

**SUPPLY BILL 2013**

*Third Reading*

Resumed from an earlier stage of the sitting.

**MR D.A. TEMPLEMAN (Mandurah)** [2.51 pm]: Before I was rudely interrupted by question time, I was on the theme of broken promises and also the increasingly suspicious motives of the government in requesting support for the now perilous state of its budget and the fiscal outlook of the state. As we now know—it was even revealed during question time when the Premier was questioned by the Leader of the Opposition about funding commitments to agriculture—promises made by the Liberal Party of some \$40 million to agriculture may be delivered but the promises of some \$300 million by the National Party is up for grabs in cabinet. I am sure that would send a shiver through the viper’s nest that is the National Party because it was officially put on notice during question time in this house that all the promises it made during the election campaign are now on the table for discussion. I understand these promises to their constituencies throughout regional Western Australia total some \$800 million. The people of Western Australia, particularly those in regional Western Australia, now need to be made aware that those core promises will not be delivered and that they are up for grabs in cabinet.

I am sure all members will be looking forward to the coming weeks and months as once again the Premier decides to backslide from commitments. That was made very, very clear. During question time the Premier said very clearly that the Liberal Party and the National Party are not a coalition and they are not even an alliance as such, but all of their commitments during the election campaign will be discussed and debated in the cabinet room. People in regional areas of Western Australia should clearly understand that anything that was promised by the National Party—any National Party commitment—in any seat, whether it be the seat of Central Wheatbelt, Pilbara or Albany, is not rock solid. Why? Because the Premier himself confirmed during question time that no promise from the National Party is absolutely rock solid. Members of the National Party know now that they have no rock-solid guarantees.

**The SPEAKER:** Member for Mandurah, I call you for the first time.

*Point of Order*

**Mr T.R. BUSWELL:** Earlier in the debate, various speakers were reminding members of the standing orders that direct the nature of debate around the third reading. Perhaps, Mr Speaker, you could just remind the house —

**Mr M.P. Murray:** Get to it; you’re embarrassing.

**Mr T.R. BUSWELL:** There are procedures in this house. I just ask if you could perhaps remind the member and the house of those protocols.

**The SPEAKER:** The matter now before the house is the third reading. In the third reading debate, the debate is restricted to the contents of the bill and is not as wideranging as the second reading. Please confine your comments.

*Debate Resumed*

**Mr D.A. TEMPLEMAN:** Thank you, Mr Speaker, for your guidance. I was very interested in the new information that came to us less than half an hour ago during a question posed by the Leader of the Opposition to the Premier. I am sure that members of the National Party will scurry from this place after we adjourn tonight and go through every single promise that they made, saying, “How are we going to wriggle out of this now?” The Premier made it very clear in his answer to the Leader of the Opposition’s question less than half an hour ago. I watched the face of the Leader of the National Party very closely. The Liberals are only entertaining the National Party now because they have 30 seats in this place, enough to have a one-seat majority.

**Mr B.J. Grylls:** Thirty-one.

**Mr D.A. TEMPLEMAN:** They have one more than I gave them. They will leave the Leader of the National Party hanging like a proverbial dirty old fig on a fig tree.

**Mr V.A. Catania** interjected.

**The SPEAKER:** Member for North West Central, I call you for the first time. This is becoming a slanging match, member for Mandurah. Please continue.

**Mr D.A. TEMPLEMAN:** We also saw a very important event in the house yesterday—the unveiling of a portrait. I hope that taxpayers’ money was not spent on that portrait because it set a precedent. When the Western Australian public is being asked through this Supply Bill —

**The SPEAKER:** I have asked you to come back to the contents of this bill. You are digressing to a portrait, which I presume is the one in the upper house. Can you tell us how this is germane to the bill before the house?

**Mr D.A. TEMPLEMAN:** Thank you, Mr Speaker, for your guidance again. The Supply Bill is asking this Parliament to ensure that moneys continue to be made available to the Treasurer to provide important government expenditure. I question whether government expenditure paid for a portrait of a retiring member of the other place is a priority. I think it is a valid and appropriate question to ask, particularly given that that member was not a Presiding Officer of that place. He was a long-serving member and, from all accounts, served with distinction. However, when the people of Western Australia are asked to tighten their belts, as the Treasurer has reminded them to do on a number of occasions over the past few days and the Premier tells us that the economic situation of the state has changed, one would think that the Liberal Party might take responsibility for paying for a portrait of one of its patriarchs. I would have thought it would be appropriate to whip the hat around. The government had plenty of money during the election campaign so I am sure it still has plenty of money stashed away to pay for such an extravagance. That is only my view; others may have a different view and feel that it is appropriate for the taxpayer to pay for a portrait of someone who served in this place for 36 years and will continue to be remunerated by the taxpayer of Western Australia through a generous superannuation scheme of which he is a member. That is only my view; I do not know whether it is shared by others in this place. I think the question should be asked, particularly as we are having a debate today about moneys that are being released for the Treasurer. The Treasurer is asking this place for those moneys to be made available for continuity of a range of programs and expenditure. I think it is appropriate to ask that. This bill is about priorities. I remind members, in particular the new members on the other side, that these questions should be asked in this place, and it is appropriate to ask them as part of the third reading debate.

