

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

GOLD ROYALTY — 2017–18 STATE BUDGET

Matter of Public Interest

THE SPEAKER (Mr P.B. Watson) informed the Assembly that he was in receipt within the prescribed time of a letter from the Leader of the National Party seeking to debate a matter of public interest.

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

MS M.J. DAVIES (Central Wheatbelt — Leader of the National Party) [3.45 pm]: I move —

That this house condemns the McGowan government for its gold royalty cash grab when other revenue options are available, noting the Premier's 2014 comments that state —

Gold, by its nature, can often be very marginal. A lot of work, a lot of processing, a lot of employment—but at the end of the day, costs are high and if this royalty comes in, mines will close and jobs will be lost.

We are having this debate today because the Labor Party lied to the electorate. Let us be clear: the Labor Party was elected on a lie and, in the spirit of partnership, members will hear from both the National Party and the Liberal Party because we are at one on this issue, absolutely without a doubt. The Labor Party was elected on a lie and we will hold it to account for the promises it made that it now seeks to pay for by targeting the sectors that cannot afford it.

The Labor government targeted the gold sector because it went to the election without a plan for the state's finances. We heard that during question time. The Labor Party was dishonest and made promises to the Western Australian public that it never intended to keep. The Premier and his Treasurer, then in opposition, were absolutely crystal clear about the state of the finances. We sat in this place, albeit on opposite sides of the house, and listened to them critique the finances again and again. No-one can argue that the now Treasurer did not understand the mechanisms, levers and triggers that were impacting on our state budget. Members opposite knew the GST system was broken beyond repair; they understood the fluctuations in the iron ore sector and the fact that it created enormous revenue down growth and punched enormous holes in our state budget; they knew that we had dealt with the biggest population increase over the past 10 years that this state had ever seen; and they knew that as a state government we needed to continue to offer services and build the infrastructure that supported 500 000 people moving into this state. They knew that we had to negotiate wages when we saw a number of public servants bleeding from the public sector, because the mining sector was paying very attractive wages, and good on them. But that put enormous pressure on the government to retain the people it needed in our government services to make sure that we did not lose them to a sector that has ultimately corrected itself. They knew that we had to negotiate those wages.

The Labor Party knew and understood the state's finances. It knew and did not take a plan to the election. Instead—this is what we said outside this morning to the people from the gold sector who were standing in front of us and told us exactly what this cash grab will do—the Labor Party crossed its fingers behind its back, and went out and promised millions of dollars of promises that it had no plan to pay for. It did more than that. It actually rubbed it in the face of everyone whom it would later come back to and say, “Sorry, we didn't mean it. We had our fingers crossed! We didn't mean it when we stood on the front steps of Parliament and said we will never increase the gold royalty. We didn't mean it when we said we wouldn't increase taxes, fees and charges. It's not our fault!” That is what the Treasurer has been saying today, “It is not our fault. We could never have anticipated this.” He sat on this side of the house for eight and a half years and critiqued and understood very well the triggers that caused us to face enormous challenges in delivering the services and balancing the budget.

The Treasurer said that he would pay down debt like paying a household mortgage. He said that there would be no increases in taxes, no new fee rises and no new levies. Now, in government, the Premier has said that the Treasurer's budget is the best budget in living memory. I can promise the Premier that not one person I have spoken to since the budget came down thinks that this is a good budget. It is a budget full of pain. The reality is that the Labor Party's first budget is littered with broken promises. It will increase taxes, the gold royalty and water and power charges for households and businesses. We will not stand by and let the government do that. We will hold it to account. When we can, we will absolutely block its ability to deliver on those broken promises. The Labor Party had no plan so this is about the choices it made in framing its budget. The furphy and con job it is selling to the community that this is about paying down debt and reducing debt in the forward estimates is, quite frankly, ridiculous. There is no change in debt; it will not be reduced. This is about paying for the Labor Party's extravagant election promises. The Premier said with conviction in 2014 that if a gold royalty came in, mines would close and jobs would be lost. I would like to know what has changed since he said that a royalty increase was a version of a federal mining tax, which would rip money out of the sector that can least afford it. What has

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

changed since he said that it was basically a waste of time to put up the gold royalty because we would lose most of it through GST? What has changed? Absolutely nothing, except that the Labor Party now does not need the votes of the people it lied to. It does not need their votes so it has dropped them like a hot potato and abandoned them. The government is in hot pursuit of its election commitments, such as Metronet and all the promises that it made in each of these electorates above and beyond what was already in the forward estimates. The government says that it is making the tough decisions to reduce debt but that is absolutely not proven in its state budget. It is there in black and white. The \$392 million that would come from the gold sector, which would put jobs and future investment at risk—we heard that this morning and over the past month from the sector itself—is to pay for the government's extravagant election promises. That is why the Nationals oppose this cash grab. We understand the gold sector and what makes it tick. We understand the sector's values and the principles on which its investors make decisions. Our team stood shoulder to shoulder with that sector in 2014 after the royalty review was done and said that it did not agree. The principle remains; in 2017 we are standing and saying the same thing. It might not be popular in all corners of the state, but it is the right decision. We have access to information that, perhaps, others—the broader community—do not. It is incumbent on the opposition to make those facts known to combat the very convenient turns of phrase that the Treasurer has come up with to justify the government's position.

