

Mr Ben Wyatt; Ms Rita Saffioti; Ms Simone McGurk; Dr Mike Nahan; Mr Terry Redman; Mr Fran Logan;  
Speaker; Mr Bill Marmion; Mr John McGrath; Mr Bill Johnston

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**STATE FINANCES — ASSET SALES — GOVERNMENT PERFORMANCE**

*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)** [3.04 pm]: I move —

That the house condemns the Barnett government for its mishandling of the state's finances and its fire sale of assets.

To a certain extent, this is the budget that the Liberal Party had to have! I nearly fell over when the Minister for Health got up to speak today. I wrote down what he said. He said that we currently do not have the financial capacity. I do not think that a Treasurer in the time of the Barnett government—all seven of them—has ever uttered that. It has gotten so bad that even the Clerk is off, Mr Speaker! Halfway through his career here in the Legislative Assembly, he is off! He is off to Tasmania, where the government there manages the finances better than the government in Western Australia does. The Clerk cannot get out of here quick enough, Mr Speaker!

**Mr B.J. Grylls** interjected.

**Mr B.S. WYATT:** I am glad the member for Pilbara agrees with me. The member for Pilbara agrees furiously with me.

I must admit that when I saw the budget last week, I did not know where to start; my breath was taken away. In the 2015–16 financial year there will be a \$2.7 billion deficit. Time and again we on this side of the house have said to the government, “You’re going to get there but you’re going to lose your AAA”—it has lost the AAA rating. We have said, “Your debt is getting out of control”—debt is out of control, despite revenue being greater than the government ever expected when it set targets for itself.

Then, on the management of the finances there has never been a stable hand on the financial tiller. I have made the point time and again that we have had seven changes of Treasurer—seven! We are starting to see a slight bit of influence from the former Institute of Public Affairs director in some of the assumptions in the budget. There is a lot of upside risk finally. There was a lot of downside risk over the years under the Barnett government every time the government made an announcement. Did the government ask the Department of Education how many students were involved when it made an announcement on 457 visa revenue? No, it did not—so, out that comes from the budget. Does everybody remember the fiscal action plan?

**Mr R.H. Cook:** Sweet!

**Mr B.S. WYATT:** It was the sweet FA plan, Mr Speaker. Then we had the royalty review and the government has to pull out nearly \$600 million. Then we had the metropolitan region improvement tax, apparently to be extended to all regional areas of WA, but after a strong campaign the government is pulling that out and abandoning it. The government announced something, it booked the revenue, and it walked away. Is it any wonder that the credit rating agencies talk about the government's lack of political will and the lack of a coherent financial plan?

There is for me perhaps one stark reflection of the asset sale program—this fire sale of assets that I refer to in my motion. Members will remember that a couple of times in this place the Premier, the member for Cottesloe, said, “We’re not going to sell Fremantle port.” To be frank, when I was reading through the budget speech, I found a lot of things that I was not surprised to see from a conservative government. However, one in particular, the sale of various government-owned office buildings via a sale and leaseback arrangement, confused me, I must admit. That is because when I read it, I remembered the debate in this place when the Premier was throwing \$30 million-plus at building Hale House—his own office. I am sure all members remember it—I know my colleagues remember it—because the question was asked of the Premier, the member for Cottesloe, why he was spending such huge sums of money building his own premises. I will read to the house what the Premier had to say not that long ago on 24 February 2011 in defence of government ownership of office buildings —

The net effect of these changes will be to save well over \$100 million for the Western Australian taxpayer— —

That is Hale House alone, Mr Speaker —

very, very substantial changes will be made—and it will reduce, also, the number of leasehold locations. Bear in mind: state government does not pay taxes. For those members who might think

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financially, why would a government that does not pay taxes occupy rented accommodation? It is logical for government, if practical, to own its own property.

I was therefore stunned to see this plan emerge that includes the sale of various government-owned office buildings via a sale and leaseback arrangement, particularly as countless articles have been written in *The West Australian* and various property journals about the commercial property glut in Western Australia. We are now looking at a 20 per cent vacancy rate. Only “Mr Topsy-Turvy” himself, the Premier, tried to flog an iron ore port at the time the iron ore price bottomed out. Now he is trying to sell government-owned commercial premises at the time there is a commercial property glut.

**Mr C.J. Barnett:** Ask the member for Fremantle what she thinks.

**Mr B.S. WYATT:** Is there any wonder —

**Mr C.J. Barnett:** She wants us to move housing there.

**The SPEAKER:** Premier, please do not have a cross-debate here.

**Mr B.S. WYATT:** All we want is the Premier to honour his promises. It is not outrageous. Remember, they were all fully funded and fully costed. It is not an outrageous thing for the opposition to demand. There will be \$100 million in savings from owning Hale House, but now the government is flogging off the assets while there is a property glut. Only the Liberal Party in Western Australia would propose this. It is this topsy-turvy world that we are in. The Premier should take off his shoes and stick his socks on his hands. Jonathan Barrett was right. What an extraordinary response from a so-called conservative government.

The questions that were put to the Premier today were not unreasonable. Has any work been done around Fremantle port? Prior to the fully funded, fully costed election, the Premier said that he was not going to sell it, and when he was asked about any work being done, he critiqued the Labor opposition for being caught up in process. That is why the government has lost the AAA credit rating. From what I can gather from the Premier’s response today, it is all okay as we are in a low interest rate environment. The Premier said, “I deliberately ratcheted up debt because I knew we were in a low rate environment.” There are two points. When the Liberal Party is basing its financial parameters, including record levels of debt, on an assumption of low interest rates forever, it has a problem. That is what the Liberal Party apparently has done. Interest rates are low, so it is time to borrow, and they are going to stay low forever, apparently.

