity to fund infrastructure for future generations. For the Premier to go around as if he has done it all is an emperor approach to the world. With regard to what he said about Geoff Gallop, I hope he does not talk about anything else because —

The SPEAKER: I do not know what is going on between the member for Warnbro and the Premier. I want to hear the member for West Swan and I want you to stay on point.

Ms R. SAFFIOTI: If the Premier wants to talk about that, we will talk about it later.

I want to talk about what the Premier will leave us. He will leave some shiny buildings. All emperors do that, do they not? What else will he leave us? He will leave us with the economy. What great diversification of our economic base has happened over the past six years? What benefits of the economic boom has he ploughed into economic infrastructure around the state?

Mr C.J. Barnett: The Ord River.

Ms R. SAFFIOTI: Oh, the Ord!

Mr A. Krsticevic interjected.

The SPEAKER: Member for Carine, I call you to order for the first time.

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I do not want to hear from you when I am on my feet. I want to hear the member for West Swan.

Ms R. SAFFIOTI: What will the Premier leave the state? He will leave some shiny buildings with his name on them. What about the economy? We know that the Premier has done nothing to diversify the base. No-one takes him seriously anymore. He lost the AAA credit rating. He talks about surpluses he never delivered. His performance is becoming the best comedy in town because he cannot be consistent from one half-hour to the next.

I turn to interest costs. In the total public sector, we have nearly $1 billion in net interest rates. That is what the Premier is leaving the next generation. The key point is that he has been so arrogant, going around saying that it is all done. That is what he implies all the time—"It is all done; we are doing it."

Mr C.J. Barnett interjected.

The SPEAKER: Premier, you will have your chance next.

Ms R. SAFFIOTI: The Treasurer goes around saying that the government has used this once-in-a-generation opportunity to fund infrastructure.

I go to the goods and services tax. We all believe that the GST agreement was a bad deal for the state. I have read *Hansard* after *Hansard* from when the then state government signed the agreement, and the opposition warned that it would give more power to the commonwealth. What did the government say? It said that the GST agreement is a good deal. The current Premier said —

> Therefore, the states got the GST, and the Commonwealth no longer had to pay revenue-sharing grants and could therefore reduce income and company tax and abolish the wholesale sales tax. That was the deal essentially. It was a sensible deal and it was a good piece of economic reform for Australia.

I want to go back to when a motion about the GST was moved in 1998.

Mr C.J. Barnett: Nineteen ninety-eight?

Ms R. SAFFIOTI: Yes, it is very important, because 1998 is when the Liberal government signed the bad GST deal. That was the Liberal government's opportunity to get a good deal. Labor moved an amendment to the motion that stated that the government was —

> ... slavishly signing up to a tax package which will increase this State's dependence on the centralised revenue raising power of the Commonwealth Government.

What did the current Premier say at this time? He said —

> ... we need to change our tax system and we need to give the States a form of revenue which is non-discriminatory from the Commonwealth point of view. It is a good result. It is a reworking of federalism, not an abandonment.

The then member for Balcatta said —

> It is taking an axe to it.

The current Premier then said —

> No, it is not. I will not get emotional because I have had three glasses of excellent red wine and I am feeling rather mellow.

He went on to say —

> If all of the goods and services tax revenue is allocated to the States, it will give the States a revenue base which will grow as the Australian economy grows.

The Liberal government signed up to it. It should have got a better deal; it did not get a better deal. It defended its mates in Canberra, and now the Premier is trying to rewrite history.

DR M.D. NAHAN (Riverton — Treasurer) [3.32 pm]: I thank members for their range of comments. First, I will go back in history to the hard-fought 2008 election. Both parties went in, very rationally, with a commitment to major investments in assets. The theme of the Labor Party when it was in government was "Carpenter the builder". We came in with other assets and a range of programs that were more conservative than the Labor Party's proposal.

Mr B.S. Wyatt: Rubbish!