I point out that the Nats have never been an enemy of the mining sector. I want to make that very clear and have done so in this house on occasion after occasion. We championed and introduced the exploration incentive scheme and invested significantly in the regions to which many of these companies seek to attract workers and invest in. We have been at the forefront of revitalising those communities. We cannot be accused of being budget wreckers because we put forward an alternative to the community of Western Australia, which is still on the table. Time and again, the Treasurer, the Premier and the Labor government have refused to entertain sitting down with BHP and Rio Tinto and discussing something that would give the government the opportunity to reduce debt without putting jobs and investment at risk. It really would. We have not walked away from our commitment to modernise the legacy state agreements and have continued to pursue that. There is a choice. The government can have \$392 million from a sector that cannot afford it, which will shut down mines and cost jobs, or it could have \$7.2 billion from Rio Tinto and BHP with minimal impact on their bottom line and no problems with continuing investment. The development of their industry is in a completely different stage. It is not apples for apples; people I talk to in the community understand that. We know that the gold sector cannot afford a royalty hike. We know that Labor is not paying down debt. There is so much pain for such little gain in this budget. It is all about Labor's extravagant election commitments. That is why the Nationals have been front and centre in making sure that everyone in that sector knows that we cannot support the measures that are in this government's budget. They are unfair and cruel. We will do everything we can to make sure we stop this royalty hike from going ahead.

DR M.D. NAHAN (Riverton — Leader of the Opposition) [3.55 pm]: This is a very important issue because it goes to the ethics of the people on the other side and the government. In 2014–15, we had been in the process of commissioning a review into mineral royalties, particularly gold, for a long time. I believe that iron ore was excluded. We were looking at what should be done. I might add that I came into Treasury in 2014–15 and our revenue was in freefall. I will use the Productivity Commission report. In 2015, we lost \$1.9 billion in revenue from the drop in iron ore prices alone. That was \$1.9 billion in a single year, with no increase in GST. Revenue was in freefall. At that time, we were looking at increasing the gold royalty. What did the Labor Party do? It went out, looked at the issue, campaigned hard with the gold industry and promised not to put a royalty on gold and not to support an increase in the royalty on gold. Indeed, it promised in writing that if a gold royalty increase were promoted, it would block it in the other house with the National Party or the Greens. It promised to block it. In other words, Labor promised to do exactly the same thing that we are doing now. They call it fiscal wrecking. If that was not potential fiscal wrecking, nothing is. What did we do? This is based on a report published after extensive dialogue with industry, which the Treasurer uses now. We looked at it and decided as a government—not in response to threats from the Labor Party—that it was not an appropriate action because it would destroy jobs in the mining sector, which was in real strife at that time because of declining commodity prices. We decided and did the right thing. Why did we do that? Because we put jobs over government revenue. Now we are being pilloried for the debt that incurred, but it was the right thing to do. What were members opposite doing? They were trying to wreck it.

Let us move forward. During the election, Mr McGowan, as opposition leader, promised over and over again not only that he would not increase taxes or introduce new taxes, but also not increase the royalty on gold because it would destroy jobs. He also said that he recognised that the gold industry, even though it is sometimes profitable, has marginal mines. Six months ago he promised not to introduce a royalty on gold. Then there was the election. As the Leader of the National Party said, he made a concoction of promises that would be impossible to meet. He promised to pay down debt, reduce the deficit, not introduce new taxes, not increase taxes or fees and charges, not introduce a gold tax and also promised \$5 billion worth of expenditure. As the Leader of National Party said, we

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

all knew that the next government would have to reduce debt and that it would be a really tough issue. We knew that there was no cheap and easy solution to GST, which, by the way, Labor in opposition said repeatedly for four years was not an issue. How it changed! What did Labor do? It promised \$5 billion worth of expenditure. We cannot afford Metronet, but Labor promised it. Then it said, “Woe is us.” Five billion dollars’ worth of expenditure—we found in the estimates committee that much of that was just fake. It is made up! The government adjusted the methodology—without mentioning it in the budget, I might add—to wipe \$9 billion off the forecast iron ore royalty receipts in the outer years. How did it do that? It just made it up! It concocted a story to justify \$5 billion worth of lower revenue to give it an excuse to raise taxes and charges. That is what the government did. The government said that grants from the commonwealth had declined, but it left out a \$600 million grant for the National Disability Insurance Scheme—that is convenient. The government said population forecasts were going down—some of them were. We will get to the bottom of this. I suspect that the government used two different sets of population forecasts in its budget to concoct a story of lost revenue and to justify ripping up its promises.

