

**McGOWAN GOVERNMENT — COST-OF-LIVING INCREASES**

*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 Opposition seeking to debate a matter of public interest.

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

**DR M.D. NAHAN (Riverton — Leader of the Opposition)** [2.55 pm]: Mr Speaker —

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

**The SPEAKER:** Minister for Water, I call you to order.

**Dr M.D. NAHAN:** I move —

That this house condemns the McGowan government for its mean-spirited cost-of-living increases, which are hurting Western Australian households, in particular low-income earners, pensioners and the working poor.

Government members: Hooray! You found them!

**The SPEAKER:** Members!

**Dr M.D. NAHAN:** Looking at the government's budgets, it claims to be working for the working poor, but it is creating them. Western Australian households are going through the most difficult financial period since the recession we had to have in 1991–92. We are experiencing the slowest growth in household income since the 1991–92 recession. Indeed, in the September quarter last year household income shrunk. Over the last five years, there has been a steady decline in household income. What is the government doing? It is jacking up fees and charges like never before, on top of what it did last year. Households cannot afford it. The key indicator and driver of economic growth in Western Australia is household expenditure. Household expenditure is flat to negative. Indeed, in the last quarter, household expenditure went down in Western Australia. Our state experienced the lowest growth in the nation, at 0.2 per cent on an annual basis. This compares with the national average of 2.6 per cent and growth in Victoria of 4.1 per cent. Household income and expenditure is flat. It is only locked into non-discretionary goods. There are a whole range of reasons for that. The major contributor to that is the government and its systematic decisions to undermine the ability of households to spend. There are a number of factors. The first is the wealth effect of the housing market. The housing market has not grown for 10 years; house prices have been steadily declining over a 10-year period. Despite that, mortgage stress in Western Australia—that is, the number of people who are borrowing to fund mortgage payments—is the highest in the nation. Nearly 35 per cent of households are under mortgage stress, which is defined as not earning enough money to cover their overall costs. That compares with a figure of 29 per cent nationally. Households that are borrowing to pay their mortgage or household running costs do not spend. This is not happening because of rapid increases in interest rates—they are about the lowest in history in real terms. It is not because house prices are going up—they are declining. It is primarily driven by large mortgages that were taken out a number of years ago and, most importantly, low wage growth. Wage growth in Western Australia is still the lowest in the nation—it is flat as a tack, to negative. People are highly indebted; a shocking proportion of households are borrowing to meet their operating costs, despite low interest rates and low housing costs relative to other states; and, more importantly, wages growth is flat as a tack. Overall, WA has had its lowest rate of population growth in 35 years. Interstate migration is significantly negative and international migration is slowing. The only thing that is keeping up, of course, is natural population growth, and most of those kids are not working yet.

Households are under significant fiscal stress. Inflation is generally as flat as a tack. It is very low—below two per cent. Therefore, many of the factors driven by markets are not growing at all. What is overwhelmingly driving up household costs are those things determined by governments—that is, rates and charges with electricity and water prices. We have discovered that water prices are going up by six times the inflation rate. We have not seen the increases for electricity, but judging on the forward estimates, they are likely to be seven times the inflation rate. We do not know what will be happening with public transport costs. They went up significantly last year. Many of these charges are fixed; people cannot avoid them. Wastewater is going up by three per cent despite overcharging. We cannot stop flushing the toilet. Further driving up a depressed household sector are state and local government fees and charges. The Labor Party won government in part because of the depressed nature of household budgets and, of course, the overall economy. The government said quite rightly that it would focus on jobs. The greatest job-destroying act of this government is its significant increases in electricity and water prices. That has significantly depressed household spending, which maintains and creates jobs. Household spending accounts for more than 40 per cent of spending in the economy—by far the largest share of the economy. The government cannot depress the largest share of the economy and expect either economic or jobs growth. Many

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areas of discretionary spending, which basically is negative, are in fact very job intensive. The government will raise money through increases in taxes, fees and charges and spend it in chosen areas, but those additional imposts in fees, charges and taxes is having a significant harmful effect on households. The most significant distribution impact, of course, because these are the ones that impact on fees and charges, and necessities, will be on lower income households, particularly working households that receive none of the various transfer payments that can assist them with the growth of these inputs. Therefore, the greatest impact, which is obvious and deleterious and significant, is on low income, working households. A Labor government, which in the past prided itself on keeping fees and charges low—indeed, that was a standard mantra of Labor governments in the past—is now doing completely the opposite. The result will be high and increasing levels of unemployment. The government will deny that. I know it is a volatile figure, but the simple fact is that the unemployment rate in WA last month, at 6.9 per cent, was the highest in the nation, higher than in Tasmania, with over 100 000 people unemployed. That affects spending, too.