Dr M.D. NAHAN: They were. We committed to an Elizabeth Quay equivalent and a stadium, and a range of social assets because we had experienced the largest boom in this state's history. Before that, of course, rapid growth in revenue was driven by, firstly, broad-based mining, then iron ore and then liquefied natural gas. We had phenomenally rapid population and economic growth. The population grew by over three per cent a year. Many people came from not only overseas but also interstate. We had a large accumulation of fly in, fly out workers and assets. We had the largest boom in this state's history, and it had to be accommodated. There was also a public desire for a payoff from this rapid growth. What have we done in government? We have committed probably—I have not estimated—the largest investment in this state's history. Since 2008, this government has invested $64 billion through the forward estimates, of which about $20 billion, about one-third, has been borrowed. Most of it has been paid for by public trading enterprises' income and authority-owned income and other sources, including, I might add, a large amount from the commonwealth in its stimulus housing program and other matching programs.

What has this debt been used for? As at 30 June 2014, by far the largest allocation of debt was in electricity—mainly to Western Power. That accounts for 39 per cent of the stock of debt. Water is next at 25 per cent of the stock of debt. Roads, rail and transport account for 16 per cent. Health accounts for 13 per cent. When we add those four together, we see that 93 per cent of the stock of debt at the end of June 2014 was for those purposes. Largely, all of them, except for health, have income attached to them. Some are fully funded. Public authorities have some income, but in health we implemented the Reid review, which the opposition spokesman on health has repeatedly said in this house he would fully support.

Ms R. Saffioti: We did the Reid review.

Dr M.D. NAHAN: I know that. We implemented the Reid review.

Several members interjected.

Dr M.D. NAHAN: The opposition spokesman on health said that Labor would do the same thing; there is nothing different. A couple of things are different. He wanted to run the Serco areas and save $500 million. He would not have contracted the Midland hospital to St John of God. He would have spent more, of course. At the same time, we incurred substantial increases in expenditure. We have increased expenditure on health, mental health, education, disability services, child protection and police and safety—more than six per cent a year. Is the opposition complaining about that? Wages was a major driver. When we came into government, 200 classrooms did not have teachers.

Several members interjected.

The SPEAKER: Member for Warnbro, you are on two calls, and the member for Victoria Park is on two calls; I assume that the member for Victoria Park wants to close the debate. I want to hear what the Treasurer has to say.

Dr M.D. NAHAN: There was a shortage of people going on to study teaching. Police were leaving. The Water Corporation and Western Power could not get people. They were losing people to the mining sector. What did we do? Wage rates in this state were at record levels. There was a shortage of people. We could not find workers in Western Australia. Members who listened to the radio and watched television at the time would know that the police had a massive recruitment program in Ireland and Britain. We looked overseas and interstate to get people to come in and provide the basic essential services required by this booming state. We spent very heavily on it—no doubt. Are people complaining about this? I do not think so. Have our debt levels grown? Yes, they have.

I will show members some estimates. This graph shows net debt as a ratio of revenue across all states. This column is WA and this column is New South Wales. New South Wales is slightly different. By the way, its population was growing by one-third of ours.

Several members interjected.

The SPEAKER: Member for Victoria Park! I do not want to call you for the third time.

Dr M.D. NAHAN: These ratios are accepted under the accounting standards and compare each state. In 2013–14, our debt levels were not that high relative to those of most other states. That is share of revenue. If we did that same calculation using forward estimates in 2017–18, there would be almost no difference. Is our debt level as a share of revenue—revenue is important because that is what we have to pay it off at—any different from that of other states? No. I might add that Victoria, which has higher debt levels, has a AAA rating. New South Wales, which has a slightly better ratio, has a AAA rating. I will go back to that.

We have spent massively on infrastructure, mainly on income-generating assets, and our debt levels are comparable to those of other states, particularly those with AAA ratings. Why? I might add, in reference to Shane Wright's data, that we have had record revenue growths in this state. I am not arguing about that. However, they fail to consider, of course, that we have also had 3.5 per cent population growth.

Mr B.S. Wyatt: A minute ago it was three per cent.

Dr M.D. NAHAN: I said it was an average over that period, but in recent times it has been 3.5 per cent. It has actually been growing over the past year.

Mr B.S. Wyatt interjected.

The SPEAKER: I call the member for Victoria Park to order for the third time.