How are we going to treat this? We looked at this issue. We were told by industry in the run-up to the budget that the government promised it would not increase the gold royalty. We told industry that it was coming, but it did not believe us, and it did come. The government justified it in two ways. One is clearly and absolutely false and the government knows it. The government said the price of gold has gone up by \$200 and therefore everyone is profitable—that is, looking at the average rate. If the government believes that an average across industry is an illustration of whether all firms can wear a royalty, it is dreaming; it does not understand the industry. The Minister for Mines and Petroleum should step down if he continues to concoct that story. The gold industry, as are all industries, is variable. Some are marginal irrespective of price and the gold industry is particularly that way. Look at the industry. Years before, the Labor Party made the statement that the impact of any increase in royalties would destroy jobs and that is why it would never do it. Now the Labor government says that this increase will not destroy, undermine or lose a single job. That is fiction. It is ridiculous and absurd, but that is this government—it will say and do anything. The Liberal Party sat down for three and a half weeks or more with industry, individual firms and consultants and looked at the data. The government did not, but we did. The Labor Party is in government and it could have done that. The government has the Department of Mines, Industry Regulation and Safety and the department responsible for energy, which know all that stuff, but the government chose not to look at the data. It chose not to look because it did not want to see. We did. There are some firms that this gold royalty increase would not affect. They would skate through it. However, there are some firms that are significantly marginal without the increase in royalty and would be at risk of falling over and thousands of jobs would be lost. They are there if the government bothers to look. The Telfer mine was referred to in the newspaper and I have mentioned it. It is responsible for 1 550 jobs. It is an old mine that needs more investment. It is marginal. It would shut down if all that capital had not been sunk into it. A gold royalty puts it at risk. Its current profitability rate is \$21 an ounce. The gold royalty would take \$20 and the payroll tax would take the rest. It is not marginal and \$25 million-plus has to be put into it. Those marginal firms will provide the government with their books and show them. The government can look, but yet it goes on TV and tells the public of Western Australia that the gold royalty will not put a single job at risk. That is just untrue. It is just false. This just continues the manner of this government. We did our job and looked at the royalty. It will put jobs at risk. The Labor Party made a promise on this before the election six months ago and it has broken its promise, as with many other things. Yes, we are in a swamp of broken promises with this government. This is probably as an extensive and as quick breaking of promises as any government in history—every one of the government’s promises except those on expenditure.

The Treasurer likes to concoct a story of fiscal wrecking. Let us look at its record. Yes, we went into the election knowing that debt was an issue. The Labor Party refused to put in a debt reduction strategy and as a result it adopted a trajectory of debt increases and accentuated them. In 2019–20, debt will be \$2.6 billion or \$2.7 billion higher than what the government inherited. Where is that coming from? It is coming from \$2.6 billion worth of additional expenditure for the government’s election commitments. That does not include the commitments it says it will meet with the Ellenbrook rail line, the Byford rail line, Karrinyup station, medihotels, Joondalup Health Campus, Geraldton Hospital, Bunbury Hospital, Collie Hospital and the list goes on. The Labor Party promised huge commitments that it knew it could not fund, that it should not have committed to, but it did and it is now deciding to meet those expenditure commitments and fund them by higher debt, higher deficits and higher taxes. It is as simple as that. The government is wrecking the budget, knowing what it has done. Recurrent expenditure alone is up by \$800 million, much of it of a highly questionable nature, much of it basically handouts through the electorates to buy votes in marginal seats. That dwarfs the potential revenue loss of \$160 million—if the GST is included—if the gold royalty does not increase. In other words, back in 2014–15, when revenue was in freefall and I as Treasurer was struggling to curb it, the Labor Party positioned itself as wrecker. Then we decided not to do it and the Labor Party agreed with it and went to the election promising not to do it. It lied to the public of Western Australia. The truth is that the Labor Party is the fiscal wrecker. It was back then when in opposition and it is now.

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

MR P.J. RUNDLE (Roe) [4.06 pm]: I point out, as did our leader, that the National Party's position on the gold royalty has not changed since 2014. I remember that when our own Wendy Duncan was on the steps of Parliament House, alongside her was our now Premier, Mr Mark McGowan, with his yellow helmet on. There are 21 mines on care and maintenance in 2016–17 compared to nine in 2015–16, and I think this points out how tenuous the situation is in the world of goldmining. I remind the Labor Party that we cannot take a one-size-fits-all approach. Four of our biggest goldminers in Australia have confirmed that they are likely to shut mines or direct investment elsewhere should this royalty increase go ahead. One of our biggest miners, Northern Star Resources, is talking about reallocating capital to the Northern Territory. I recently met with executives of AusGold about the tenement east of Katanning in my electorate of Roe. AusGold is conscientiously drilling, exploring and raising money to set about creating a resource for our region and the electorate of Roe. They pointed out that this increase will not help their cause at all because AusGold is a junior miner and really looking to set up the scene for a mine that can last for at least 10 to 15 years in our region. I remind members that our SuperTowns funding, which I believe has now been decommissioned, was all about structured planning for not only Katanning, but also the surrounding shires, and planning for construction and the following operation. It is really important that our members remember how this increase in the gold royalty would have put all of this in jeopardy. I would like to point out that the Nationals have taken this stance because the goldmining industry is such a marginal industry. Royalties are paid on the finished product, not on what is taken out of the ground, unlike iron ore. The royalty hike will raise \$98 million a year. This figure is one-fiftieth of the election commitments of the government, so to me it is not about a reduction in debt for the state government; it is about covering its election commitments. The McGowan government was elected on the promise to the people of WA of no new taxes.