We will watch for the budget tomorrow. Various changes have already been flagged, particularly increases in water prices and electricity prices to some extent. We plead with the government—although it is too late—to not hit struggling households as severely as it plans to do and as it did last year. More importantly, the government intends to turn two of the state’s largest agencies—the Water Corporation and Synergy—into taxing mechanisms. The member for Cottesloe will explore this when he speaks about the water authority. If the government wants jobs, lay off households, stop hitting them with excessive charges and allow them to spend and create jobs.

**MR D.C. NALDER (Bateman)** [3.06 pm]: I stand in support of this motion. I will focus on what this government is doing to and the impact it is having on households. I cannot believe government members are smirking at what this government is undertaking. In less than 12 months, we will have seen two budgets with increases in household charges. Since 30 June 2017 to 1 July 2018, we will be seeing a 13 per cent increase in household charges. Household charges will have gone up \$734 a year to \$6 399 a year. That is a 13 per cent increase in household charges over two budgets in less than 12 months.

That is the audacity of this government. It has received a record windfall of \$5.5 billion from the federal government and an additional \$483 million in royalty revenue is flowing through the system, and the GST has increased from 34c to 47c; there is no question that it should be higher. These revenue numbers are coming through, yet we have seen a 13 per cent increase on household expenditure in less than 12 months. What does that mean? After this government’s first budget, the number of people seeking financial support under the hardship utility grant scheme increased fourfold across all regions. This government is trying to hide the number of people who are seeking financial assistance so it has put a six-month moratorium on claims for assistance. We now cannot compare apples with apples going forward, but we are about to see another increase.

Striking at the heart of the audacity of this government is that the inflation rate over the past 12 months has been 0.9 of one per cent. The Minister for Water has stood up in this place and said that this is a bonus for people—they are being hit with an increase in charges of 5.5 per cent and not the forecast six per cent and that is a bonus for the people of Western Australia! The government is saying to households that have received zero wages growth and faced an inflation rate of one per cent that it is increasing water charges by six times. That is inappropriate.

Western Australian retail trade and the housing market is subdued. Green shoots in the mining sector are helping overall because of its size and its influence on the economy of Western Australia, but not everybody is doing it well. There has been a fourfold increase in people seeking financial assistance and now the government will increase household charges by six times the rate of inflation. That will impact on people’s ability to pay. The discretionary expenditure of households is being reduced, but some people are already on the borderline. We know that because more people are seeking financial assistance. But this government does not care. It looks at the majority it has in this house and thinks it can get away with it. This is totally inappropriate. The Minister for Water got up and said, “This increase, this over-recovery, we have in wastewater is offset by the subsidy we will provide in regional areas.” That is absolute bunkum!

If we look at the dividend and the tax that the Water Corp pays, which goes straight into the consolidated revenue of the state government over the forward estimates, because the dividend payment is 85 per cent of the profit that is generated by the Water Corp—we gross that up—we are talking about a windfall of \$4.4 billion. The Water Corp will make a \$4.4 billion profit over the forward estimates. On the weekend the government said that it has to stop people using so much water because it wants to defer the building of a new desalination plant. It could fund a new \$1 billion desal plant with 12 months of the profit from the Water Corp. The government is using that profit for all its other spending promises on the side. It has all these other spending priorities and it wants to shift that money from the Water Corp. It wants to increase charges and generate more revenue systems so it can spend more to meet the \$5 billion that it promised during the election that was totally unfunded. It is going to whack households for it. The government will try to shift the argument and say that this measure will affect a group of people in the western

suburbs. I look forward to further deep diving in the analysis on these water charges and hearing the member for Cottesloe explain some of these things.

The government is using the utilities of Western Australia as a revenue-raising mechanism to fund its spending priorities. We are saying that it is hurting ordinary householders. It is impacting on them. How can government members sit in this place and say that this is not the case when we look at what is happening with the hardship utility grant scheme claims, wages growth and the unemployment rate reaching a record high—the highest in 16 years and the highest in Australia at 6.9 per cent. We can look at the number of people making claims and the inflation rate. The government says it is happy to increase charges for households by another six per cent after increasing them by more than that in the budget in September last year, eight months ago. In less than 12 months, we have seen a 13 per cent increase in household charges to \$6 399 a year. That is more than mean spirited; I think it will impact negatively on the economy.