I want to make one final point because I know a swag of members opposite will probably get up to talk about the wonderful things that they have built. I agree that they have spent a lot of money; I am not disputing that they have spent a swag of money. However, I want to quote the Premier from his very first substantial speech in this place. 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 why I interjected on the Premier. It was non-income-generating assets; now it is long-term assets. The Premier went on to say —

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.

The Premier knew back then that when the government ratchets up debt on non-income-generating assets, regardless of what the interest rate will be or what the government hopes it will be—over half of its debt is in the general government sector—it is leaving the next generation to pay for it. The socially responsible thing for the Premier to have done, back in 2002 when he said that he wanted to keep debt below \$10 billion and he got that extra \$6.5 billion in revenue that he never expected, was to implement some actual financial discipline to ensure that we were not in the position of having a \$2.7 billion deficit and of being \$36 billion in debt.

**MS R. SAFFIOTI (West Swan)** [3.12 pm]: Today’s debate will highlight once again that this government does not care about the future of Western Australia. It is a government that cares only about the day-to-day matters, not about the future of Western Australia. It is governing as though it is the last government in this state and there will be no need for schools, roads, hospitals or public transport for the next 50 years. That is the way that this government is trying to sell its program. It does not care about the future. All it cares about is trying to win each election. There is no care about the future of Western Australia, and we know that because this government has increased debt from \$3 billion to over \$30 billion. This government is borrowing for the day-to-day spending, not for asset investment. This government has blown the boom.

Several members interjected.

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**The SPEAKER:** Members!

**Ms R. SAFFIOTI:** Not only did it spend every single cent it got during the boom, but also it borrowed during the boom. This government does not care about the future of Western Australia.

**Mr C.J. Barnett:** Did you hear about Midland?

**The SPEAKER:** Premier, I call you to order for the first time.

**Ms R. SAFFIOTI:** The last thing that comes into the Premier's mind when he walks in and wants to talk is Midland. It is bizarre.

The privatisation agenda—the fire sale announced in this budget—is yet another demonstration that this government does not care about the future. Privatisation will give a quick sugar hit, but what will the government lose in the long term? It will lose the dividends that the government trading enterprises provide to the state. Again, we have mixed messages from the government. The Premier described Fremantle port as a mature asset. It has reached its capacity; that is how he described it. What is a mature asset? Then we heard the Minister for Transport say that there is tonnes of growth happening in Fremantle port, so let us get the private sector to make money out of it when the government sells it.

Let me talk about income tax equivalents because this is a key point. GTEs owned by the state pay income tax equivalents to the state government. When they are privatised, they pay that tax to the commonwealth government. No wonder the commonwealth government pushes privatisation and asset sales. It is basically a transfer of money directly from Western Australian taxpayers to the commonwealth. Income tax equivalents are lost from the state and go to the commonwealth, and I had that confirmed today. But we lose ongoing dividends and we lose income tax.

The Minister for Regional Development just talked about the balance sheet. Remember, we are here not for tomorrow, but for generations to come. This is a government. It is not a 75-year-old selling their investment property and taking a cruise around the world. It has to govern for generations to come. This is its mentality. It will get a quick sugar hit and it does not care about generations to come.

There is an interesting argument about economic monopolies.

**Mr J.E. McGrath:** When you sell, you get paid.

**The SPEAKER:** Member for South Perth, I call you to order for the first time.

**Ms R. SAFFIOTI:** What a great contribution from the member for South Perth! He said, “When you sell something, you get paid for it.” Thank you for that contribution!

Several members interjected.

**Mr P.B. Watson** interjected.

**The SPEAKER:** Member for Albany, you are not helping the member for West Swan.

**Ms R. SAFFIOTI:** The other key point is that when economic monopolies are sold, there are always issues in the structure of the market for years to come. There are always issues in relation to future competition and future growth.

**Mr J.E. McGrath** interjected.

**The SPEAKER:** Member for South Perth!

**Ms R. SAFFIOTI:** The member does not understand the difference between the port of Melbourne and Fremantle port. Honestly!

Several members interjected.

**The SPEAKER:** Member for Murray–Wellington and member for South Perth, I do not want to hear from you.

**Ms R. SAFFIOTI:** This is the key point. These issues are not realised next year and they are not realised in four years. They are normally realised 10 to 20 years after the sale. When we ask the Premier whether he has undertaken any process, he says, “No; we don't do processes. We don't do analyses before we make decisions.” He says that again and again.

In relation to government accommodation, why is it so different that the government should own the Premier's office but should sell the rest of the government accommodation? What is the difference? The Premier highlighted that it is cheaper to own government accommodation than it is to lease it, but then he said that the government is going to sell the rest of the assets at a time when commercial office space vacancies are at a record high.

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As I said, this government has proven again and again that it does not care about future generations and it does not care about future governments. This government has the idea that somehow all the demand for infrastructure will stop as soon as it leaves office and there will be no more demand for infrastructure. Members talk about schools as though it is somehow revolutionary that a state government should build schools. Of course the government has to build schools, but it does not have to rack up \$30 billion to do it! No-one has ever racked up \$30 billion in net debt to do it. This government has no comprehension about the impact that will have on future governments —

Several members interjected.