Dr M.D. NAHAN: It has increased over the past year by three per cent. We do have some challenges, and that is noted in the report on the AAA rating. We have to adjust, and we have started adjusting, but all our moves have been resisted by members opposite. On the recurrent side, as the member for Victoria Park correctly emphasised, we have acted on wages. One reason we have had very high growth in expenditure has been that we have paid the highest wages in the nation to teachers, nurses and doctors, construction workers and Water Corporation and Western Power workers. We did that because we had to match the wage rates being paid in the domestic economy. We did that, but now they have to moderate. As demand for services wanes a bit, although not precipitously, we have to adjust our input levels to the public sector. That is why we have brought forward a workplace reform bill, and pegged the wages policy at the rate of inflation. Today, we have achieved that. I remember people in the media saying that there was no way we would be able to do that, but we have done it. The workplace reform bill allows redundancies, both voluntary and otherwise, and we have adjusted royalties for regions. We have changed hospital pricing arrangements. We have contracted out services at Fiona Stanley Hospital to Serco, which the opposition has criticised over and over again. We have saved $500 million.

Several members interjected.

The SPEAKER: The members for Kwinana, Mirrabooka and Maylands are drowning out the speaker.

Dr M.D. NAHAN: The opposition cannot credibly accuse the government of mismanagement when it resists, every step of the way, attempts by the government to restrain the growth in expenditure. The opposition cannot complain about borrowing for capital expenditure when members opposite, to a person, when they get to speak at budget time —

Several members interjected.

The SPEAKER: I call the member for Maylands to order for the first time.

Dr M.D. NAHAN: When members opposite get a chance to speak at budget time, all they do is bray for more and more money in their own electorates, so we just ignore them.

Several members interjected.

The SPEAKER: I call the member for Mirrabooka to order for the first time. She is lucky that she drowned out the member for Midland, so she gets off this time.

Dr M.D. NAHAN: On the asset side, we have adjusted our asset investment program successively, and we will continue to trim it, as costs come down. We have an asset and land sales program. The sale of the three entities announced under the asset sales program is the first of a number of such sales. We have introduced private partnerships in schools, and contracts are underway. That will drive efficiencies in the delivery of school assets. I might add that we have contracted out Midland Public Hospital to St John of God. That saves not only capital but also recurrent revenue.

Mr R.H. Cook: It saves on services too, because they won't provide some of them.

Dr M.D. NAHAN: It actually provides better services, if the member is interested.

The SPEAKER: I call the member for Kwinana to order for the first time.

Dr M.D. NAHAN: The member complains about St John of God doing the Midland Public Hospital, just like the opposition complained about Ramsay Health Care doing the Joondalup Health Campus. It is quiet about that now.

Mr R.H. Cook: Ramsay did not build the Joondalup hospital.

Dr M.D. NAHAN: It bought a built hospital. Joondalup is a fine hospital; we have put a great deal of money into its expansion, and it provides an excellent service. Not only does going through Ramsay save us money, it also saves on operating costs. That is excellent, but it is something that the opposition is ideologically against. However, that is what we are doing.

I will read what Moody's said —

> The ratings downgrade reflects the state's ongoing deficit position.

The member for Victoria Park was right; Moody's used a different measure from us. It used the current account balance, which is positive, and then all capital expenditure in the general government sector, which is negative because we are undertaking a large capital works program. By the way, it is negative in other states as well. The statement continues —

> The challenges related to narrowing the budget gaps include greater volatility in the state's revenue base —

That is true —

> reflecting its increasing reliance on royalty income —

That is true —

> expenditure pressures related to the rapid expansion in the state's economy and population —

That is all true. The revenue base is narrowing because we have had large and often unpredictable growth, just like the opposition, when in government, had large and unpredictable inflows of money from stamp duty.

Mr W.J. Johnston: We saved it.

Dr M.D. NAHAN: The previous government saved it and spent some of it. The reason it was saved was that it was coming in so rapidly; the government could not get rid of it. I might add that in the time of the previous government, it was receiving 100 per cent goods and services tax.

Ms R. Saffioti: No, we weren't.

Dr M.D. NAHAN: Yes, it was. The data I have indicates that the previous government was getting —

Ms R. Saffioti: Table it.

Dr M.D. NAHAN: I will, later.