I thank you, Mr Speaker, for your guidance during this debate.

**Mr M.P. Murray:** How much do you reckon it would cost them to do a portrait of that head over there?

**Mr D.A. TEMPLEMAN:** The member for Collie–Preston might say that, but I would not say that myself!

At the end of the day, we are granting a considerable amount of dollars to the Treasurer through this Supply Bill to ensure the continuity of government programs. In these times in which we are asked continually to tighten the belt and the people are told that indicators are not looking good for the economy of Western Australia, and, indeed, if a few levers go the wrong way, we will certainly face some very significant fiscal problems in the coming months and possibly years, it is appropriate that we ask these questions of the Treasurer and analyse what the Treasurer is presenting to us through this Supply Bill. On that point, particularly noting the events during question time some 30 minutes ago in regard to the National Party's status and how they are seen by the Premier and this government, I am sure that after today dark clouds are gathering in the National Party room. The Premier has made it very clear that people in regional Western Australia who may have been given a whole raft of promises during the election campaign have no certainty now at all that those promises will be delivered. That is what the Premier said in his answer in question time today: they have absolutely no certainty now that the promises the National Party made will be delivered. I am sure the Leader of the Opposition has some comments to add to this third reading debate as well.

**MR M. MCGOWAN (Rockingham — Leader of the Opposition) [3.01 pm]:** I rise to make a few points on the Supply Bill 2013, and I note the guidance consistently being given at the urging of that well-known aficionado of standing orders, the Treasurer, about how we should conduct ourselves in this debate. The Treasurer is well known for his knowledge of the standing orders, so I will follow his advice. This bill relates to the allocation of nearly \$8 billion of expenditure in the coming financial year, and I am interested in how this money will be spent and what expenditures might be deferred in the coming financial year to make savings. From my reading, the bill presents a broad subject matter as it involves expenditure of \$8 billion. What the government can do with that \$8 billion requires significant examination in debate on this bill.

Over the course of the two and a half months since the state election, we have seen a dramatic turnaround in the government's approach to the commitments it made prior to the state election. We now hear the Premier saying that he has not broken any promises, despite the fact that it is irrefutable that thus far the government is no longer committed to five significant commitments upon which it was elected. Those five commitments are the Metro Area Express light rail project, whereby the government has changed the delivery timelines; the electricity price increases that the government is putting in place in the next financial year, which are higher than was committed to by the Minister for Energy; the Swan Valley bypass, which was originally a major road to be built in one section, according to the Liberal Party's promises, but we are now getting only a small component of that commitment and the government in rejecting \$420 million worth of commonwealth money for that purpose; and \$500 million or thereabouts—probably more would be my expectation—of tax cuts to be given to business which were legislated before the election, but which have now been revoked. That is \$500 million of money that would have been in the pockets of small business people in particular that has now been removed by the

government. There was also the much-vaunted 24-hour police station in Ballajura that was promised prior to the election that is now going to be an eight-hour-a-day police station. Those are five very significant commitments that the government has backed away from.

The Premier has said in all of his commentary that the government is not breaking promises but is redefining them. He has said that circumstances change and therefore promises change with them. This is despite the fact that in the lead-up to the state election every single one of those promises had a big red stamp placed upon them: “Fully funded, fully costed”. I do not think the words “fully funded, fully costed” are a metaphor or figurative. I do not think there is much ambiguity in them. I might be wrong, but the words “fully funded, fully costed” mean fully funded, fully costed! That is how I read those four words. I think that is a reasonable interpretation.

**Dr A.D. Buti:** That is reasonable.

**Mr M. McGOWAN:** The member for Armadale, who has a PhD and degrees in a range of subject matters, has backed me up that fully funded and fully costed means fully funded and fully costed!

**Mr P.B. Watson:** I am an ex-postman and I agree.

**Mr M. McGOWAN:** I am getting some significant support from some well-known experts in the English language—the member for Albany, who has a great capacity for English, and, indeed, a great many words emanate from him regularly, is aware of what fully funded and fully costed means; and the member for Armadale, the well-known holder of a PhD and more degrees than most people in the western world have, also agrees that fully funded, fully costed indeed means fully funded, fully costed. Apparently, the Premier has a different interpretation of the words “fully funded, fully costed”. They mean something different in the Premier’s lexicon. In the Premier’s lexicon those words do not mean fully funded, fully costed; they mean that as circumstances change, those promises mean something else! That is even though there has been no demonstration of circumstances changing since the election compared with the circumstances prior to the election. As I have said now in two debates in this place, the opposition will continue to pursue this issue with some vigour in coming weeks and years. We saw that again in question time today when we talked about commitments, no doubt some of which would have been met by the supply of appropriations contained in this bill—just so the Chair knows that I have brought the debate back to this bill. The opposition raised the issue of agriculture. The Premier immediately segued into how often he had visited the wheatbelt and he asked me when I had visited the wheatbelt. I did go to the wheatbelt in the lead-up to the state election, and it is true that I have not been to the wheatbelt since the state election. Somehow that proves the Premier has some greater commitment to the region than I do! I took on the regional development portfolio as Leader of the Opposition, despite the fact that it is a demanding portfolio for someone in my position, because I have a commitment to the regions. Indeed, I grew up in country towns, so I have an appreciation of what it is like to go to a regional state high school and to grow up in a regional community.