One of the things that I have raised in this house, which I will continue to raise, is that this government is shallow in its economic thinking. We have theorists who stand in this chamber and talk about economic policy. They do not understand the second, third and fourth order consequences of economic policy. They say that they can get this revenue and they can do certain things because they have to balance the books, but if they do not understand the flowthrough effect in retail trade and the household sector, how can they understand what impact and negative consequences that will have further on in the budget? That is what we are missing from this government. What this government has tried to do has been disgraceful. It is totally mean spirited. Living costs have gone up substantially at a time when the broader economy of Western Australia can least afford it.

We also hear from this government that the forward estimates are from the previous government. It still does not take ownership of setting the budget or take responsibility for the budget that it is setting. It blames it on the former government. If it goes into that level of analysis, it has to go back before 2008 and accuse the former government of the increases in electricity prices that it imposed: “Oh, they were built into the forward estimates by the previous government.” The hypocrisy that comes from the government shows the shallowness of its analysis and research, its criticism of the former government and its inability to take responsibility for its own actions.

We call on this government to have a heart, to think about the people of Western Australia and to think about the broader ramifications of the economic policies that it implements so that it can understand and give people confidence to plan for the future. We are shifting more and more people onto financial assistance from the state. It is the last thing that we want to do.

**Ms A. Sanderson:** You cut the funding to financial counselling. Do you remember that?

**Mr D.C. NALDER:** Here we have a member wanting to talk about the cuts to financial counselling, yet the government is reducing funding by 40 per cent for community resource centres that save lives in regional areas. Shame on the government. The government is making funding cuts to rural education by closing Moora Residential College. Shame on the government.

**Ms A. Sanderson** interjected.

**Mr D.C. NALDER:** The government is not thinking about that. This government sees its priority as shifting \$15.75 million of royalties for regions money out of areas that save people’s lives to fund a research wave energy farm in Albany that has already been analysed for 10 years up the back of Garden Island. That is disgraceful. The government should show some commonsense. It is an absolute disgrace that the government would take priority funding that impacts positively on people’s lives out of regional communities and use it for a pet project of the Minister for Regional Development, Hon Alannah MacTiernan, with a company which she sat on the board of and which has already been doing work on wave energy for 10 years.

**Ms A. Sanderson** interjected.

**The DEPUTY SPEAKER:** Member for Morley!

**Mr D.C. NALDER:** That company has been undertaking research work for 10 years off the back of Garden Island, supplying wave energy directly to the Garden Island naval base. The government is setting up the \$15.75 million that it is taking off important regional community areas. It should explain that to the people in the communities of Western Australia. It will affect 105 CRCs in country towns. If the government thinks that Moora Residential College is an issue, it should wait until it starts to see 105 country towns gear up on this issue. These CRCs provide services to the people of regional Western Australia. They provide access to state government services that people cannot normally access. Why is the government taking that away from country people? These people have every right to be very angry with this government, and we support them in their anger.

Coming back to the subject of the matter of public interest, this government has shown no consideration to households. We have had zero real wages growth since 2012, we have had very low inflation rates, and we are seeing an increase in household charges that are five, six and seven times the rate of inflation. The government

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expects these households to cope. We have already seen an increase in the number of people who are making claims from the government. Financial assistance support has gone up four-fold since the last budget increase. Guess what? Another wave is coming. I know that the government wants to shift money back into the utilities and fund it out of there so it does not have to report HUGS any more. We know that the government is trying to shift the subsidy that is provided for regional water across to royalties for regions, so it pays for that subsidy—some \$230 million. The government reckons that it will maintain royalties for regions, but it is looking at ways to fund other government expenses with it. It is not transparent; it is not honest and open. I will leave it to the member for Cottesloe to add to my comments.

**DR D.J. HONEY (Cottesloe)** [3.18 pm]: It is quite clear that the McGowan government is simply using the Water Corporation as a cash cow to fund its unfunded election commitments. The part that is really insulting is what we saw in the article in *The Sunday Times* on the weekend, which indicated that the government is masquerading this as some sort of policy to cut water usage. That point is an absolute farce. We can look at those charges and the charges imposed on the so-called leafy suburbs. I can imagine Richard Goyder having a chat with his kids, saying, “Kids, you’d better tighten your belts. You’d better shorten those showers because they are increasing the water charges.” I can imagine Andrew Forrest in his new house saying, “It’s a bit of a shame. We all have to cut our showers. We’d better not have a swimming pool.” The truth is that these charges will hit those people who are least able to afford them.