**Ms R. SAFFIOTI:** Are they going to be called to order, Mr Speaker?

**The SPEAKER:** Leader of the National Party, I call you to order for the first time. Member for Bassendean, I call you to order for the second time. Member for Pilbara, I call you to order for the second time.

**Ms R. SAFFIOTI:** It demonstrates that this government does not care about the future—fire sale now. It is a quick sugar hit.

**Mr C.J. Barnett:** Midland!

**Ms R. SAFFIOTI:** Seriously! The Premier sounds like some sort of bizarre parrot. We walk into the pet shop and there is a bizarre parrot saying, “Don’t worry about Midland; don’t worry about Midland!” What bizarre pet shop are we in? I mean, seriously!

Several members interjected.

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

**Ms R. SAFFIOTI:** Jeez, seriously. We have outlined that because of the chaotic management of the state finances, the government is now resorting to a fire sale. The government has demonstrated again and again that it will not undertake this with any sort of long-term analysis. The government does not care about the impact this has on the state finances over generations or what happens in our community over generations. It does not care about what happens to economic development over generations. The government has demonstrated again and again that it does not care about what happens in 10 years. It is all about the Premier building monuments to himself. It is not about —

**Mr C.J. Barnett:** Perth Children’s Hospital! We believe in the children’s hospital in Western Australia.

**The SPEAKER:** Premier!

**Ms R. SAFFIOTI:** At least he has moved on from Midland!

Several members interjected.

**The SPEAKER:** Member for Albany, I call you to order for the first time. Premier, I call you for the second time.

**Mr P. Papalia** interjected.

**The SPEAKER:** Member for Warnbro, I call you for the second time.

**Ms R. SAFFIOTI:** Net debt has increased by \$31 billion but no-one has ever really explained how the government got there. Government members will stand and read a list of projects; most of them are what governments are expected to build. They are expected to build schools —

Several members interjected.

**The SPEAKER:** Member for Swan Hills, I call you to order for the first time. We are not making much progress here.

**Ms R. SAFFIOTI:** The government is creating a legacy for the children and grandchildren of our state, and for future governments. The fact that the government does not care shows —

**Mr P.T. Miles** interjected.

**The SPEAKER:** Member for Wanneroo, I call you to order for the third time.

**Ms R. SAFFIOTI:** It shows the government does not care about the long-term implications of the decisions it makes today.

**MS S.F. McGURK (Fremantle)** [3.23 pm]: I want to take this opportunity to address the reasons that the Barnett government’s sale of assets is of concern, particularly around the sale of Fremantle port. The Premier is looking at selling off one of our few remaining profitable public assets. Is it really such a good thing? One would

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have thought that this was something that warranted some public discussion and debate. One would have thought it warranted a business case and a detailed examination of the pros and cons, particularly the timing of any asset sale such as that. One would have thought it warranted that sort of examination. When that question was put to the Premier in question time today, he fobbed it off.

**Mr C.J. Barnett** interjected.

**Ms S.F. McGURK:** He laughed and said, “We get on and do things. We don’t bother about the detail of a business case. We don’t bother about the detail of what is the best return on government assets.”

**Mr C.J. Barnett** interjected.

**The SPEAKER:** Premier, you are going to have a turn. Make some notes and then you can have a turn.

**Ms S.F. McGURK:** Last year, Fremantle port returned \$44.9 million to the taxpayer through income tax equivalents and dividends. A \$45 million return is a 10.7 per cent return on assets. By anyone’s reckoning, that is a significant revenue-generating asset of this state. Is it the best idea to sell off that asset? Even if the answer was that it is a good idea, the question then is: when is it a good idea to sell off this sort of asset? None of those things have been looked at in any sort of detail by this government.

A big concern that was raised in question time today is the impacts of this sale announcement and the Perth Freight Link on the capacity of Fremantle port. Up until this year it was understood that Fremantle port would reach capacity at 1.2 million containers or twenty-foot equivalent units. That is what the Fremantle Port Authority documentation shows. All the public documents refer to 1.2 million containers. In the Perth Freight Link business case executive summary—such that it is; it is the only documentation we have about the flimsy business planning around the Perth Freight Link—the government assumes that Fremantle port will reach capacity at 1.4 million containers. That is an extra 200 000 containers going in and out of Fremantle port every year. What will be the impact of the sale of Fremantle port on the size of that port and on the need for a new container port at Kwinana? What are the implications of that sale? What is the planning around the second port?

In question time today, the Minister for Transport said that in his estimation it will take 10 to 15 years to build the outer harbour. Why is it, then, that the minister’s own business case executive summary for Perth Freight Link states that the outer harbour will be up and operating in 2022? What does the Perth Freight Link business case executive summary say about that? The outer harbour will be receiving containers in 2022. Why is there no budget allocation this year or in the forward estimates? Is that news to the Treasurer that the Perth Freight Link is predicated on the outer harbour taking containers in 2022?

**Mr D.J. Kelly:** It sounds like it!

**Ms S.F. McGURK:** It looks like it. Not only has the Treasurer announced that the government is going to sell Fremantle port, but also no analysis has been done about when is the best time to sell that significant asset, on the implications of selling an asset that is returning 10 per cent profit to the state finances, or of the implications for the needed second port.