**Mr T.R. Buswell:** Which one?

**Mr M. McGOWAN:** It was not Busselton. I grew up in regional towns. It may provoke some mirth when I say that it was in New South Wales. That is true.

**Dr K.D. Hames:** Mandurah is a regional city!

**Mr M. McGOWAN:** I do not think that Mt Lawley is Mandurah, and I do not know whether the Minister for Health is a country member, but, in any event, he claims to be one! I do know what it is like to live in a regional area and I understand the disadvantages of coming from a country town and the obstacles that kids from the country have to climb that many kids in city communities do not have to. I understand, as does the Treasurer. However, the point I am making is that the Premier immediately segued into who visited the country. I can absolutely assure members that in the course of the last 18 months to two years, I have been in country communities all over the length and breadth of Western Australia more times than I can count. I have been to many, many regional communities in the course of the past year.

One of the issues is agriculture. It is true that people in the farming community are not particularly prone to voting Labor. I know that and I accept that. In the community in which I grew up, virtually all the kids I knew from farms and their parents were not Labor supporters. That is true and that is something that is well documented. However, that is not to say that when a government makes commitments to that sector, it should not be held to account for them just because that community is more likely to vote for it than others. I asked the Premier during question time whether he will deliver on the Liberal Party’s \$40 million worth of commitments. He said that, yes, it would. But I had to tease it out of him—as you, Mr Acting Speaker (Mr I.C. Blayney), no doubt saw—about the National Party’s \$300 million worth of commitments. Those commitments do not even incorporate current commitments, but are additional, it states. I had to tease it out of him whether that \$300 million worth of additional commitments will be delivered within this term of government. That is where

the obfuscation started. That is something that will have to be brought to the cabinet table. The Liberal Party commitments of \$40 million will be delivered, but the additional \$300 million committed to by the National Party is something that cabinet will have to consider.

The National Party's agriculture policy is quite a comprehensive document, I might add. The National Party's commitments worth \$300 million are all summarised on the last page. It is quite a significant set, but will they be delivered? This will be a central issue of this term. This is just one question on one day in this Parliament that will have hundreds of days of sittings. This is a significant issue. Just because people are a party's natural constituency does not mean it should treat them badly and not deliver on the commitments it made to them. That is the point we will raise with the farming community. We will also raise the issue of the front-page, full wraparound ads put out by the Liberal Party about preserving the tier 3 rail. We will continue to raise all those issues over the course of the coming years. Those National Party commitments were very instructive, because they have to be added to the commitments of the Liberal Party. Do not worry; there are numerous others out there. They have to be added to the commitments of the Liberal Party when holding this government to account on the promises it made in the lead-up to the election.

The second instructive point made during question time concerned tourism funding. As a former Minister for Tourism—I had a year as the Minister for Tourism —

**The ACTING SPEAKER:** Member, I want to remind you that at the third reading stage we are supposed to be addressing the bill.

**Mr M. McGOWAN:** Thank you, Mr Acting Speaker; that is very wise advice. Clause 3 of the bill indicates that there is \$6.7 billion for recurrent services and \$1.1 billion for capital. I am interested in which components of this will be spent on tourism; whether it will be possible for there to be a halt in tourism expenditure or marketing in the lead-up to 30 June; and whether the agency will continue to market and merely meet the bills after 30 June. It is an interesting question that falls directly within the parameters of clause 3 of this bill. We ask the question: will the ban on advertising, which was widely seen as wise by the public, apply to the tourism portfolio? I often think tourism is forgotten. When we look at the tourism portfolio, we find that one of the major aspects of tourism is advertising. Seeing that the industry and all the people involved—they are a very vocal group—are not as high profile and do not have as extensive a representative organisation as, say, mining or some of the other —

**Dr K.D. Hames:** Was that \$20 that we agreed on?

**Mr M. McGOWAN:** That is probably the minister's commitment to advertising for the tourism industry over the next month or so!