For me, this is all about integrity. I was speaking to my parents on the weekend about this. When they went to the ballot box in March 2011, they understood that there would be no new taxes. Now they are facing increases in power and water charges. They knew the state of the finances before the election, as our Treasurer did. Since the election, we have heard many times about the previous eight and a half years, but our Treasurer knew exactly the position at the election. I welcome the stance of the Liberal Party today to join the Nationals in our longstanding opposition to this increase in the gold royalty.

MR D.T. REDMAN (Warren–Blackwood) [4.10 pm]: I want to add my contribution to this debate. As some of the members who have already spoken have highlighted, this is about holding the government to account on trust and integrity. We have heard debate about the merits of the gold royalty increase and other measures that bring more revenue to the state government, but it is about holding it to account on the issues of trust and integrity. The Labor Party went to the election with a particular position; it said it would pay down the debt like a house mortgage is paid—slowly, but surely. As the Treasurer is quoted as saying in the paper, he did not have a plan B. I do not believe the Labor government had a plan A. There are only two options. The Labor Party did not have a plan A or, if it had one going to the election, it did not tell anyone about it. According to the Treasurer's response today, plan A was the 2017 state budget. Going to an election, we pitch to the people of Western Australia what we will do and the positions we are going to take in a range of sectors. People get a readout from the parties and vote accordingly. The Labor Party took that to the electorate and was elected with an overwhelming majority, with members standing behind me here. We put to members today that the Labor Party lied to the people of Western Australia.

The Treasurer comes to us now and says, "Yes, but we didn't know that there was going to be \$5 billion of writedowns in revenue." Do members think that the current government would have given us the courtesy when it was in opposition to say, "Well, we accept that there are some revenue writedowns and the government has to put some hard measures in"? Do members really think that when the Labor Party was in opposition, it would have given us the courtesy of saying, "Yes, that is fair enough"? It never did. As both the Leader of the National Party and Leader of the Liberal Party have said, the Labor Party opposed a range of revenue measures to try to sort out the state budget challenge, including the introduction of land tax and the sale of Utah Point and the Perth Market Authority. The government was marginal in its position on the sale of the TAB, but certainly the rhetoric of the former Labor opposition was that it did not support the sale of the TAB. We agreed with the former opposition on Fremantle port; it did not support the sale of Fremantle port. Western Power was the same thing. I am making the point that the pitch that the Labor government is making to us today is that the opposition is trying to wreck the budget and what the government is trying to do. The Labor Party forgets so quickly the position that it took on a range of matters in the last three or four years. Every time we went to the budget aggregates every six months, we looked at the writedown of revenue measures. We had to respond accordingly. Labor is doing that. It never gave us the courtesy of saying that that is fair enough. The government needs to expect from the opposition the same arguments that it put up. We are holding the government to account on trust and integrity.

I will tell members who the first losers are when the pressure comes on, particularly from this government. The people of regional Western Australia are the first losers. We saw the Labor Party commit to royalties for regions. There have been massive cuts to royalties for regions through substitution in the long term. There is an over

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

40 per cent long-term impact on the royalties for regions program. What do people in regional Western Australia think about that? Labor committed to that program, but it has been cut massively.

The mining tax is another issue. The National Party has a longstanding position on the mining tax, so it is only reasonable that we stick to that position. If the government was true to the issue of sharing the burden, one of the options it would put on the table is to look at Metronet. One of the options that would give an ounce of integrity to its argument that it does not want to pick losers and affect only people on the other side, in regional Western Australia, for example, and that it is looking across the board, is to take a couple of railway tracks out of Metronet. Why not? That is a massive capital outlay for a significant program. That would give a signal to the people of Western Australia that the government is dinkum about it. But it is picking out significant issues that affect regional Western Australia, and it is only fair that the National Party will stand in here and take issue with that. We are holding the government to account for the principles of trust and integrity, and the Labor Party cannot go to an election saying one thing and within six months backflip and say, “Hey, look what’s happened. We didn’t know this was going to happen; therefore, we have had to take these positions that impact on people.”

Either there was not a plan A or, if there was, Labor did not tell anyone about it. It certainly does not have a plan B. To now come in here and push for one particular sector that can ill afford to take on that change because of the impact of jobs and on regional Western Australia, the government is trying to pick the eyes out of the issues that least affect it. If the government had any ounce of integrity, it would look right across the board, including at Metronet, to find a source to get something back in the budget.

[Member’s time expired.]

MR B.S. WYATT (Victoria Park — Treasurer) [4.16 pm]: I was enjoying it, member for Warren–Blackwood. Unfortunately, he ran out of time. He was just warming up.

I rise to make some comments on the matter of public interest moved by the Leader of the National Party. It is interesting. I think we are revisiting some issues that we already dealt with in question time. I think the member for Warren–Blackwood raised some points of interest. It suggests to me that perhaps the comments that “You are treating us unfairly because you treated us unfairly in government” is underlying the Liberal Party and National Party’s position here. I think an element of bitterness with the election result is driving the position. I noticed that the member for North West Central was kicked out from question time because he gloated that the government cannot get its key budget measures through the upper house. That is what is really going on here. There is no attempt to understand the mess that the Liberal–National government left behind and wear the responsibility for it—none whatsoever. That is the fundamental problem.