People asked the Treasurer on radio 720 ABC Perth in the budget wrap-up why he is selling the port. Most Western Australians understand that it is of concern that the government is looking at selling income-generating assets and has no plan to invest in other income-generating assets or no plan to look at what we should do with our freight, not just in five years, which is when we think Fremantle port will reach capacity, but what we are doing in 50 or even 100 years. There has been no thought about that from this government.

The Treasurer was asked about this on *Drive* 720 ABC on 14 May. According to the transcript, he said —

... have had to shift to the whole port of Fremantle; that’s has addressed a major issue for the State; have to look at how to fund the expansion of Kwinana area; the sale will hopefully resolve the issue and timing and scale and funding of the new port.

“Hopefully”. It was a throwaway line, “We’ll hopefully get to look at the timing and scale and funding of the new port.” If a close examination of this does not frighten the voters of Western Australia—the residents of Western Australia—I do not know what will. It is just staggering that the government is looking at hiving off a major income-generating asset of this state, a key piece of infrastructure, with no detailed business plan and no plan for how to deal with what is really needed—a second harbour for this state.

**DR M.D. NAHAN (Riverton — Treasurer)** [3.30 pm]: I would like to make a contribution to this matter of public interest debate. It is very interesting to look at what people opposite forecast and put together at the last election in 2013. The opposition can say all sorts of things. It can fling around statements like, “I knew iron ore prices were going to drop; I knew what we were going to do”, but it is never held to account. That is the issue about being the opposition—it is not accountable. The opposition can say that the government is spending too

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much but that it is also slashing and burning in education. That is silly, but an opposition can get away with saying that. What counts is when we go to the people. The opposition used the same pre-election forecasts that we did. The opposition got the same advice from Treasury as we did, and Treasury said that iron ore prices were at record highs and there were some risks associated with them. What did the opposition commit to do? Did it say, “We had better not spend so much; we are a bit worried about that; maybe we should use a lower forecast of the iron ore price; and maybe we should be more conservative”? No, the opposition went out on a record spend—\$9 billion recurrent on Metronet over eight years. The opposition was forecasting debt levels of about where we are at now, and that was with \$4 billion more revenue in 2015–16 than we will have. So, do not give us this issue that opposition members are the fiscal conservatives. It is ridiculous!

We are in this situation because we went through a period of very rapid growth and we spent more than the other states. Why did we do that? We had higher demand.

Several members interjected.

**The SPEAKER:** Member for Warnbro, you are on two calls. Members for Cockburn and Girrawheen, this is not a private conversation room.

**Dr M.D. NAHAN:** We had higher demand. The member for Victoria Park, the shadow Treasurer, asked why we spent so much. We spent so much because we had population growth at 3.5 per cent when the rest of the country was growing at less than two per cent. We had huge numbers of people coming to Western Australia, and in certain areas we started out with real lags in expenditure. For example, Western Power had been systematically under-invested in for decades, and we have gone and spent \$10 billion on it. By the way, that is our largest source of investment and is an asset with a rate of return. The Water Corporation has the second largest expenditure, with a large investment of \$9 billion, and we get a return on it. In fact, most of the money we have invested in through the debt has been in revenue-earning assets that needed to accommodate population growth. But we also, as the Premier said, have not sat and watched our chance go by to reinvigorate and refresh the asset base of this state.

I might add that I was in that campaign in 2008. I remember “Carp the builder” was campaigning to build a museum, “Dubai on the Swan”, a stadium and \$7 billion of infrastructure following on from the Reid review. What is the difference? Then in 2013, it was Metronet with a train to everywhere. I think someone went on the London Underground and came back with a little picture of it and copied it here. It was going to cost \$4.8 billion, including large expenditure in recurrent expenditure. At the election, the Labor Party’s promises exceeded ours.

Opposition members keep asking: what has the government done with the boom? They should go outside. They should go to their electorates. I go to mine and I see a brand-new high school in Willetton. Imagine that the government had not invested that money in Willetton, which has 2 350 kids. The government has invested substantially in Rossmoyne and Churchlands high schools and in almost every school in Western Australia. There are 44 new schools. The member for West Swan says that that is what the government has to do. Wait a minute—the member for Victoria Park stands up and says that the government spent too much, yet the member for West Swan says that that is what the government has to do. Through the GST situation and through today, the government has been able to not only meet very high levels of expenditure, meet the growing demand and make up for the lack of spending and lack of capacity under Labor, but also meet surpluses in the current account each year, until this year. That is the reason there is a precipitous drop in revenue. The opposition might like to deny it, but its constituencies know everything about iron ore prices and GST. Opposition members might deny it, but they know.

We have an issue: we have too much debt and we are trying to address it. It is not a fire sale; we have been at this for a year. I cannot see a fire engine anywhere. We are going about identifying assets that we no longer need and selling them to invest in assets that we do need. People opposite have to tell us which one of the assets they would not want. I am waiting. Will it be the Forrestfield–Airport Link project? Did the opposition commit to that? Yes, it did. What about the Gateway WA project? The opposition would probably want to do the Perth Freight Link, but we will discuss that next time. What about the Perth City Link? I do not think so.