We have had rapid growth in iron ore royalty revenue. That royalty varies immensely—by 40 per cent over a year. The whole format has changed. The member for West Swan reiterated what I argued some decades ago, that natural capital—royalties—should theoretically be treated more as a capital payment. I accept that, and I still do. However, in the GST process, it is not; it is treated as recurrent revenue. As our royalties revenue, from whatever source, grows, GST gets cut. We have experienced a shift away from predictable GST payments to a reliance on unpredictable and highly volatile royalty payments. Royalty revenue has gone from five per cent of revenue in 2002 to 20 per cent today, and vice versa for GST. Moody's is looking at a fast-growing economy, huge levels of demand and, in the past, very high levels of expenditure in the delivery of government services, and a program that is just beginning to drive down the cost of those services. When we get the 2013–14 results, we will see that we are achieving that end. Obviously, Moody's had some doubts, but when we get the results for 2013–14, we will see clear signs of success. We have a lot more to do. I might add that all those successes were resisted by the opposition.

The big issue for Moody's was continuing rapid growth in demand, shrinking revenue sources and increasing reliance on a highly volatile source—that is, iron ore—and the Commonwealth Grants Commission process taking two to four years to compensate for losses in iron ore royalties today.

Mr P. Papalia: Weak policy response. Weak policy response.

The SPEAKER: Thank you very much, member for Warnbro. You have made your point twice. I call you to order for the third time.

Dr M.D. NAHAN: We could have slammed the brake on our infrastructure spending. We have not done that, and we will not do that. We will continue with the program. We could have done four or five years ago what the previous government did and fail to deliver government services adequately. We did not do that. We invested heavily in the delivery of front-line services. Now the challenge for the government is to drive efficiencies in those services, and that is what we are about doing. We will do that, and I am confident that Moody's in the future will recognise that. Of course we have the challenge of iron ore royalties, but that is a debate for another day.

DR K.D. HAMES (Dawesville — Minister for Health) [3.49 pm]: The trouble that members opposite have is that almost none of them have ever been in business for themselves.

Several members interjected.

Dr K.D. HAMES: It is true. How many have been in business—three, four or five?

The issue with managing the economy of a business is to try to get a balance between how much debt the business has to make it grow, and how much is put into reducing that debt as a matter of running the business.

Mr W.J. Johnston interjected.

The SPEAKER: Member for Cannington, this is not question time.

Dr K.D. HAMES: The last Labor government made an absolute commitment to reducing debt but no commitment to growing this state. We were called Dullsville in those days. I am sure members remember those days when Western Australia was going nowhere and we very successfully ran an ad.

Mr D.A. Templeman interjected.

The SPEAKER: Member for Mandurah, we hear you. I call you to order for the first time.

Dr K.D. HAMES: The first thing the Labor opposition did when it last got into government was cut funding for Indian Ocean Drive, which was just about ready to go ahead, to fund other projects—namely, the railway line. It cut funding to the infill sewerage program to about $20 million a year, which had been running at about $90 million a year. That government also cut expenditure on housing. I remember that when I was Minister for Housing before the end of the last election, we were building 1 300 or 1 400 new units a year. At the end of the Labor Party’s seven years in government, it was building 700 or 800 units a year. What did we get out of it as a state? We had a huge waiting list for housing. The Liberal Party ran a successful ad asking people to name three things that the Labor Party had done when it was in government—and there was silence. People could not think of three things that the then Labor government had done. They said, “Oh, yes; the rail line to Mandurah.”

Mr D.J. Kelly interjected.

The SPEAKER: Member for Bassendean, I call you to order for the second time.

Mr R.H. Cook interjected.

The SPEAKER: Member for Kwinana!

Dr K.D. HAMES: When the Labor Party had been in government, we could not get people to think of three things that that government had done in seven and a half years of government. Its total focus was on reducing debt and not investing in this state. There needs to be a balance between those two things. We have invested $7 billion or $8 billion—a massive amount—in rebuilding the health system across this state. We have not invested only in infrastructure, but also in increased wages—something neglected under the former government. Nurses in Western Australia are now the highest paid in Australia, as are teachers and doctors, to make sure we provide a first-class service. Western Australia’s health system has gone from being the worst in Australia on just about every single measure to one of the best.