I wrote down the issue that the member for Warren–Blackwood raised. He asked whether we would have given the Liberal–National government the courtesy or the benefit of the doubt. Again, I raise the Productivity Commission report. It is useful and I encourage all members to read it. Again, at page 10, which I quoted in question time today, it refers to Western Australia’s fiscal position. It highlights that although the former government had the revenue writedowns late in its government, it had huge revenue upgrades in the first term. The Productivity Commission points that out in a little chart. The Leader of the Opposition said that at the end of our forward estimates in our first term we have increased debt by \$2.2 billion. At the end of the former Liberal–National government’s forward estimates in its first term, it had increased debt by over \$20 billion. That is on the back of revenue write-up after revenue write-up.

Mr C.J. Barnett interjected.

Mr B.S. WYATT: That is why we talk about the first term of the former government when it set the structural imbalance for the problem that it faced. I think the member for Cottesloe said something about the global financial crisis. Despite that, the former government had revenue write-up after revenue write-up. It blew all that money, plus it increased debt by \$20 billion in its first term. The Leader of the Opposition was complaining that the government is set to increase debt by \$2 billion in its first term. Let us get some perspective here. That is probably why we would not have given the former government the benefit of the doubt. I do not think we can have a proper dialogue. There are leadership issues in the Liberal Party. I am not sure where the National Party is. The shadow Treasurer says that the budget is lying. The Leader of the Opposition said in his speech today that he thinks—I wrote this down because I was stunned—that Treasury is using two different population numbers in its budget. That is what a former Treasurer of this state said today in the debate in Parliament. It is very difficult to have a dialogue with members of the opposition when they are in the state that they are in. They are wrecking the budget and that is the approach they are taking, but they are in a bad state. I again highlight the point to the shadow Treasurer and the Leader of the Opposition that when the Liberal Party contracts out its fiscal management to the National Party on the first day in Parliament after the budget was brought down and after a range of contentious budget decisions have been made, it highlights the problems it has.

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

I want to go through a couple of issues. The first issue is that Labor said all of this before the election. The Premier has acknowledged this and he has apologised for it. The reason that the ReachTEL poll, for whatever it is worth, shows that there is overwhelming support for our budget measures is that people expect a government to react to the circumstances that confront it. Unlike the former government, which had in its first term a revenue write-up in the billions and billions of dollars, we have to cop revenue writedowns currently in the order of \$5 billion. We have to respond to that. To not do that would mean that we would be as negligent as the previous government. We do not get that right. Whether it is an ethical government or a moral compromise, or whatever the rhetoric was of the member for Warren–Blackwood, I am happy to have that conversation in public, and I will continue to do so. I will argue vociferously for the position that we have taken and explain why we have had to make the decisions that we have made. I think the public understands the decisions that we have taken and I think it supports them. Certainly, that ReachTEL poll suggests that it is right.

In respect of gold, we all know the decision that we have made, but I will go through it again. We look to gold. Ultimately, the former government broke its promise—if we are going to go through that dialogue—and increased land tax three times in three years. That had a huge impact on property investment and on self-funded retirees and small business. We saw all that. When we looked at revenue sources, I did not think there was a capacity to look to the property sector to continue to absorb tax increases after the increases that had been imposed on it by the previous government.

Mr C.J. Barnett: Did we increase payroll tax?

Mr B.S. WYATT: Well done; the member obviously understands the budget!

We looked at two other areas. One area was payroll tax—well done, member for Cottesloe; he has read a journal or something or other. We hope to increase payroll tax. I hope that makes its way through Parliament as well, subject to the wrecking principles or the kneejerk reaction of the Liberal Party. I was keen to ensure that that particular revenue measure was not locked in permanently. Ultimately, if it is permanent, state governments are very reluctant to take it out. As members will see when I introduce that measure, it will expire after five years; it will expire on 30 June 2023. That measure will get us through the key problem time that the former government left us in, which is really the next three years, during which our operating deficits will be significant but will hopefully slowly return to a surplus position. Of course, the other decision was around the gold sector. It took some time because there is a lot at play in the gold sector, as members have highlighted today. It is unlike iron ore. I get that, but that is why we have a transition price of \$1 200 an ounce. I asked the Chamber of Minerals and Energy and the other miner that came to see me, Newcrest Mining Ltd, about that transition price. I am open to that, as I am open to any transition period for protecting really only the three or four mines that this may have a dramatic impact on. How do we protect them as we protect the iron ore juniors? There might be a way we can do that.

The CME's campaign was woeful. I was surprised at how bad it was at providing data. I wrote to the CME and asked it to provide some of the information that it is saying in public. I remind people that the Australian Securities Exchange had to call the CME to get it to take down a media statement that it had put out. The ASX had to effectively reprimand the CME for its rhetoric. It was so misleading and so untrue that one of the corporate regulators intervened. I wrote to the CME. As I said, I went through the mineral royalty rate analysis of the previous government, the stock exchange data and the annual report data of about 80 per cent of the gold producers in Western Australia. A lot of work went into this and that was the work upon which we based our decision. A lot of the commentary by individual goldminers, but certainly by the CME, seemed to directly contradict what the stock exchange had previously been told. The fact that not one negative ASX update went in from any of these miners after this became law and was gazetted highlights the point that the rhetoric was just that.