We are in the business of recycling assets. That is not a strange concept. I met the Treasurer of Victoria. I think his name is Tim Pallas. We discussed the commonwealth government’s asset recycling program. He said that people in Victoria have grown up; they do not think any longer—it is bipartisan—that the government needs to own assets that can be owned and run effectively by the private sector. That is why in Victoria they went to the last election campaign in a bipartisan manner to commit to the sale of the port of Melbourne. They were using that sale, and part of the process was to build the overflow port for the port of Melbourne. By the way, the Labor government in Queensland did essentially the same thing. The port of Brisbane was moved out of the river to an island port, the land was sold and then the port was sold. In fact, if the port of Darwin is sold—it is on the

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market—Fremantle will be the last metro container port in public hands. Why are people doing that? They are doing it because the public sector does not need to own it; the private sector can and will own it, and will pay a very good bonus for doing so, and we can use the money freed up from the port for better uses. It is sensible.

**Mr D.J. Kelly:** To pay down debt.

**Dr M.D. NAHAN:** No, our debt is targeted to productive assets and we will use those.

The member for Fremantle was reported in the newspaper, and her major criticism of the sale of Fremantle was that there might be more throughput at the port. Think about that. The member for Fremantle is the member for a city that is struggling economically and she is worried about economic activity. She is worried that it might be used. She is worried about efficiencies at the port and its life being lengthened to give more economic value to the area. That is what the member for Fremantle said.

**Ms S.F. McGurk** interjected.

**Dr M.D. NAHAN:** That was her concern as reported in the paper.

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

**Ms S.F. McGurk** interjected.

**The SPEAKER:** Member for Fremantle.

**Dr M.D. NAHAN:** The member's concern was that it would lead to more trucks and more containers going to the port. That probably will happen.

**Ms S.F. McGurk:** More trucks—that's right.

**Dr M.D. NAHAN:** I tell the member for Fremantle that it is a container port, and 80 per cent of the containers come on trucks; so if more containers go to the port, there will be more trucks. I do not know how that can be changed other than investing a lot in rail. That is life. That is why we are also building the Perth Freight Link, which the member for Fremantle is against. However, that is for debate at another time, and I will tremendously enjoy participating in that.

The member for Victoria Park asked: why are we selling government-owned buildings? Unfortunately, that matter goes back to the member for Fremantle also. I remember some questions she asked me when I was Minister for Finance about when we are going to move the Department of Housing to Fremantle.

**Ms S.F. McGurk:** That was because that is what you promised. Why did you promise it?

**Dr M.D. NAHAN:** The Department of Housing has its own building. It is a worn-out building, and that is why we were thinking about moving the department. It is in a very good area that could be redeveloped for other purposes, so perhaps one reason that we would sell a building is that it is clapped-out and that the people who work in it might be better off in another area, such as Fremantle. The opposition should support us.

Also, there are properties that the government needs to own and properties that it does not need to own. There are a number of buildings in the CBD; for instance, Western Power owns one. Why does Western Power need to own its own building? One problem is that it is not included on its regulatory asset base, so it does not get a return on it, but why does Western Power need to own a building? It does not. If it can rent at a lower price and get a higher price for the building, that is good. We know that the port of Fremantle earns about \$40 million in profit per year and we are very confident that we can sell it and make a greater return by selling it rather than owning it. That is what we do; we will sell the port of Fremantle if the return from selling the asset exceeds the net present value of profits from it by a substantial margin. That is what we are going to do with all these assets. Over the last year, we have systematically and forensically looked at the asset base and asked, "Which assets do we need, and which don't we need? Which assets do we think we can sell and get a higher return than from owning them?" That is what we do. Is that not what good management is? Is that not what businesses and households do? Of course they do that.

We know that members opposite, because of their labour affiliations, are against privatisation not for reasons of good management, but because of ideology. The member for Bassendean rambles on and on about Serco, which is contracting out. Other members have complained about the contracting out of Midland Public Hospital to St John of God, which will save \$1.2 billion over the life of the project. They have also complained about the sale of the TAB and the Perth Market Authority. This is just sensible management. If we have an asset that is not earning adequately, that we can make more money from by selling and that we do not need to own, we will sell it. In fast-growing Western Australia we have a very large, ongoing demand for general government activity from hospitals to schools, roads, and transport, and that is what we are putting our money into. That is where the need is, and where the public sector needs to be.

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The government does not have an ideological hang-up like members opposite have. We do not have a constituency, the union movement, that stops us from acting rationally and appropriately. We looked thoroughly at the port of Fremantle and it was our view that it was better in private hands because the state will get a substantial increase in earnings that we can invest in the Forrestfield line, rolling stock and other investments that the state needs to be involved in. This is the way that the opposition is trying to weasel out of two issues—the Perth Freight Link and the port of Fremantle. Building the outer harbour is going to cost between \$4 billion and \$5 billion. How are we going to do that? Before the opposition says, “Do not expand the port of Fremantle, don’t improve the freight links to the port of Fremantle”, I remind members opposite that if we do not, the constituents of Fremantle will be flooded with large trucks. They say, “Build the outer harbour.” How are we going to pay for it? The only way will be to get the private sector to do it. It will cost at least \$4 billion to \$5 billion for the port, let alone the infrastructure.

**Ms S.F. McGurk** interjected.

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

**Dr M.D. NAHAN:** It is a weasel attempt to avoid an issue. We need the Perth Freight Link; we do not need to own the port of Fremantle, and we need to get the private sector to build the outer harbour. The opposition cannot do that, because of its labour strings; it cannot be honest about it.