I went to the Kimberley a number of times in the course of the last year and a half. Some communities, particularly in the south west and the Kimberley, are incredibly dependent on the tourism dollar. Those regions are very focused on what is spent by Tourism WA, the Tourism Commission, on advertising. This government removed a number of the other roles of the Tourism Commission. It took out a number of staff in the regions; it downsized or cut back a number of other roles of Tourism WA and it said that it would focus on marketing. Marketing is where it is at! I recall the Premier saying that to me when I was the Minister for Tourism in 2005 and I think he was a backbencher during the reign of Matt Birney. He said to me, "My view is that Tourism WA should just be a marketing body. That should be where it's at." I note that the government until now undertook to deliver on his view of what Tourism WA should be. My view has always been that it has to be broader than just a marketing operation. Certainly, the advice I receive from lots of people in tourism is that it has to be broader than just a marketing operation. If the Premier's view is—I know it is because he told me to my face—that it should be a marketing operation, why can the government not answer the simple question of whether tourism advertising in this peak period, particularly for the north of the state, is being stopped? Why can that question not be answered? It is a straightforward and simple question. Has advertising by Tourism WA been stopped? Answer the question; we need to know and the tourism industry needs to know. According to the Premier, it is core business. It is certainly core business according to me, although I think Tourism WA should be broader than just marketing. Has advertising ceased for the tourism industry in Western Australia?

Much play about Tourism WA was made by the now government back when it was in opposition. Indeed, a regular commitment was that there would be a stand-alone Minister for Tourism. Does the minister recall that? Katie Hodson-Thomas was going to be the stand-alone tourism minister; that was all she was going to do when the Liberal Party came to government. Much play was made about the tourism industry. If the tourism industry, with its 80 000 employees, is going to have a government that stops all advertising to promote tourism product in Western Australia, at least we should know about it. We asked the question and we still did not get a straight answer. That is a very important question and we will continue to ask it.

The answer provided by the Minister for Tourism indicates that he has a degree of frustration about these issues. He seems to be a very frustrated man. I saw him on the news the other night speaking about health expenditure. He said that it is not a decision for the Treasurer; it is a decision for the cabinet. During question time, we see him defying or perhaps obfuscating or perhaps changing or redefining the directive that was issued by the Treasurer a week ago. We need to know exactly what is going on. My view is that cutting back on advertising is generally a wise thing to do. However, in the case of the tourism portfolio, if that is all it is designed to do, cutting back on its advertising, in a period when the tourism industry in Broome in particular is screaming for more advertising, is unwise and we need to know the exact state of affairs.

I come to the police portfolio and various questions. I am interested in how much money under clause 3 of this bill will be spent on police in the next financial year, which of course comes directly within the terms of this bill. I note that the shadow Minister for Police asked some questions about the deferral of recruitment of police officers. She asked these questions because we obtained a copy of a letter from October last year—it came into our possession only recently—from the Commissioner of Police to Hon Giz Watson, who was then the Chair of the Standing Committee on Estimates and Financial Operations. The letter indicates that as part of the efficiency dividend, the government would defer the recruitment of an additional 70 police officers by 7 March, resulting in a saving of \$9 million. The government would also then defer the recruitment of an additional 30 public servants, which allegedly would deliver a saving of \$3 million. In effect, this is a deferral of 100 police officers by the government. I think that is an important question that needs answering, and I am interested in the answer. If we are to have 100 fewer police officers delivered in the time frame, as promised by the government, that is an important question.

**Mrs L.M. Harvey:** We're not.

**Mr M. McGOWAN:** Then why is there a letter to that effect from the Commissioner of Police? Let me explain it to the Minister for Police. Maybe I will seek advice from my special English adviser, the member for Albany. If something is deferred, that means it is delayed. I would have thought that was the ordinary interpretation of "deferred".

**Mr P.B. Watson:** I strongly agree, Leader of the Opposition!

**The ACTING SPEAKER (Mr I.C. Blayney):** Leader of the Opposition, I think you have drifted away from the four clauses. We have once again drifted away from the subject for the third reading debate.

**Mr M. McGOWAN:** Thank you, Mr Acting Speaker. You are correct; I will not seek any advice from the member for Albany anymore. I do accept your advice.

**Mr P.B. Watson:** I am bitterly disappointed!

**Mr M. McGOWAN:** Perhaps we will apply that more broadly than just in here as well!

The deferral of the recruitment of 70 police officers and 30 public servants is an interesting question. I am talking about whether there will be a continuation of this deferral in the coming financial year under clause 3 of the Supply Bill. It is an interesting question because naturally the government made significant commitments for police and I note that those commitments have been redefined from 500 to 350 police officers and 150 auxiliary offices. However, we find that of those 350 police officers, which was not the original commitment, 70 are being deferred. I think the public needs an answer to that. In question time we do not get any answers to these issues whatsoever. Have these officers been deferred? What is the impact on front-line policing? How is the deferral, which results in a saving of roughly \$10 million, not jeopardising the delivery of police officers to the front line? The answers given by the Minister for Police have not sufficiently answered those questions, and I think the public would be very interested in those things.