Ms J.M. Freeman interjected.

The SPEAKER: Member for Mirrabooka, I call you to order for the second time.

Dr K.D. HAMES: Why are you all constantly shouting?

Mr R.H. Cook: Because you’re talking rubbish.

The SPEAKER: Member for Kwinana, I call you to order for the second time.

Mr R.H. Cook: What about him?

The SPEAKER: I am not worried about him. When I am on my feet, I do not want to hear from you.

Mr R.H. Cook interjected.

The SPEAKER: I am not interested. Minister.

Dr K.D. HAMES: The Liberal government has invested a huge amount into growing this state in infrastructure, wages and services, particularly in increasing the services in health across the length and breadth of this state. The opposition has no credibility. As we have said, it constantly complains about our level of debt. However, after the last budget I think the member for Forrestfield added the total number of things the opposition said we should spend money on and it came to something like $3 billion. I do not think that counted the changes to Fiona Stanley Hospital or Midland Public Hospital, which would cost in the order of an additional $2 billion. Members opposite cannot have it both ways. They cannot say that we need to reduce debt and in the very next breath ask why we are not spending money on extra services and extra assets. Clearly, this is an incompetent opposition.

Several members interjected.

MS M.J. DAVIES (Central Wheatbelt — Minister for Water) [3.54 pm]: Mr Speaker —

Dr K.D. Hames interjected.

The SPEAKER: Minister for Health, I call you to order for the first time. I have given the call to the member for Central Wheatbelt. A few people seem to be getting overexcited here.

Ms M.J. DAVIES: I would like to put on the record that this government is capitalising on the extraordinary growth that this state is experiencing in this unique period. We heard the Treasurer and Deputy Premier talk about some of our investments due to not only the revenue that has been at our disposal but also our incredible population growth. We are capitalising on a unique moment in time in this state. We have experienced one of the biggest economic expansions in this state's history. We have invested in the city and in the regions. We are laying the foundations for future generations of Western Australians. I would like to talk about not only what we have done with some of the infrastructure spend and the services spend, because we have talked about recurrent expenditure growth, but I would like to know exactly what the previous Labor government's plan would be. What would it not have done over the last five years —

Several members interjected.

Ms M.J. DAVIES: If members opposite were to get out their red pen and look back over the last five years, what would they put their red pen through?

Ms S.F. McGurk interjected.

The SPEAKER: Member for Fremantle —

Ms S.F. McGurk: She asked a question.

The SPEAKER: Member for Fremantle, I call you to order for the first time. I want to hear the member for Central Wheatbelt.

Ms M.J. DAVIES: Before I start talking about the Liberal–National government's record in regional Western Australia, because we have already had a conversation around water and the Treasurer mentioned a considerable amount of our investment has been in water infrastructure and services, I point out that we have been making sure we address the pressures of a growing population and making sure we are investing in not only the infrastructure required to meet that growth but also in programs to drive economic growth in our state. If we talk about the investment through the Water Corporation, since coming to government, we have invested more than $4 billion into water and wastewater infrastructure statewide and that is addressing —

Mr D.J. Kelly interjected.

The SPEAKER: Member for Bassendean, you also seem to be confused. This is not question time. I call you to order for the third time.

Ms M.J. DAVIES: Did the member say —

The SPEAKER: Through the Chair, please.

Ms M.J. DAVIES: I just want a point of clarification, Mr Speaker.

The SPEAKER: I do not want a point of clarification. This is not question time. Please talk through the Chair.

Ms M.J. DAVIES: Yes, Mr Speaker. I thought I heard the opposition ask us to spend more money, but we are having a debate about fiscal restraint. I just wanted to make that point. I did not quite hear it. Let me come back —

Ms L.L. Baker interjected.

The SPEAKER: Member for Maylands, I call you to order for the second time.

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan!

Ms M.J. DAVIES: We are making investments in the water portfolio around making sure we are meeting the growth in population, making sure we are prepared for climate change independent of the climate we know is changing—the drying climate. We have talked in this house before about our investment in the southern seawater desalination plant, in the groundwater replenishment plant—we found significant savings for the taxpayers in that project while delivering and future-proofing our state—the Alkimos wastewater treatment plant, an upgrade of the Mundaring water treatment plant in a unique and first public private partnership that we entered into —

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan!