We have gone through and identified a reasonable set of assets that we will sell over the next 18 months, and that will be used to defray debt. In a relatively short time, we will bring debt down to a manageable level for a fast-growing state. The debt at the end of this year will be \$25.5 billion, which is fully manageable and in line with all the other states, no matter how we measure it. It is fully manageable, especially in a fast-growing state with large new assets and an economy like ours. It is easily manageable. We will systematically do that, but what we know from this debate is that the opposition will not, because it cannot. It has no solution. It made commitments to build far more than we have in both the 2008 and 2013 election campaigns, but it is unable to reduce debt or keep it manageable. It is incapable of managing these issues.

**MR D.T. REDMAN (Warren–Blackwood — Minister for Regional Development)** [3.45 pm]: Thank you, Mr Speaker, for the chance to respond to the opposition’s motion on this government’s approach to sound fiscal management. I think the Treasurer has done a fantastic job managing the state budget through a really challenging time. It is absolutely right at this point in the cycle, given the significant investments we have had to make because of Western Australia’s economy over the last six years, to look at dealing with the debt issue. That is absolutely right, and we are doing it in a very careful and managed way.

For some reason, the opposition does not like the words “private sector”. I understand why; it is because other people are pulling the strings of their opinions and views. I quietly know that —

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

**Mr D.T. REDMAN:** Including the member for Cockburn —

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

**The SPEAKER:** Member for Cockburn!

*Point of Order*

**Mr F.M. LOGAN:** The minister asked for an interjection from me.

**The SPEAKER:** Thank you; no more interjections.

*Debate Resumed*

**Mr D.T. REDMAN:** When I was Minister for Housing, the Department of Housing had a \$6 million land asset in the Northbridge area, and we were able to use that asset to leverage investment from the private sector and also get a social housing outcome. There were also a number of other investments, including in Cockburn Central and Pelago in Karratha; that was absolutely a sound decision. When the member for Cockburn is outside—rather than in here, where everything gets written down—it does not count in terms of public accountability when he says, “Yes, we do that. We talk about what we can do in terms of government leveraging the private sector. Yes, we do that.” But it is said out there, quietly, where no-one records it. The opposition actually does not like the accountability of its position. I also make the point that the member for Fremantle comes into this chamber asking whether the government is going to invest in her electorate to attract private sector investment. The whole notion of the private sector seems to go out the window in the member for

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Fremantle's seat, yet the opposition tries to prosecute an argument here in which the words "private sector" are some sort of taboo. Even the member for Victoria Park, the shadow Treasurer —

Several members interjected.

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

**Mr D.T. REDMAN:** Even the member for Victoria Park talks about himself as being a fiscal conservative. I know that members opposite recognise that the private sector plays a significant part in building and growing this state, and that whatever the government can do to leverage that outcome is really important.

Several members interjected.

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

**Mr D.T. REDMAN:** The Minister for Health pointed out to me to not regret, not forget—the state probably regrets it—Hon Eric Ripper and his support for privatisation as a strategy to deal with asset investment from a state's perspective. Members should not forget what regional Western Australia looked like prior to 2008. It was absolutely neglected. When we have interjections in this chamber from the member for Bassendean, he says "From the members for wherever", because he has not got his coach, the member for Collie–Preston, to tell him what the seats are in regional Western Australia. They forget about regional Western Australia; they absolutely neglect it. We have made significant investments in regional Western Australia. It was absolutely appropriate that those investments happened. The other point the Treasurer made was the under-investment from the Labor Party in terms of the people of Western Australia.

I want to talk about a couple of items on the asset sales agenda—one of which is Government Regional Officers' Housing. We have made significant investments in GROH, and at this point in the cycle there is a level of normalisation in some regional communities. Members opposite may not know what normalisation is, but we do.

**Mr D.J. Kelly** interjected.

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

**Mr D.T. REDMAN:** It is appropriate to look at turning over some assets out there. The Department of Housing is looking at some of its housing assets in active markets that can sustain a level of affordability for public servants working in regional Western Australia. We are also considering packaging up options to lease back to institutional investors to support taking funds off the state's debt position. That is absolutely appropriate. I have been told that in terms of the first cast in this area, 95 per cent of the assets being looked at are over 20 years old and 70 per cent are over 30 years old—so there is a chance to turn over the age profile of these assets. We are also engaging a consultant to look at the market appetite in these areas to ensure that we do not turn the economies of these areas upside down. We are doing it very, very carefully in a very measured and considered way. It is absolutely appropriate to look at that as a strategy to try to reduce our debt.

Keystart is another area I want to talk about. I am sure members opposite are well aware that Keystart does a fantastic job of providing low-deposit loans to support the government's housing affordability strategy. We are well on target to hit the 20 000 affordable houses by 2020. I think we are up to 19 000 houses now, so we will well and truly meet that target. A big part of that strategy is Keystart, the debt position of which from Western Australian Treasury Corporation is just over \$4 billion. It has a \$5 billion cap. We are looking at a strategy to securitise part of that loan book and put it out to the private sector to take it off the government's balance sheet so that we can support something else. It is another asset sale that can help the state government's debt position. It is absolutely appropriate. Again, it has been carefully considered and it has come before cabinet with a business case attached to ensure that we do not undermine the good work that agencies such as Keystart do in the marketplace for people who are not in the position to get into a house at a low-deposit level.

In summary, we have had unprecedented growth in Western Australia. We have made unprecedented investments to support that growth, which is absolutely appropriate. No-one could have predicted where we are with GST revenue and iron ore prices. It is appropriate to consider a very careful approach to the sale of assets. That is exactly what this government is doing. I highlight again that when it comes to regional Western Australia, the Labor Party has no credibility.