The member for Mandurah raised a very important issue and I am interested to know whether it will be funded in the next financial year. The thing about government expenditure is that people are not aware of 95 per cent of what the government spends its money on but there is five per cent of government expenditure that they are aware of. Last week they became aware of very significant increases in salaries of between 15 and 52 per cent for people in the Premier's office and across ministerial offices. That set an example. As I have said numerous times in the press, and I think in here, modest increases across the public sector are wise and good. We need to retain good people in the public sector. I think I said publicly that no-one would have batted an eyelid at a four or five per cent increase. People would have said that was fair enough, but a 52 per cent increase sets an example. I am interested to know whether that will continue in the coming financial year, which the Supply Bill deals with. The government set an example to the remaining 150 000 people in the public sector. Now they are hearing from the Premier that their jobs may well be at risk and there may well be a forced redundancy scheme in the public sector. Bear in mind that this is an environment in which the government constantly reminds us that 1 000 people a week come to Western Australia from interstate, we have the highest birth rate in Australia and a significant number of people are migrating to Western Australia. People who have been driving the streets of Perth for a

considerable time can see the growth in the number of people in Western Australia. We are now hearing that, with all those additional people, all the additional children in schools, all the additional crimes being committed and all the additional demands in areas such as planning in particular, a forced redundancy scheme may well be applied across the public sector. At the same time that the government is telling public servants that their jobs may well be at risk, the government is increasing very significantly the pay for staff inside ministerial offices without any valid explanation. We have now heard from the member for Mandurah that portraits of former government ministers—I saw it in the paper this morning, and to say I was amazed would be an understatement—are being commissioned.

**Mr F.M. Logan:** At taxpayers' expense.

**Mr M. McGOWAN:** At taxpayers' expense. I do not know what the cost of that is but I suspect it is in the thousands of dollars. It sets another example. The government is setting an example whereby it is telling members of the public that the government thinks they should show austerity and that the government needs to cut back on public service jobs, but it is prepared to spend thousands of dollars on a portrait for one of its own. What example does that set? It sets a poor example. A portrait of a former minister of the Parliament is unprecedented.

**Dr A.D. Buti:** Was he ever a Premier?

**Mr M. McGOWAN:** He was not a Premier or a President. There is no doubt that he was a long-serving member.

**Mrs L.M. Harvey:** Have you not walked around Parliament? There are portraits everywhere of serving members.

**Mr M. McGOWAN:** I am sorry; who has a portrait up?

**Mrs L.M. Harvey:** There are portraits and paintings of all sorts of members of Parliament.

**Mr M. McGOWAN:** The minister has got it wrong. The Minister for Police needs to walk around the building a bit more.

**The ACTING SPEAKER:** The Leader of the Opposition has drifted off the topic now. Could he come back to the bill, please.

**Dr K.D. Hames:** It will be paid for out of this year's budget and not the future budget.

**Mr M. McGOWAN:** It may well be, but I am interested in the answer to this question. Perhaps this has been deferred to next year, which is why it is very relevant to this bill. It sets an example. All I am saying is that that is a bad example to set when the government is claiming that everyone else must be austere. I know that Hon Norman Moore has friends inside the Liberal Party and people who are not his friends inside the Liberal Party and that he does not have many friends inside the Labor Party, but it sets a bad and unprecedented example. There are portraits and photographs of former Premiers, former Presidents of the upper house and the current President; that is all there is. To commission a portrait of someone who is not a former President of the upper house is unprecedented. No-one has given a justification for why that was done.

I think it is a bad example for two reasons. The first is that it sets an example of poor spending. The second is: why is one MP on one side of Parliament more deserving of a portrait than another MP who may well be on the same side of Parliament or on the other side of Parliament? Why are other MPs not deserving of a portrait? The reason we do not go down the track of commissioning portraits of members in this place is for that very reason. Once we do one, there is demand to do another and another, and eventually they will be like wallpaper around this place. I think it is an unwise precedent to set. I do not wish to sound ungracious, but it is an unwise precedent to set, particularly when we do not commission portraits of Premiers, who I think endure a far more difficult life and bear more hardships in that role than the Leader of the Government in the upper house. I think that is indisputable and probably all members on both sides of the house would agree with that. We have never commissioned a portrait of Sir Charles Court, Bert Hawke, Phil Collier, John Tonkin, Richard Court or Geoff Gallop, and some of them, I might add, are dead. Ordinarily, something is commissioned after someone has gone. As far as I am aware, Hon Norman Moore, according to the paper this morning, is still alive! I am saying to the government that I do not think it is wise to set that example. I expect wherever that portrait is hung in future years, it will be seen as something that has set a poor example for the Parliament. I suspect that in future years there will be moves not to continue with that example. That is my advice to this house. I suspect most members of this house, those who have been here a while, would agree with that in any event. In Victoria, there are statues of former Premiers outside the Parliament or near the Melbourne Cricket Ground. If there was ever to be portraits commissioned—which I do not agree with—I would have thought it would be former Premiers. I think we have wisely avoided that because of the expense and the example it sets. I do not think the public generally support it. Once again the government is setting an example in relation to the expenditure of public

money that belies its claims of austerity and the need for austerity. The government needs to reveal how much that portrait cost; I suspect it was in the thousands. There is no doubt that the taxpayers of Western Australia, with a budget of \$25 billion, can pay for it. In any event, when it comes time for this government to dismiss public servants or to put up taxes or the cost of electricity again, people will rightly question why it is okay to commission a portrait of one of the Liberal Party's icons, at public expense, when it is putting up the cost of living or dismissing a public servant. I think that is a fair question.