I made the point at the front of Parliament House today—I did not shy away from it—that I am particularly disappointed with how some gold employers and the CME have engaged on this. The CME said that thousands of jobs will be lost, but when asked in the media what analysis it had done on that, the CME said it had done none. The CME should know better than that and, importantly, the Liberal Party should know better than that. After my conversations with some Liberal members of Parliament from both this house and the other, I think they do know that, but they have chosen to make another decision. Again, because I was interested in the rhetoric coming from the CME, I paid key attention to what the market was doing. The market has been incredibly active in the four or so weeks since we announced the budget. I enjoyed it. I regularly pointed this out on Twitter. I perhaps became the biggest promoter of the gold sector in Western Australia. The Calidus Resources Ltd placement was oversubscribed three times. De Grey Mining Ltd shares were up by over 150 per cent after a gold discovery in the Pilbara. The Pilbara has had a particularly active time. Okapi Resources Ltd had an incredibly successful ASX debut. One that is particularly pleasing because it is near where I started school out near Leonora is Kin Mining, which is going underground. It specifically modelled its mining with the royalty increase and said that it would

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

still have a high-margin mine if we did this. Of course, there are also the various analysts. Patersons Securities said that the increase in royalty is a storm in a teacup; there are fat profits and the long-term impacts would be limited. I have quoted before in this place the gold sector analysis that Argonaut Ltd did prior to the Diggers and Dealers Mining Forum. I want to make some comments about the all-in sustaining costs issue. Again, I will quote from Argonaut —

In the June Q, the weighted average all in sustaining cost ... was \$1,077/oz ... versus a gold price of \$1,675/oz ...

These goldmines have significant margins. As I said before, I accept that a small number do not and, in implementation, we can protect those, if we get that far. But the reality is that the rhetoric from the goldminers is fundamentally different from the reality. I am not expecting anyone on the other side of this chamber to believe me, but I do expect them to watch the market, look at the analysis and see what it says, because that confirms everything that I have been saying—that this is not some form of job killer or job destroyer in the gold sector. The gold sector itself knows that. Some goldminers do not and will never ever accept it, but certainly some goldminers understand very well that they can very much afford to pay this very small increase; it is netted off at around 13 or 14 bucks an ounce when deducted against various corporate tax obligations to the commonwealth government.

State Treasury made the point, and we were particularly conservative, about what we were getting on our all-in sustaining costs and the likely profit. It was somewhere between \$200 and \$800 an ounce. The private sector analysts are much more bullish and much more aggressive about what they view the profitability to be. Of course, as I have also said, there are average highs and some individual discrepancies that we can deal with as a government. The point is that the gold sector is doing very well and the market activity—I keep saying to the Liberal Party that it should not believe me; it should watch the market—did not stop. In fact, it sped up. Listings, mergers and acquisition activity, investment activity from the United States, Canada and other states in WA goldminers, and market responses to gold discoveries have been nothing but strong. When there is what is, in effect, the equivalent of the movement of one cent in the dollar in the exchange rate, and I hear from some senior goldminers who should know better that that increase will mean that mines will close, I worry about the capacity of the Chamber of Minerals and Energy and the state government to have sensible conversations about what is a fair and reasonable return to the owners of that asset, the people of Western Australia. I really worry about that because the Chamber of Minerals and Energy has now become, effectively, nothing more than an advocate for the status quo to protect the goldminers from paying a fair return.

The motion also makes the point that we should go into iron ore. Interestingly, apparently, if we increase costs on gold, jobs are lost, but if we increase costs on iron ore, there is no impact. The Leader of the National Party wanted a plan A. If there was a plan A that raised billions of dollars and had no impact whatsoever—that is what she wanted it to be—guess what? It would have been in the budget. The reality is that no such plan A exists. As much as we all want it to exist and as much as we all dream of such an option to exist, it does not. Ultimately, solutions are difficult and they do not raise billions of dollars, and that includes the Leader of the National Party's option. When I hear, whether it is editorialised in *The West Australian*, incredibly, or rhetoric from the opposition, that it does not raise enough money, so why bother, that is the policy equivalent of throwing our hands up in the air and saying that it is all too hard and we cannot do anything anyway. That is why this problem occurred in the first place. Those days are over, so we have to find incremental, important benefits in a way that protects jobs and does not have dramatic impacts on the broader economy, and that is what we have sought to do. The opposition is now saying to the households of Western Australia that they can carry the burden; they can do the work that is required. Both the Liberal and National Parties might be willing to increase land tax three times in three years, but they will draw a line at the gold sector, which is currently benefiting from significant returns from a record high gold price as well as being a very good gold sector with very low costs. Their all-in sustaining costs are very low. I think the gold sector tried to mount a late debate that despite the fact it has been reporting all-in sustaining cost measures for at least the last five years, every document, whether it be investor presenters, ASX documents or annual reports, has reported the all-in sustaining cost measure because it is, effectively, the cost to take an ounce of gold out of the ground. However, late in the day the gold sector said that we should look at all-in costs, which incorporates community activity in other states. All-in costs are not the measure by which we go about measuring the cost per ounce of gold. The gold sector knows that, which is why it does not report to it. It reports to the all-in sustaining cost model. I noted very late in the day that it is an effort by the gold sector to try to blur the debate around this.