In 2018–19, the government is forecast to receive nearly \$1 billion in tax and dividends from the Water Corporation, which will rise to \$1.24 billion in the forward estimates across four years. That is \$4.4 billion out of a critical, basic service to households in four years. It is a \$4.4 billion tax increase, and the Economic Regulation Authority has highlighted this. The government’s own regulation authority has highlighted that there is massive overcharging for water in the metropolitan area. I will talk about what the government is doing in regional areas in a moment. The ERA found that the six per cent increase it forecast, or the 5.5 per cent reported in the weekend press, will recover \$338 million more in revenue than the efficient cost of providing those services. That is 26 per cent more than the cost of providing a critical, basic service to every household in Perth. Further, the ERA found that for every household, it is an average increase of \$400 a year. I saw the smirks and heard the laughs about the working poor, but in truth, for a number of years, there have been households that have had no income increase at all. I also heard the smart comments about the Cottesloe electorate. Can I say that almost four per cent of my electorate live in state housing. They are doing it tough. They are the people the government is hitting with this \$400 a year increase. I would be fascinated if members opposite went into those houses and said, “Don’t worry; that \$400 won’t count because at the end of year, people living in state housing have plenty of dollars to burn.” The government hit them with six per cent last year for water charges, and will hit them with 5.5 per cent this year for water charges—a tax on the poorest people in the community. It is a shame. When we talk about saving water, we know that half the water charges for a household are fixed charges for delivery of service. We heard yesterday and further today that the cost of those services—sewerage services to houses in the metropolitan area—is 188 per cent more than the actual cost of recovery. That is a straight tax on every single household, and it impacts on every household.

We know there is a problem. We know there has been a fourfold increase in the hardship utility grant scheme. What was the response of the government—a government that cares about people? It cut the scheme for six months—no more applications for six months. Those households had to worry themselves sick about mounting bills for utilities with no response from this government. It is mean spirited and will push tens of thousands of Western Australians deeper into debt. It is something that resonates with me because I have a large family. I guess I am a lot more privileged than most, as a member of this house, but this increase will most severely affect large families because they do not have any choice. The government says that a house of one person using less than 500 kilolitres is okay—it is a bobby dazzler—but a house with six or eight members or intergenerational families will be smacked because they are guzzlers, even though they may be using half or less per head in that household. This increase is a completely unfair regressive tax on households.

The government has failed to address the recommendations of its own ERA and it is overcharging people. The real point is that the government is using this increase to fund its unfunded election commitments. In the 2017–18 budget, the government increased the dividend payment. It is up to 75 per cent, I believe, shadow Treasurer, if he is here. I apologise; 85 per cent of the Water Corporation’s profits are returned to Treasury coffers. What a profitable business. The government continues to run the arguments that the increases are necessary to fund country users. That simply cannot be believed. The government has reduced the subsidy from consolidated revenue and now it is taxing water and sewerage users in Perth to pay for that commitment so it can put more money into its unfunded program. Furthermore, the government has said—it is the government’s own policy—that it will fund that unfunded component from royalties for regions. Over the years, effectively, it will be a \$343 million deficit and \$284 million will come from royalties for regions. Guess what is happening to royalties for regions, members? The government is pushing that money into consolidated revenue through this mechanism

and using it to fund pet projects. The government is slugging ordinary households in Perth and using that money to fund its pet projects. The truth is that the government is using a taxation on the most vulnerable and needy in the community. It is increasing the revenue it is pushing back into consolidated revenue and using it for other purposes.

I find it bemusing for someone to say that a 5.5 per cent increase is not so bad. It is six times the rate of inflation. I do not know any household that sits there at the end of the year and says, “Yippee, I’ve got \$300, \$400 or \$500 to waste.” Members opposite know—I know a number of them really care—that this will make for sickening decisions in a lot of households. It will mean destructive decisions for those households. There will be things they cannot get for their kids. Their kids will be wearing old shoes and old clothes. It is a fundamentally bad policy of this government.

**MR B.S. WYATT (Victoria Park — Treasurer)** [3.26 pm]: I rise to make some comments on this matter of public interest moved by the opposition. It is interesting because new policy ideas are always coming from the opposition, which it was not particularly interested in when it was in government. There appears to be a desire for the rate of inflation to have a link to what fees and charges do in government, as opposed to the cost structures of services we provide. It is important to get on the record early the basket of household goods, known as a representative household, reported in every budget and it will be reported in the budget that is released tomorrow.