**MR T.R. BUSWELL (Vasse — Treasurer)** [3.31 pm] — in reply: That would seem to draw to a conclusion the third reading debate on the Supply Bill 2013. I most certainly do not intend to go on for too long other than to thank members for their participation in this debate, particularly as we worked through consideration in detail. The members for Victoria Park, West Swan and Cannington made a positive contribution both to the consideration in detail and the third reading debate. Subsequently we saw the quality divide open up in the opposition ranks, led of course by the member for Mandurah. The cream always rises to the top, as we know. Despite the Speaker's best efforts to skim him off, he kept popping up!

**Mr D.A. Templeman:** It was an outstanding contribution!

**Mr T.R. BUSWELL:** I had the member for Mandurah on the other side of the quality divide! However, it was interesting. We worked through some important issues in consideration in detail. I must say that the opposition seems unhealthily fixated on the now-departed Hon Norman Moore. I have never heard so many members get up in this place and spend so long talking about a member from the other place. Norman's legacy clearly has burned deep into the psyche of the opposition, as it has, I should say, into some of us!

**Mr R.H. Cook:** We are not as excited to see him go as you are!

**Mr T.R. BUSWELL:** I have a lot of time and a lot of respect for Hon Norman Moore, as I think nearly everybody in this place has, irrespective of which side of politics they are on. He has made a sustained, quality contribution to the good governance of this state for decades.

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

**Mr T.R. BUSWELL:** Member for Cockburn, I sometimes sit and wonder if people will come into this place and serve for the length of time, and the quality of time, as was the case with Hon Norman Moore. I do not think they will anymore. Life has moved on a little bit.

**Mr M. McGowan:** I do not know if it is possible in this house.

**Mr T.R. BUSWELL:** I do not either. Members get a bit more sleep up there, I suppose! Notwithstanding that, members opposite may have their views on the merits or otherwise of a portrait. I will leave that for other individuals to comment on. I suspect that was a decision made by the other place. No doubt in their own unique way they will understand and explain why that decision was made. Maybe they might even let the Leader of the Opposition know how much it cost. When it comes to the finances of the Parliament —

**Mr M. McGowan:** You have no control!

**Mr T.R. BUSWELL:** I have control on the absolute amounts that come to the Parliament, Leader of the Opposition. It is somewhat of an interesting beast to drill down into. I am sure Hon Eric Ripper, a predecessor in this role, would agree with that. Anyway, some things are best left alone.

**Mr M. McGowan:** You just touched it; now you say leave it alone. You grabbed it by the throat!

**Mr T.R. BUSWELL:** I most certainly did not.

We had a good consideration in detail debate and some interesting issues were brought to the surface. I was particularly interested in the member for Victoria Park's commentary around an article written by Peter Kennedy that appeared in the *Western Australia Business News* during the election campaign. It is an interesting article. He made a range of comments about the upper house, which I was not referring to, and some other comments around how this fixed-term election impacts on the workability of government during the transition from the end of the term of government into the election campaign and then into government. I still think they are valid concerns. Interestingly, the member for Victoria Park referred to the faceless folk who make up the upper house. I must admit I got a bit of a shock today when I picked up the paper and learnt about the faction system in the ALP—something I do not know anything about of course! I am sure if I was a member of an ALP faction, I would be in the metal workers with the member for Mandurah and the member for Cockburn—the oppressed minority! I like the ALP faction system; I think it is interesting. There was a full-page article with another piece by Hon Linda Savage. I was surprised to understand she was a member of Parliament because I think I have only seen her once or twice! But I am sure she made a contribution; in fact I know she did.

**Mr F.M. Logan:** She made a very good contribution.

**Mr T.R. BUSWELL:** A very, very good point, member for Cockburn.

*Point of Order*

**Dr A.D. BUTI:** I wonder what relevance the Labor Party factional system has to the third reading of the Supply Bill.

**The ACTING SPEAKER (Mr I.C. Blayney):** I am sure the Treasurer will actually come around to the relevance of it.

*Debate Resumed*

**Mr T.R. BUSWELL:** In my response to the third reading debates, I am responding to the points raised by the opposition.