I am disappointed, of course, in the Liberal Party. I am not surprised at the National Party because it made its decision some time ago, but I am disappointed in the Liberal Party and that the Leader of the Opposition would have the audacity to say, “They are wrecking the budget.” The reality is that not just this government, but probably another couple of governments will wear the consequences of the Liberal Party's time in power between 2008 and 2017 for quite some time to come. That is the reality of what it has left Western Australia. The Leader of the

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

Opposition does not like that, and I understand that. But it is important that the Liberal Party come back from the lunatic fringe where it seems to be habituating and go into the mainstream political debate and be part of the solution, because whether it likes it or not, it controls the upper house. It has the numbers in the upper house, and that means it has a responsibility to be part of the solution. I do not think members of the Liberal Party like that responsibility, but that is the reality they face. Despite the fact that not one revenue measure was blocked in either the lower or upper house during the Liberal Party's time in government, here it is wrecking a key budget measure because it is basically venting its spleen on the election result—no more, no less. That is what the member for Warren–Blackwood and the member for North West Central said. It is a spleen vent, and the people of Western Australia will have to pay the cost of this fit of pique from the Liberal and National Parties for many, many years to come.

MR W.J. JOHNSTON (Cannington — Minister for Mines and Petroleum) [4.35 pm]: I love the fact that the Liberal Party has changed its position on a very important issue. I think the National Party's hegemony over the opposition is now clear. The National Party has a well-understood position on the lease rental fee for the two major mining companies. It says that that one source of revenue from two companies can raise billions of dollars—it is the magic pudding that fixes all budget ills! Now, today, the Liberal Party is agreeing with the National Party. The Liberal Party is supporting a resolution that revenue options other than the gold royalty are available to the government. That is what the Leader of the National Party said at the rally outside Parliament today.

Ms M.J. Davies interjected.

Mr W.J. JOHNSTON: She interjects and says that there are.

Let us make it clear: the Liberal Party is not opposing us; in fact, it is asking us to increase revenue from the mining sector. That is exactly what it has requested us to do with this resolution today, which the Leader of the Opposition spoke in favour of. The Liberal Party has now endorsed the National Party's plan to raise revenue from BHP Billiton and Rio Tinto Exploration Pty Ltd. That is exactly what has happened today and I am surprised by that. I am very surprised that the member for Kalgoorlie has chosen not to contribute to the debate today. I am very surprised also that, basically, for the entire debate—during the opposition contributions—nobody on the opposition benches was in the chamber. The Leader of the Opposition spent most of the debate out of the chamber. We know that this is the abandonment of principle by the Liberal Party and this is what it has got to.

I want to point out to the house that two supplementary appropriation bills are before the chamber. They are to deal with the billions of dollars of expenditure by the former government beyond the approval of this chamber. This is what we have to overcome. This is the handy work of the Liberal Party and the National Party. This state has gone from being number one to last place in Australia for state government financial management. The Liberal Party came in complaining that the surplus was too big. The Liberal Party said that the Labor Party's budget surplus was "obscene". It came into power saying that its aim was to run down the surplus. When the inevitable happened and financial problems arose in this state, of course, we did not have the financial fat to take us through the situation now confronting us. Members opposite should read the debates from when they were in government and what the opposition said to them. The opposition told them to be cautious and not to be reckless and just spend away without focusing on tomorrow.

The National Party perpetrates a lie. Not one cent has been cut from royalties for regions. Every single dollar of royalties for regions expenditure will be delivered by this government because we are the party of the regions.

Several members interjected.

Mr W.J. JOHNSTON: We are the number one party representing regional Western Australia and we are committed to delivering every single cent of royalties for regions expenditure every year that we are in government, and we will do.

MR M. McGOWAN (Rockingham — Premier) [4.40 pm]: I will close this debate. I understand that the opposition's time has expired. Indeed, the member for Kalgoorlie did not speak in the debate. It is very interesting that the member for Kalgoorlie was banned from speaking in this debate that he claims impacts his electorate. Where is he? He is not even in here for this debate. This is how much the Liberal Party believes in this argument. It banned the local member from even speaking on this issue—extraordinary.

As I said during question time, the gold industry has become very prosperous and successful in Western Australia, and I support that. I hope it continues to be prosperous and successful and continues to employ Western Australians in large numbers. The industry has existed in this state for a long time—more than 100 years—and was indeed the first major mining industry in Western Australia; others have followed its lead. For a long time, the industry paid no royalty whatsoever. The first minister to impose a royalty on the gold industry was the member for Cottesloe, back in 1998. He argued the case, against the National Party's election commitment,

Extract from Hansard

[ASSEMBLY — Tuesday, 10 October 2017]

p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

and the gold royalty was brought in by the Liberal government in which the member for Cottesloe was minister for mines and resources in the late 1990s. In the period since then, there has been much commentary and major reports indicating that the gold industry has the capacity to pay a larger royalty. In fact, its royalty is the only major royalty paid by the mining industry that does not reflect the expectations and the long-held policies of the government of Western Australia.