I will go through the increases for that representative household since 2009–10. The increase in 2009–10 was 9.1 per cent; 2010–11, 9.1 per cent; 2011–12, 4.6 per cent; 2012–13, 3.6 per cent; 2013–14, 4.9 per cent; 2014–15, 6.6 per cent; 2015–16, 3.8 per cent; 2016–17, 4.8 per cent; and the 2017–18 budget last year, 7.7 per cent—considerably lower than the two increases of 9.1 per cent in the first two years of the former government. I remind people, because the shadow Treasurer was confused—he often gets confused—critiquing the government that this is our second increase in less than a year. I need to remind everyone that all increases apply from 1 July. The late budget last year might be what confused the member for Bateman, but, of course, we announced the increase in fees and charges for 1 July, because that is when they apply. There has been only one time that has not happened, as far back as I can find. Funnily enough, that was in 2009 when the former Barnett government increased power bills by 23 per cent in two lots—one in April and one in June. That is the only time I can find in the last 15 years at least when an increase to some part of the fees and charges model occurred between budget to budget. I want to clarify that. Increases always apply from 1 July.

All these things take place in context. As much as the opposition would like to think we just land from the sky and start everything fresh after an election, that is never the case. The shadow Treasurer outlined a range of cuts. His speech went far and wide, beyond cost-of-living issues. There is a range of impacts on the budget that we have to manage and there is a reason for that. I want to highlight one graph—“Total Public Sector Net Debt”—that says it all. If I could table this and sit down, we might move on to the next issue of the day. When we saw net debt rise like this under the former government, I said in speech after speech from the other side of the house that there would be consequences from this period of unsustainable spending, and I was not believed by the Liberal Party; I was ignored by the Liberal Party. At some point, there was the assumption that some form of revenue source would replace it. The National Party came up with one idea, but apparently the Liberal Party did not support it. That is why, as the Langoulant inquiry found, perhaps the most significant and long-lasting repercussion of the period of the former Liberal–National government is this finding in that report. It states in part —

- temporarily high recurrent revenue growth was used to pay for permanent expenditure promises, leaving behind structural budget deficits;

If I could sum up anything that went on in here around the time of the former government and decisions we have had to make, particularly around recurrent spending growth, it is the structural budget deficit that was created by the former government. It assumed revenue was here forever and locked in permanent spending. That is why we have to make tough decisions in government.

Coming back to some of the issues that were raised here, some were fleshed out quite well by the Minister for Water in question time. There is the idea that somehow our utilities are a dramatic cash cow. The member for Bateman is of the view that the subsidy we pay for public transport is too high and therefore we should be increasing the cost of riding public transport, I imagine dramatically; that is the logical conclusion of the complaint he made. I want to make it crystal clear that, including the provision of water in Western Australia, we subsidise the provision of the essential services that are part of the make-up of the basket of household goods—the representative model that is reported in the budget each year and will be reported again tomorrow. I do not think that because public transport has a cost, we should therefore stop building it, which seems to be the Liberal Party’s view. I am stunned that the Liberal Party is still opposed to the Byford rail extension, but I will move on from that.

In 2017–18, all up, about \$2 billion was paid in subsidies across the spectrum and just under \$8 billion across the forward estimates. I want to make this clear: it costs around \$320 million to keep the Water Corporation’s charges

for regional customers consistent with metro customers. Data from 2017–18, to avoid any doubt, states that for power, \$167 million was paid to Horizon Power for technology, which is obviously funded by metropolitan customers. An estimated \$146.1 million was paid to Synergy in 2017–18 to keep household energy bills below cost recovery. About \$860 million was paid to the Public Transport Authority to keep transport costs below cost recovery. About \$150 million was paid to seniors and pensioners to keep water bills manageable. If we were to do what the shadow Treasurer wants us to do and freeze all this, it would be about a \$1 billion cost to the 2018–19 budget. It would be wonderful to do if we were the former government, which did that sort of thing without any fear of consequence or any thought about where the state’s finances might be heading. We do not act that way but we have paid particular attention in this budget to the impact on households—there is a huge amount of them, but let us focus on the representative model, because that is the one that I think we talk about the most in this place. Not long after we came into government, the Expenditure Review Committee was confronted with the reality of an enormous black hole for the hardship utility grant scheme. From memory, we had to find \$26 million or \$27 million across the forward estimates to adequately fund HUGS. The former government did not do that. We have had to make decisions around funding that. We have also reintroduced financial counsellors. The member for Cannington might make some comments on this because he has particular experience around it; when financial counsellors are removed from the equation, it removes the opportunity to provide advice and support that people who are struggling with their bills need. For a lot of people, HUGS meant they could regularly call the number and get the payment. I am gobsmacked, to be frank, as both Treasurer and Minister for Energy, that the shadow Treasurer, the member for Bateman, is of the view that the government should push HUGS into the utilities—the exact thing that the former government did. That is the exact place not to have it for the beneficiary of those payments, but that is what the former government wanted; so be it.