**Mr M. McGowan:** Who mentioned that?

**Mr T.R. BUSWELL:** The upper house was mentioned a lot by members opposite; in fact nearly all of them were fixated on Hon Norman Moore. Notwithstanding that, in the early days I was a member of the broad left; on the edge.

A member interjected.

**Mr T.R. BUSWELL:** I probably was. We used to meet in your building down there at miscellaneous workers' headquarters, or whatever it was called in the old days.

A member interjected.

**Mr T.R. BUSWELL:** She was very good at her job.

A member interjected.

**Mr T.R. BUSWELL:** No doubt! My mum is an absolutely brilliant lady.

**The ACTING SPEAKER:** If the member for Bassendean wants to speak, it has to be from his seat.

**Mr T.R. BUSWELL:** She was a member of the missos. Like a lot of members of the missos, I expect she wonders what she ever got for the fees she paid! Anyway, I will move on.

**Dr A.D. Buti:** A lot of union people get a lot out of their membership.

**Mr T.R. BUSWELL:** I know they do, but I am just saying my mum did not.

**Dr A.D. Buti:** I reckon she did.

**Mr T.R. BUSWELL:** Ask her—I will bring her down to your fun run!

Moving on quickly, because I know time is working against us —

**Mr D.J. Kelly:** I came over here to say you are talking rubbish!

**Mr T.R. BUSWELL:** I am not floating in a swamp, though!

A couple of other points were raised that I want to touch on. The member for Victoria Park asked a couple of times whether there is a need to report on moneys effectively spent under the authorities that the Supply Bill puts in place. It is a point that requires further investigation. As we were alerted to by the very efficient Treasury officials, the review of the Financial Management Act —

**Mr B.S. Wyatt:** Has been and gone.

**Mr T.R. BUSWELL:** No—has been worked through by Treasury. My officials pointed out to me that it was certainly their view that they sought the views and feedback of relevant parliamentary committees as part of that review process. As I said to the member for Victoria Park at the time, and I put on the record now, when that review eventually comes to me—I assume it will not be too far off, given the efficiency of Treasury—I will write to the relevant parliamentary committees, the Public Accounts Committee and whatever the corresponding committee is in the upper house, and raise the issue and see whether they want to make any comment about that.

The member for West Swan made a range of observations. Her commentary around the susceptibility of state finances to movements in royalty revenues is very accurate. It is certainly my view and a view that was highlighted last year by at least two ratings agencies when they reviewed the state's finances. It is a fact with which our government will have to deal. I get a feeling that royalties as a percentage of total state revenue has probably peaked from a compositional effect, but we will see how that plays out over the next little while. Royalties are now a significant component of state revenue. The vast majority—over 80 per cent—of royalty revenue comes from iron ore, so it is incredibly important that we get the assumptions around iron ore royalty forecasting as accurate as possible. As I said in this place yesterday, iron ore royalty forecasts are effectively a

function of three things—the exchange rate and the volume and price of iron ore. Treasury has, in the last while, altered that. I do not know what it has done around volume; I assume that that gets adjusted in terms of the surveying Treasury does. However, heading into the midyear review last year, Treasury certainly altered the exchange rate methodology. At that time, it also altered the iron ore forecasting methodology. It is moving the exchange rate forecasting as close as it can to a market-based forecasting mechanism and, in relation to iron ore pricing, last year extending the period across which the iron ore price would trend back to its long-term average over 10 years. That was subsequently changed because Treasury's view was that that mechanism did not pick up short-term volatilities. I know for a fact that that was not done to, in theory, create a pool of money that could be spent as part of the campaign and then be taken away; that just did not happen. When we look at the cumulative effect of exchange rate and iron ore price forecasting that happened before the midyear review, Treasury actually took money out and we have subsequently had another hit of between \$1 billion and \$1.5 billion since the *Pre-election Financial Projections Statement*. It would be irresponsible of Treasury not to try to have the most accurate mechanism of forecasting royalty revenue possible. To not do that would mean that the government could potentially commit to spending in the out years money that we would never have. The flipside is that if we were to underestimate the figure, we could potentially cut the revenue in out years that we would have had.

**Mr B.S. Wyatt:** Do you expect 12 months to go by and we have another change in the way iron ore royalties are forecast, bearing in mind we have had —

**Mr T.R. BUSWELL:** No, but I could not say that hand on heart because I rely on advice from Treasury. I know the member says—I do not blame him for saying this—that the Treasurer could potentially interfere with the process and direct Treasury. But I have to tell the member that that does not happen in relation to these basic fundamentals of our forecasting methodology. Sure, Treasury will tell us what it thinks and what its concerns are—they are listed in the midyear review—but there is absolutely no way, in fact, I think it would be unconscionable of a person in my position to insist or even to suggest to Treasury that it alter its forecasting methodologies to prop up the budget position.

**Mr B.S. Wyatt:** But the change in the midyear review, in terms of the decline to the long-run average changing from the end of the forward estimates to 10 years, had the effect, of course, of raising the price of iron ore over the forward estimates. This change, which is the other side of actually arriving at that price, taking it back 12 months, has the reverse effect because of that decline.