A report commissioned by the former government in 2014 indicated that the gold industry had the capacity to pay more. Since then, the price of gold has increased by more than \$200 an ounce. I repeat for all members: the net cost per ounce of the increased royalty is \$14 out of a \$1 650 return that the mining industry is currently receiving for each ounce. That is what all the hullabaloo being put forward by the industry is about—all the mock protests out the front of Parliament House, in which the industry bussed in its employees and forced them to stand there looking glum about this industry. It is about a net \$14 an ounce out of \$1 650. The price bounces around by more than that on a daily basis, but \$14 an ounce means \$400 million for the taxpayers of Western Australia over the forward estimates, and a much higher return, even taking into account the goods and services tax arrangements that currently exist, than virtually any other mineral in Western Australia. Therefore, in the long term, it is actually more beneficial than any other mineral in Western Australia in terms of return once the GST is taken into account. We are saying that the public of Western Australia should be the beneficiary of the success that the gold industry is enjoying—in addition to the industry being the beneficiary of that success.

Why is the opposition opposing this? There are three reasons. The first is that the opposition just wants to be wreckers. The second is because of the Liberal–National Party spat over the seat of Kalgoorlie. Wendy Duncan held the seat before the last election, and the Liberal Party, with the absent Mr O’Donnell, won the seat at the last election. The National Party raced out there saying that it was opposed to the royalty, so that it could get some sort of local political advantage. This is the same National Party—the most financially irresponsible party in this country—racing out to oppose an important revenue measure that is entirely justified by the facts for the people of Western Australia. So the second reason is the Liberal–National war. The third reason is that the Leader of the Opposition does not have the capacity or the authority in his own party to carry the argument. That is a fact. He flops around with his incoherent arguments, questioning and speeches in this place, and all he wants to do is hang onto his job for a little longer. It is embarrassing for the Liberal Party that he is in this position.

Several members interjected.

The ACTING SPEAKER (Mr I.C. Blayney): Members, I am having trouble hearing the Premier, so I would appreciate it if you could hear him out in silence.

Mr M. McGOWAN: What has the Liberal Party been known for since the state election? It has been known for financial wrecking, wanting to separate Western Australia from the rest of the country and voting down a revenue measure that is important to the people of this state. That is all the Liberal Party now stands for—separating us from the rest of the country. Members opposite should hear what Liberal Premiers and the Liberal Prime Minister have to say about the opposition saying that Western Australia should separate from the country. The Liberal Party in Western Australia is a joke.

In his speech, Leader of the Opposition rejected the upgrade and improvements to the Joondalup Health Campus and the Ellenbrook railway. We will make sure that the people of Joondalup and the people of Ellenbrook understand where he stands on those important projects. We will also make sure that the people of Western Australia understand that the opposition wants the ordinary pensioners, families and people who work hard and do a good job to meet the entire cost of budget repair, rather than those extremely profitable goldminers whom everyone in business, and everyone across the state, knows can afford it.

Division

Question put and a division taken, the Acting Speaker (Mr I.C. Blayney) casting his vote with the ayes, with the following result —

Ayes (15)

Mr C.J. Barnett
Mr I.C. Blayney
Ms M.J. Davies
Mr P. Katsambanis

Mr Z.R.F. Kirkup
Mr A. Krsticevic
Mr S.K. L’Estrange
Mr R.S. Love

Mr J.E. McGrath
Dr M.D. Nahan
Mr D.C. Nalder
Mr K. O’Donnell

Mr D.T. Redman
Mr P.J. Rundle
Ms L. Mettam (*Teller*)

Extract from *Hansard*
[ASSEMBLY — Tuesday, 10 October 2017]
p4298b-4306a

Speaker; Ms Mia Davies; Dr Mike Nahan; Mr Peter Rundle; Mr Terry Redman; Mr Ben Wyatt; Mr Bill Johnston; Mr Mark McGowan

Noes (36)

Ms L.L. Baker	Mr M. Hughes	Mr M.P. Murray	Ms A. Sanderson
Dr A.D. Buti	Mr W.J. Johnston	Mrs L.M. O'Malley	Mr C.J. Tallentire
Mr J.N. Carey	Mr D.J. Kelly	Mr P. Papalia	Mr D.A. Templeman
Mrs R.M.J. Clarke	Mr F.M. Logan	Mr S.J. Price	Mr P.C. Tinley
Mr R.H. Cook	Mr M. McGowan	Mr D.T. Punch	Mr B. Urban
Mr M.J. Folkard	Ms S.F. McGurk	Mr J.R. Quigley	Mr R.R. Whitby
Ms J.M. Freeman	Mr K.J.J. Michel	Ms M.M. Quirk	Ms S.E. Winton
Ms E. Hamilton	Mr S.A. Millman	Mrs M.H. Roberts	Mr B.S. Wyatt
Mr T.J. Healy	Mr Y. Mubarakai	Ms R. Saffioti	Mr D.R. Michael (<i>Teller</i>)

Pairs

Mr W.R. Marmion
Mrs L.M. Harvey

Mrs J.M.C. Stojkovski
Ms J.J. Shaw

Question thus negatived.