Although all the members of the opposition who commented on this matter of public interest have left the chamber, somewhat strangely, I want to emphasise that water, electricity and public transport are subsidised by the taxpayer to various levels. That in itself is not a bad thing; it is just the reality. The idea of freezing all these charges, as the member for Bateman wants, would have a real impact. The problem we have is because of the structural budget deficit created by the former government, which led to the rise in net debt. I say this all the time: net debt is actually the symptom of the former government’s spending problem. We have to deal with that consequence and we are doing that. I think members will see in tomorrow’s budget that we are paying particular attention to ensuring that the representative household increases have been limited as much as possible. I am surprised that the Liberal opposition would complain about what I think is a sensible reform proposed by the Minister for Water to halve the increase in service charges for water. It will minimise the impact on those who consume smaller amounts of water and increase the impact on those who consume above 500 kilolitres, which is about seven per cent of households in Western Australia. If we can get some behavioural change, that is important for everybody here. If we can avoid the sort of capital spend that we will need to find another water source—be it a desalination plant, or whatever—that is a good thing for us all. I do not understand the member for Bateman’s argument that all the money we get from the Water Corp is a profit windfall. I am not sure that he understands what a windfall is; we cannot take 12 months’ profit, because I have already outlined the subsidies that we pay to the Water Corporation, and build a desalination plant. With the greatest respect, it probably highlights the fiscal problem we have found ourselves in as a result of the former government members’ behaviour and their lack of understanding of the finances.

I also want to deal with an interjection from the member for Moore, who said, “Oh, no; that’s all okay. It’s funded from royalties for regions.” People need to get that royalties for regions is not something separate from the budget. It is not a magical pot of money that has no impact on the broader finances of the state. It is part of the budget. That is the reality. This place has to move on from that mindset if we are going to have, hopefully consecutive governments over time wanting to restore the finances to a much better position than they are currently. Ultimately, the impact of the former government’s eight and a half years will be long-lasting. If we are going to have the sorts of contributions that we heard from the shadow Treasurer today, it worries me that the Liberal Party has no interest in restoring its financial credentials.

**MR W.J. JOHNSTON (Cannington — Minister for Mines and Petroleum)** [3.38 pm]: I would like to briefly contribute to this debate. I will start with three figures. Firstly, in the 2007–08 budget—the last full year that the Carpenter–Gallop government was in place—on recurrent expenditure, not capital, the government spent 91 cents of each dollar it collected. In the 2016–17 budget—the last full year of the former Liberal government—it spent \$1.15 for every dollar it collected in revenue. I make it clear that that does not count capital. Capital is an addition to that; this is the budget surplus position. Let us understand that it was spending 15 cents extra for every dollar it got in revenue. In the 2017–18 budget—the fine work of my good friend the member for Victoria Park—we spend \$1.08 for each dollar we earn in revenue because we are trying to get the budget back under control. The Treasurer will outline it tomorrow and I imagine we will still be spending more than we raise. For every dollar raised, \$1.15 cannot be spent if the government wants its organisation to work; it cannot function. It cannot be done. In response to that, all organisations—whether business or government, but not the federal government because it

can print its own money, but the others that do not have the capacity to print money, which is everybody else—have only two choices. Those two choices are to increase their revenue, or cut their expenditure. I imagine there is also a third option, which is to do both. That is what this government is doing.

I want to make the point that the former government not only left the budget in a mess, but also built into the budget the increases in charges that are now being implemented by this government. The Minister for Water has been trying to protect low income earners by increasing charges for people who use a large quantity of water and increasing the fixed charge by as little as possible. That is a great structure.