**MR W.R. MARMION (Nedlands — Minister for Finance)** [3.54 pm]: I would like to speak against this motion. Indeed, I congratulate the Treasurer for presenting a difficult budget very well and very responsibly. We are looking at the sale of assets in a very responsible way. I want to make a brief contribution about one of the assets that we have identified for sale; it should be looked at—that is, State Fleet. I go back a long time in government, and once upon a time there was a commonwealth tax called the commonwealth wholesale tax, and it was quite right for government agencies to have their own vehicle fleet in-house. I worked at Main Roads Western Australia, and the Commissioner of Main Roads was very pleased because every two years, he would sell a lot of cars and the indicator would show that the return fluctuated between 100 per cent and 105 per cent return. Two years later he would get a 100 per cent to 105 per cent return on the original sale price of the car.

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That was because the state government did not have to pay the commonwealth wholesale tax. Historically, state governments have looked after fleets. Is it appropriate now that the commonwealth wholesale tax does not apply that the state government runs a business of managing cars? It is very responsible to look at whether it is appropriate that the government should run something that the private sector could adequately run as well.

**Dr M.D. Nahan:** It is 11 000 vehicles.

**Mr W.R. MARMION:** Indeed, the Treasurer said there are about 11 000 vehicles—there are actually 10 715 vehicles. I am advised that the actual cash value of the fleet is over \$200 million, and the sale would retire debt of about \$95 million. Straightaway, that indicates to me that that is worth looking at. Have a look at it. Is it worthwhile? I think it is worthwhile. Indeed, we are looking at it in a responsible manner. My department, the Department of Finance, is looking at it. If we can get better utility from the private sector, I think it will probably go to cabinet and we will make a decision. It will be a responsible, considered decision.

I am conscious that the member for South Perth also wants to talk on this topic. I promised to leave him five minutes. Mr Speaker, in summary, I will vote against this motion.

**MR J.E. McGRATH (South Perth — Parliamentary Secretary)** [3.56 pm]: I rise to support the government's asset sales program. I want to talk in particular about the sale of the TAB, which has been named as one of the assets that the government will privatise. I have never seen so much misinformation about a program —

**Mr D.A. Templeman** interjected.

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

**Mr J.E. McGRATH:** The Premier made the statement that this is a once-in-a-lifetime opportunity for the racing industry. What have people opposite got against the racing industry? Do they want to leave the industry where it was in the 1950s? As the Premier said, when the TAB was formed 50 or 60 years ago, back then, if the government had a clean sheet and had privatisation, the government would not have owned a betting agency. The time has come for the industry to be modernised. The Premier has told the industry that he wants it to go out and draw up a blueprint for the future to tell the government where it foresees the industry. The government does not want to tell the racing industry where it should be in 40 or 50 years. But we do tell the industry that we understand that the biggest challenge the racing industry faces is infrastructure. The grandstands are getting older and they need to be replaced, such as the Belmont Park grandstand. Racetracks have to be replaced. There is \$100 million of capital investment required that the racing industry cannot fund. Privatising the TAB —

**Mr P.B. Watson** interjected.

**The SPEAKER:** Member for Albany, I call you to order for the third time.

**Mr J.E. McGRATH:** Privatising the TAB is an opportunity for some of that funding to be put forward to the racing industry to make those changes so that it can set itself up for the next 50 years.

**Mr P. Papalia** interjected.

**The SPEAKER:** Member for Warnbro, I call you to order for the third time. If you want to know what happened in our party room, ask somebody afterwards.

**Mr J.E. McGRATH:** Let me talk about misinformation. Some of the misinformation that has been peddled to the racing industry by dubious means is that all country racetracks will close. I remind members that Queensland has had a privatised TAB model for a long time and it has 132 country racetracks. Queensland conducts 53 per cent of all country racing in Australia. It must be a very bad model if country racetracks are not closing in Queensland! Queensland is a state that is very similar to Western Australia. The other thing about Queensland is that it recently did a deal to extend the privatisation of its TAB. As part of that deal, the organisation that won the contract, Tatts Group, guaranteed the racing industry \$4.5 billion over 25 years. What sort of guarantee does the racing industry want in Western Australia? The government is going to talk to the industry about that. This will all be about consultation. The announcement was made by the Treasurer last week in the budget, and now the consultation process will begin. The Premier has said that privatisation will not happen in this calendar year, but members can be sure that there will be consultation with the racing industry and the government will not be doing anything unless the racing industry comes along with it. We are sure that it will, but we want the opposition's support. We want the opposition to stand up and support the racing industry, so that it can get the benefit of what the government is trying to do with the TAB and that the industry can go forward and remodel and renew itself for the next 50 years. This is a sport that has been flagging of late—crowds and turnover are down, and it is struggling against corporate bookmakers from all around the world. Let us allow the racing industry to modernise and go into the future. Members opposite should not be troglodytes; they should look into the future for this great sport.

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**MR W.J. JOHNSTON (Cannington)** [4.00 pm]: It is no wonder, when we listen to the government's defence, that this is the most unpopular Premier in the state's history. I remind every journalist in Western Australia, when they listen to the defence of the government, to ask themselves —

Several members interjected.

**The SPEAKER:** Member for North West Central, I call you to order for the first time. I do not want to hear the wall of noise.

**Mr W.J. JOHNSTON:** Journalists should ask themselves: why is it that a majority of Western Australians would prefer the Leader of the Opposition to run the state? They should think about the fact that a majority of Western Australians want the Leader of the Opposition to lead this state.