Ms M.J. DAVIES: — to make sure we are getting value for money for the taxpayer. We are also progressing the East Rockingham wastewater treatment plant. Those are the infrastructure spends we have made to ensure we are addressing the population growth of the state. We are also investing in programs such as Water for Food, which is about generating growth in our economy, jobs and prosperity and addressing some of our social issues—for instance, the project we talked about in Derby around Mowanjum.

Mr P.C. Tinley interjected.

The SPEAKER: Member for Willagee, I call you to order for the first time.

Ms M.J. DAVIES: I go back to the question I asked earlier: what would the opposition put a red line through if it were sitting on this side of the house? From a regional perspective I think the constituents I represent would be very interested to know what the opposition would put a red line through. Would it put a red line through the district allowances that have allowed us to attract workers and to pay them appropriately? Would it put a red line through the quality housing that we have provided in regional Western Australia to accommodate the best paid teachers, nurses and police in the nation?

Ms R. Saffioti interjected.

The SPEAKER: Member for West Swan, I call you to order for the third time.

Ms M.J. DAVIES: Would it put a line through the $600 million that we have spent on the not-for-profit sector? If we are talking about recurrent expenditure, we have made the biggest investment in the social services area in the history of this state. It is a very important part of the sector. Would the opposition put a red line through that? Would it put a red line through the expansion of the Ord irrigation district?

Mr P. Papalia: Yes.

Ms M.J. DAVIES: So it would put a line through that, on the back of the record investment from the private sector to drive jobs and growth in the economy?

Several members interjected.

The SPEAKER: Members!

Ms M.J. DAVIES: It would not put any more mobile phone towers into regional Western Australia.

Mr P.C. Tinley interjected.

The SPEAKER: Member for Willagee, I call you to order for the second time.

Ms M.J. DAVIES: I think members opposite would like to see us put a red line through royalties for regions altogether, and that is the question that I wanted to ask at the beginning of this debate.

Mr D.A. Templeman interjected.

The SPEAKER: Member for Mandurah, I call you to order for the second time. I am up and down like a yoyo.

Ms M.J. DAVIES: I think that the people we represent in regional Western Australia would like to know exactly what the opposition would put a red line through. From my perspective, we have taken the unique opportunity to invest in rebuilding the state and building the state for future generations to make sure that there is jobs growth and investment in areas of the economy that continue to drive jobs. We have rebuilt the health system in not only the city, but also the regions. The investment in telehealth, which saves lives on a daily basis, and the investment in attracting doctors to and retaining them in regional Western Australia have fundamentally changed the way that this state approaches the delivery of services infrastructure going forward. That means that we have taken advantage of the revenue that has been coming into the state and we have spent it wisely. Again, I reiterate: which program would the opposition put a red line through to make sure that we are prepared for the future growth of this state?

Tabling of Paper

Ms R. SAFFIOTI: During the debate, the Treasurer agreed to table a document in relation to the GST share. I request that the Treasurer table that document.

The SPEAKER: Are you happy to table that, Treasurer?

Dr M.D. NAHAN: Yes.

[See paper 1985.]

Debate Resumed

MS E. EVANGEL (Perth) [4.02 pm]: I find it really fascinating that the opposition talked about state debt, yet it failed to mention the state's rapidly growing population and the 1 500 people a week who are choosing Western Australia as their place to reside —

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, I call you to order for the first time. I want to hear the member for Perth in silence.

Ms E. EVANGEL: The opposition failed to recognise the 1 500-plus people a week who are choosing Western Australia as the place to live and raise their families. One would think that WA was the worst place in the world, and I shudder to think why members of the opposition still live here. If I believed a word of what they are saying, I would flee this place as quickly as possible.

We have heard about investment in the state. The Treasurer mentioned some of the key city projects and the Minister for Health also mentioned some of the health projects. We quite often talk about the big city projects; indeed, I have spoken of projects such as Elizabeth Quay, the Link project and the new Museum, which will change the face of the Perth Cultural Centre. However, I would like to focus on some of the social initiatives that this state government has implemented over the past year. I am quite surprised that the opposition never really speaks about social initiatives.