The problem is that this government has to deal with all the traps in the budget that were left to us by the former government. One of those is the efficiency dividends of one per cent, two per cent, three per cent and four per cent. That is a massive cut to the forward estimates. The former government never outlined the areas from which those cuts would be made. It just said, “Here is the budget, but we are going to reduce it by this amount.” The current government is now the bunny that has to do that hard work. It was easy for the former Treasurer to write that into the 2016–17 budget. That enabled the former Treasurer to make the terrible position that he left to this government look better than it actually was. This government is now going through the budget and doing those things. It is extraordinarily hard work. No-one thanks us for it. We do not get credit for saying no. That is the case particularly when we say no to our friends, as we are on our wages policy. However, that is what we have to do to get the budget back on track. Were it not for the hard work of every minister on this side of the house, the budget would continue to be the shambles that it was under the last lot. The last lot spent \$1.15 for every dollar that was raised. That money was not spent on capital or on building things but was recurrent expenditure. It is unbelievable how incompetent that lot were. They still have never apologised to the people of Western Australia for the shambles that they left to us. It is no wonder that the three opposition members who contributed to this matter of public interest debate have left the chamber for important parliamentary duties elsewhere. I have never seen a member who moves an MPI not stay in the chamber for the debate on that MPI.

**Mrs L.M. Harvey** interjected.

**Mr W.J. JOHNSTON:** That is a great interjection, member for Scarborough. We note that the member did not contribute to the debate about economics. We saw the former minister’s media conferences during the election campaign, so we all know why that is the case.

Members opposite—not those members who are now in the chamber, but other members—talked about the household model. I point out that during their time in government, there was a 58.5 per cent increase in household fees and charges. However, now they come in here and whinge! What the former government did to the people of this state is a disgrace.

Several members interjected.

**The DEPUTY SPEAKER:** Members! The government has a member on his feet, and he has the call.

**Mr W.J. JOHNSTON:** It is bizarre that not one member of the Liberal Party thinks that this debate is important enough to delay whatever other duties they are dealing with. Normally when members have an appointment that clashes with their chamber duties, they abandon that appointment so that they can do their chamber duties. The three opposition members who spoke in this debate think this debate is unimportant and their other parliamentary duties are more important. That is bizarre. Members of the Liberal Party pretended to make a case, but they now consider other duties more important than the debate in this chamber. We heard their wonderful speeches this afternoon about the primacy of the Parliament. However, we are seeing from their behaviour this afternoon that they think other duties are more important than this debate. Members opposite say they are not interested in what we are saying. If they had listened to the members for Victoria Park and West Swan, and to me and other members, when they were in government, we would not be in the mess that we are in.

Let us not forget the stupid decision by the former government to set up the Western Australian Future Fund. That fund was set up at a time when the budget was in deficit. I want to make it clear: every single cent in the Western Australian Future Fund has been borrowed. I remember having that argument with Hon John Day when he was in this place, because he wrote that paper for the Liberal Party back in the day. The Liberal Party did not understand that we can have a future fund only when we are running a budget surplus. If we are running a deficit, we have to borrow the money to put in the future fund. It is crazy. That is the reason that the state is in this mess. The Liberal Party wrote unbelievable forward estimates that meant that everybody in Western Australia would have to pay more. It also wrote in budget cuts. It did not allocate those cuts to programs. Liberal Party members are now running around with crocodile tears and saying it is terrible that all these programs have been cut. That was their decision. They wrote into their budget that all those programs had to be cut. If they did not want to cut a particular program, they should tell us which program should be cut.

Several members interjected.

**Mr W.J. JOHNSTON:** This is the opposition's time! This is bizarre!

**Mr S.K. L'Estrange** interjected.

**Mr W.J. JOHNSTON:** The member for Churchlands has not been in Parliament for very long. Nobody listens to him when he speaks. He could not make a decision when he was a minister. Let me make it clear: this is the opposition's time. When we were in opposition and moved an MPI, all the government members left. That is the way it is. Government members do not need to stay for an MPI. We tell them to go and do something else. This is the opposition's time. The opposition is being very disrespectful to this chamber.

**Mr S.K. L'Estrange** interjected.

**Mr W.J. JOHNSTON:** They will not learn from you, member! The one thing we know about this member is that as a minister, he could not make a decision. Let us go through it. The decision that he made in April 2016 was the oldest decision that he made. He had a decision on his desk, and what did he do? He wrote to the parties and asked them to tell him more! In November 2016, he was told who to appoint as the director general of the department, and what did he do? He took the file home with him and never returned it! That is the sort of guy he is. That is why this state was in shambles when we came to government.

**MR S.A. MILLMAN (Mount Lawley)** [3.47 pm]: I will start by commending the members —

**Mr S.K. L'Estrange** interjected.

**The DEPUTY SPEAKER:** Member for Churchlands, I have let you yell across the chamber for the last few minutes. I think I probably should have shut you down earlier. Please let the member for Mount Lawley have the call.