**Mr T.R. BUSWELL:** I understand that—I am not disputing that—but in terms of the impact on the bottom line, Treasury also adjusted the exchange rate last year —

**Mr B.S. Wyatt:** Yes, but not this time.

**Mr T.R. BUSWELL:** No, because it is quite comfortable with the market-based mechanism it now has in place. If the member writes to me, I will arrange a briefing by Mr Barnes and Mr Marney from Treasury about iron ore price forecasting. I am pretty open about this. I have nothing to hide from because Treasury has the capacity to make those decisions and that is entirely appropriate.

**Mr B.S. Wyatt:** What I am curious about—and a briefing may resolve this issue—is that the effect of the change in the midyear review was to increase the iron ore price and the change that is obviously going to happen in the budget, has the effect of decreasing it. There are two different impacts.

**Mr T.R. BUSWELL:** Yes, the member is right, but the change in —

**Mr B.S. Wyatt:** So you can appreciate the confusion.

**Mr T.R. BUSWELL:** If I have to be honest with the member, it took a while for Treasury to explain it to me. My view is that these things should not be changed on a whim because they are fundamental to the budget. Treasury were left in a predicament outside of last year's budget when Standard and Poor's in particular made its observations around the budget; it effectively wrote in its own estimates of exchange rate and iron ore price. It effectively said to the WA Treasury that it was not happy with its mechanisms for forecasting iron ore price and exchange rate. Treasury did some work on that to better understand the changes it needs to make. In relation to iron ore price—Treasury will go through this with the member—its view was that using a four-year return to the long-run average in a lineal manner from the starting point was not accurate and that the price cycle was more likely to be over a 10-year period, which is why it changed it. That was a period over which we returned to a long-run average—market normality, let us put it that way. At this time, its view was that using a three-month historic average was highly susceptible to short-term spikes. Remember in January we had this massive short-term spike in iron ore price? I was hoping it would be sustainable, not because I have shares in an iron ore company but because I am happy for the revenue. In Treasury's view and from its experience of the *Pre-election Financial Projections Statement*, there was a real risk at not only that time but also over time that a short-term spike—I assume it would be the same if it was a short-term dip—could have a significant detrimental impact on the veracity of the forecast.

**Mr B.S. Wyatt:** Presumably then Treasury is not looking to change the front end; that is, it will still decline out and over 10 years that will stay the same.

**Mr T.R. BUSWELL:** That is right; it will remain constant.

So at the midyear review, Treasury changed the period at which we return back to market normality or the long-run average. At the time of the PFPS, it changed the mechanism. I think that if there is to be another change, it will be more towards a market-based approach. Exchange rates are now pretty much fully determined on a market-based approach—forward spot prices et cetera. With iron ore prices, Treasury is now using, at least to determine the starting point, a look at spot prices out to the end of a 12-month period out from the end of the financial year, as well as historically what has happened in that year. Therefore, there is a bit of a mix now, but there is no really deep forward market in terms of iron ore pricing. Members have to remember that at the same time over the last couple of years there has been a fundamental shift in the way iron ore pricing is structured away from long-term contracts to a pricing mechanism either on the spot market purely or, for a lot of our producers, around an indexed number whereby that index is determined at a point in time by an analysis of spot markets over a period.

**Mr B.S. Wyatt:** You would have thought when considering what has been, for a number of years—obviously, there have been some dips—relatively high iron ore prices compared with historically, that the conservative position would be to go back to more market normalcy or the long-term average over four years, not 10 years.

**Mr T.R. BUSWELL:** That is if we accept the argument that that is the cycle. Treasury's view is that that is not the cycle and that the cycle is longer than that. I will arrange a briefing. It is important and I am happy to get up and talk about it. We did not change those figures, though, to concoct an outcome; they were changed by Treasury. In answer to the member's question: will they change again? Possibly. I cannot rule that out because there is a desire to move as close to a market-based forecasting methodology as is available, but in iron ore at the moment it is simply not available. On the advice that I have, the forward market is not deep enough nor mature enough upon which to base those decisions. That is something we will just keep working on.

**Mr W.J. Johnston:** Indeed, there has been a spot market for only a couple of years.

**Mr T.R. BUSWELL:** That is the point I made earlier. The price that most of our producers sell at may not be exactly the spot market for the day, but I think they call it the index number, which is the sum of spot markets over a certain period.

**Mr W.J. Johnston:** BHP is very proud of the fact that it moved to a spot market.

**Mr T.R. BUSWELL:** Yes, in a rising market.

I conclude by again thanking members for their participation in the debate. Fortuitously now, if the budget does not pass through both houses in the required time, we can keep getting paid but also, importantly, the processes and mechanisms of government in this state will continue.

Question put and passed.

Bill read a third time and transmitted to the Council.