Several members interjected.

The SPEAKER: Thank you for that. Member for Armadale, I call you to order for the second time. Member for Girrawheen, you were drowned out by the member for Armadale.

Point of Order

Dr A.D. BUTI: Is there any standing order that prevents a member speaking such absurd words about the opposition, because what the member for Perth has just said is plainly wrong? Do we not have a right to defend ourselves?

The SPEAKER: Sit down, please. That is not a point of order. You can talk for the last five minutes.

Ms R. SAFFIOTI: I draw the Speaker's attention to the motion, which refers to the AAA credit rating.

Dr M.D. Nahan interjected.

The SPEAKER: Treasurer, I did not ask you for any comment. Points of order are to be heard in silence. I call you to order for the first time.

Ms R. SAFFIOTI: The motion refers to the AAA credit rating and the stewardship of the finances by the Barnett government, so I would not mind the member for Perth addressing key issues such as the AAA credit rating and other aspects.

The SPEAKER: Member for Perth, just continue, please. That is not a point of order.

Debate Resumed

Ms E. EVANGEL: I am talking about where the money has gone and how this state government values social initiatives. It has been investing quite strongly and wisely, especially in my electorate. On 14 August I attended the opening of Tom Fisher House on Beaufort Street in my electorate. It was a wonderful occasion because it displayed —

Mr P.B. Watson interjected.

The SPEAKER: Member for Albany, you have been called to order twice and I am loath to call you for a third time. I know you are a great soccer lover.

Ms E. EVANGEL: Members opposite do not care about social initiatives, and that was a classic example. I will continue to speak about Tom Fisher House because I think it is an initiative that is well worth noting in this house. It is a reference to the work that we are doing with homeless people, disadvantaged people and people in need. Tom Fisher House was opened on 14 August, and the Premier and Hon Helen Morton, the Minister for Mental Health, were there. This place will house up to 10 chronically homeless men. It is a $4 million investment to assist the needy people in our community. I think that this government is quite admirable to support those people most in need. It would be great to see some support from the opposition for initiatives such as this.

I also refer to another really important initiative—that is, the Foyer Oxford. Again, this money has been spent by the government on providing young people in our community with a place to live and a place to invest in their life skills. Not only are we putting money towards housing the needy people within our community, but also we are preparing them for life after that transition into the real world by educating them and providing them with life skills, which I believe is a very important way of continuing their life's journey. The kinds of investments that this state government is making are quite lifesaving and transitional for many people. We also have the affordable housing strategy. We have already surpassed the target of the affordable housing strategy 2010–2020. We are 15 000 houses into it and we are only halfway there.

I commend this government for the way it has invested in all walks of life in our community. We have the big-ticket projects that have transformed the capital city and the projects that provide opportunities for the needy and the more underprivileged in our community.

MR M. McGOWAN (Rockingham — Leader of the Opposition) [4.08 pm]: I note that during this debate, the Premier did not grace us with his presence and I note that he has not spoken on the important issue of financial management, because financial management is not his strong suit; he does not care about it.

Dr K.D. Hames interjected.

The SPEAKER: Minister for Health, I do not want to hear from you.

Mr M. McGOWAN: The Premier does not care about it; it is not his strong suit. He is responsible for the loss of the AAA credit rating from Moody's Investors Service and Standard and Poor's and the fact that this financial year the net state debt in Western Australia will be $25 billion. The problem is this: it is okay to run a big capital works program—indeed, it is good to run a big capital works program—but if the government wants to run a big capital works program, it should run big surpluses so that it can be managed. That is the fact of the matter. The government has run very small surpluses; therefore, we are now in a situation in which Western Australia's debt is the biggest per capita of any of the states of Australia. Western Australia's debt is the biggest per capita of that of any of the states of the commonwealth. It has progressed to that point having had the smallest debt per capita six years ago. The government has come out with things such as its suggestion to sell the Perth Market Authority as a way of managing its debt. The sale price speculated on in the media for the sale of the Perth Market Authority is $115 million. The government's annual interest bill this financial year is $1 billion. Therefore, its debt management strategy thus far would pay for six weeks' worth of interest. The government's big so-called privatisation strategy of the Perth Market Authority would pay for six weeks of its interest bill. That is all that would be covered with that.