Several members interjected.

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

**Mr W.J. JOHNSTON:** It is interesting to look at the government's record on financial management. Members can go to page 66 of budget paper No 3. The first line item reads —

Ensure expense growth does not exceed revenue growth.

Did this occur in 2014–15? No! In 2014–15? No! In 2015–16? No! The second line item reads —

Maintain a cash surplus from operating activities ... of ... 50% of infrastructure spend.

Did this occur in 2014–15? No. In 2015–16? No. The third line item reads —

Maintain TNPS net debt at or below 55% of revenue.

Did this occur in 2014–15? No. In 2015–16? No. The fourth line item reads —

Maintain a TNPS cash operating surplus of at least 5% of receipts.

That did not occur in 2014–15 or 2015–16. The government has failed its own tests. These are not tests on financial management set by the Labor Party; they are the government's own tests on financial management. The opposition's job is to hold the government to account, so when the government goes to the election and makes promises, we expect them to be delivered. The government promised the member for Fremantle that the Department of Housing would move to Fremantle. The government should not tell us about its problems; it should follow through on its promises. The government told the member for Mirrabooka that it would build the Metro Area Express light rail project. It should not tell us its problems; it should follow through on its promises. I do not agree with the Liberal Party lying to Western Australians in election campaigns, and I will come in here and hold the government to account on that issue. The government needs to deliver on its promises.

I remind the backbench of the Liberal Party that they have a job to do in this, too. They need to use their power to be a check and balance over the depth of incompetence on the government front bench. I remember when Richard Court was Premier of the state; the party room would stand up to the Premier and make sure that he did the right thing by the state. That never happens in this group. This state is now a shambles.

Members also need to remember that the first part of politics is to blame the guilty, and this government is guilty of bad financial management. This government is guilty of running the state into the ground. It is guilty of coming out at the end of the boom, when the government had received more revenue than any government had ever received before, not with surpluses and with cash in the bank, but with the largest deficit in the history of the state and the largest debt in the history of the state. Western Australia took 100 years to get to the approved borrowings under the former government. This government has taken eight years to take that to \$20 billion! That is what has happened. Members opposite say, "Where's the fire engine?" I remind members of the cartoon on the front page of *The West Australian* of 15 May. We all saw the fire engine going to the fire sale! *The West Australian* got it right. I can tell members that Mr Barrett of *The Australian Financial Review* of 15 May got it right, too, and I read his comments about the government —

It got things the wrong way around. The former AAA state used to be somebody. It is in danger of becoming Mr Nobody.

That is because the depth of incompetence of this Premier and this government is incredible. The Minister for Finance talks about the old Matrix car deal that cost the state hundreds and hundreds of millions of dollars. I will tell members how bad that deal was. If private owners sold a car and they did not make the value that had been agreed in advance, the government paid them. Do members get that? The government had to pay the private sector to sell a car. That is how stupid that deal was. It cost this state hundreds and hundreds of millions of

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dollars. One of the first recommendations of the Department of Treasury, under Mr John Langoulant, to the incoming Labor government was to unwind the Matrix car deal. That deal was typical of the Liberal Party. It is incapable of dealing with business. The government talks about the Serco deal for Fiona Stanley Hospital, which has already cost this state \$113 million in payments for an empty hospital. It claims that over 30 years that contract will save \$500 million, but there is not a single basis for that claim. The government will not release its own documentation, and we know already that this contract put costs on government that do not have to be borne by government. That is a disgraceful deal. It is costing taxpayers more to get Serco to run Fiona Stanley Hospital than if the public sector had run it. I am not ideologically opposed to that agreement. It is a dumb deal! The government got done when it negotiated that deal. The private sector was smarter than the government and it conned the government into giving it money for nothing. What is worse, the efficiency of Serco is lower than the efficiency of providing the services internally. We are already hearing stories about Serco workers saying, “That is not in the contract; I don’t have to do that task”, whereas if they were public sector employees, they would provide a broader range of services.

I also want to remind members that the former Labor government spent 87c in every dollar of its revenue and saved 13c. This government is spending \$1.10 of its revenue; it gets \$1 in revenue and it spends \$1.10. This state used to save 13c every time it got a dollar in revenue, and Labor governments spent that 13c on infrastructure. Now, this government borrows 10c for every dollar it receives in income. It is a shambles! No wonder this government does not even meet its own financial standards. No wonder this Premier is the most unpopular Premier in the history of the state. Backbench Liberal members need to ask themselves: how long will we let this Premier drive this state into the ground? Government backbenchers know he is the most unpopular Premier in the state’s history. Is it not time they did something about it?

*Division*

Question put and a division taken, the Acting Speaker (Peter Abetz) casting his vote with the noes, with the following result —

Ayes (18)

Dr A.D. Buti	Mr F.M. Logan	Ms M.M. Quirk	Mr P.B. Watson
Mr R.H. Cook	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 ( <i>Teller</i> )
Mr W.J. Johnston	Mr P. Papalia	Mr C.J. Tallentire	
Mr D.J. Kelly	Mr J.R. Quigley	Mr P.C. Tinley	

Noes (33)

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

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Pairs

Ms L.L. Baker	Mr G.M. Castrilli
Ms J. Farrer	Ms W.M. Duncan
Mr M.P. Murray	Mr C.D. Hatton

Question thus negatived.