I turn to the excuses, which I can hear coming now; indeed, I heard them in the debate. First, the iron ore price, which was put in the budget at $122.30 per tonne. I heard the minister during question time say that it is "violently volatile"—those were his words. If the government is going to put in the budget an iron ore price of $122.30 per tonne, which is the absolute maximum of all the forecasts —

Dr M.D. Nahan: Rubbish!

Mr M. McGOWAN: Great; I am glad the Treasurer said that. I will respond to that.

J.P. Morgan's forecast for the iron ore price in 2014–15 is between $109 and $111 per tonne. In March 2014, the Bureau of Resources and Energy Economics forecast that the iron ore spot price would be $110 per tonne.

Dr M.D. Nahan interjected.

Mr M. McGOWAN: Yes, that is right. It is the same thing, my friend!

On 21 August 2013, Credit SUISSE stated the following, which is probably the most important point —

> Although we can see why the market has become emotionally attached to $120/t level, as discussed earlier in this report we feel that the manner in which China will respond to this pricing level has been over stated. A more significant 'cost floor' based on our modelling exists within the $95–110/t range.

Lastly, on 11 March 2013, Rio Tinto forecast that the iron ore price per tonne would fall to $100 by mid-2014. The government put the iron ore price in the budget at $122.30 while all these other credible organisations predicted it at more than $10 less per tonne. Today it is tracking at about $84 per tonne. The government has created this issue by its overly optimistic estimate of the iron ore price. It is shocking forecasting, shocking budgeting and shocking economics!

I will conclude with the GST excuse. The state and federal Liberal Parties are the authors of the GST. I will quote Mr Colin Barnett defending it in Parliament —

Dr M.D. Nahan interjected.

The SPEAKER: Treasurer, I call you to order for the second time.

Mr M. McGOWAN: I refer to the quote from Mr Colin Barnett defending it in Parliament on 18 August 1998. He said —

> As the economy grows consumption expenditure will grow and therefore the GST revenues will grow.
>
> …
>
> There will be a Grants Commission type of process.

Exactly! It is a process that punishes WA. The final bit reads —

> I do not mind seeing on a per capita basis Tasmania and South Australia get a bit more. This State's economy is stronger. We have mining royalties and growth potential that some other States do not have.

There it is!

Division

Question put and a division taken with the following result —

Ayes (20)

Ms L.L. Baker	Mr W.J. Johnston	Mr P. Papalia	Mr C.J. Tallentire
Dr A.D. Buti	Mr D.J. Kelly	Mr J.R. Quigley	Mr P.C. Tinley
Mr R.H. Cook	Mr F.M. Logan	Ms M.M. Quirk	Mr P.B. Watson
Ms J. Farrer	Mr M. McGowan	Mrs M.H. Roberts	Mr B.S. Wyatt
Ms J.M. Freeman	Ms S.F. McGurk	Ms R. Saffioti	Mr D.A. Templeman *(Teller)*

Noes (35)

Mr P. Abetz	Mr J.H.D. Day	Dr G.G. Jacobs	Dr M.D. Nahan
Mr F.A. Alban	Ms W.M. Duncan	Mr R.F. Johnson	Mr D.C. Nalder
Mr C.J. Barnett	Ms E. Evangel	Mr S.K. L'Estrange	Mr J. Norberger
Mr I.C. Blayney	Mr J.M. Francis	Mr R.S. Love	Mr D.T. Redman
Mr I.M. Britza	Mrs G.J. Godfrey	Mr W.R. Marmion	Mr A.J. Simpson
Mr G.M. Castrilli	Mr B.J. Grylls	Mr J.E. McGrath	Mr M.H. Taylor
Mr V.A. Catania	Dr K.D. Hames	Mr P.T. Miles	Mr T.K. Waldron
Mr M.J. Cowper	Mr C.D. Hatton	Ms A.R. Mitchell	Mr A. Krsticevic *(Teller)*
Ms M.J. Davies	Mr A.P. Jacob	Mr N.W. Morton	

Pair

Mr M.P. Murray	Mrs L.M. Harvey

Question thus negatived.