**Mr S.A. MILLMAN:** Thank you, Madam Deputy Speaker.

The member for Nedlands has just taken off and left the chamber. I want to commend the members for Nedlands, Scarborough, Churchlands and Vasse for being in this chamber for this debate, representing as they do the interests of all the low-income earners, pensioners and working poor in their respective constituencies. The member for Cottesloe started off by accusing members on this side of the house of having a smirk on our face when the matter of public interest was read out. The MPI concerns core constituents—people who the members of the Western Australian Labor Party deliver results for, people who they serve on behalf of, and people in whose welfare they take a great interest. Working middle class families have always been our core constituents.

Contrast that with the position of the party that is responsible for abolishing penalty rates, the party that opposes wage rises and secure and permanent employment, and the party that, when people need access to good-quality legal services, has cut funding to community legal centres. Contrast that also with a federal party that follows a policy program that is creating a greater number of working poor and low-income earners. In fact, the other category of people who are being reduced in number by the federal Liberal Party is pensioners, because the government is proposing to increase the retirement age from 65 to 70. This is the party that is proposing to implement a new flat tax for anyone who earns between \$41 000 and \$200 000 per annum. Imagine how it would feel for low and middle income earners on \$41 000 per annum to be treated in the same way as bankers and lawyers who are earning \$200 000 per annum. This is the party that is bringing in temporary workers on 457 visas to undercut local Western Australian workers. This is the party that is contributing zero dollars to remote Aboriginal housing and has no more money for Newstart. When it comes to the working poor, low-income earners and looking after the interests of pensioners, only one party can be held responsible for those interests and only one party will deliver for those constituents—that is the Western Australian Labor Party.

Members will forgive my scepticism when it comes to the basis upon which this matter of public interest was moved. I stand here scratching my head, because although the Labor Party has always been the party for low-income earners, pensioners and the working poor, when we have been in government we also appear to demonstrate that we are the party for small business. The decisions that we make have been endorsed by no less than the Chamber of Commerce and Industry of Western Australia and the Chamber of Minerals and Energy. I will relay some examples to members from CCI media statements: “CCI backs State Government water efficiency measures” was the headline on 7 May; “WA consumer confidence continues to grow”; “Spending reduction will help WA economy”; and “CCI welcomes the \$1.6 billion Metronet tender”. I could go on and on. I am gratified by the fact that the Minister for Mines and Petroleum has also spoken in this debate because just last week we had the announcement about the lithium downstream processing plant in Kwinana, which is further evidence of the fact that this minister supports the mining and energy sector. I sat here in this debate scratching my head thinking, “Why on earth has it come to this that the Liberal Party is now starting to advocate on behalf of low-income earners, pensioners and the working poor?” All I can think is that the geniuses in strategy have decided to come at

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us from the left. During question time, the member for Scarborough quoted the great comrade Christy Cain. Now, all of a sudden, realising that the McGowan Labor government has captured the middle ground in the Australian political environment, they are trying to come at us from the left. I say to them: Give it up. We have always been the party for working and middle-class families. We always will be and that is why they voted for us in overwhelming numbers.

**DR A.D. BUTI (Armadale)** [3.52 pm]: I would like to contribute to this matter of public interest, particularly with regard to the opposition's new-found concern about low-income earners and the working poor. I am particularly interested in the member for Cottesloe's inaugural speech. It would appear that he is now the "member for Struggle Street", when he tried to compare Cottesloe with Rockingham. I am not quite sure the analogy works, member for Cottesloe. When he talked about public housing, I think he said that his electorate has four per cent. He should come to my electorate and I will tell him a bit about public housing. He should not tell us that this side of the house does not care about the working poor. We do care about the working poor. The Treasurer has agonised over every decision he makes that will affect the citizens of Western Australia. This government is making these decisions because of the mess that the previous government left us in. When I came to this house in 2010, it seemed like there was a daily increase in the utility cost that the public had to endure. It is truly appalling that members opposite complain about the measures that this government has to put in place to correct the abysmal economic management of the previous government. The member for Scarborough interjected in this debate. Was she not the minister responsible for a 500 per cent increase in TAFE fees? Low-income earners and the working poor are substantially affected by the increase in TAFE fees.

I think that the Minister for Water has explained the policy decision that has been announced and will be in the budget tomorrow. The member for Cottesloe also mentioned today that Richard Goyder and "Twiggy" Forrest will not tell their children to have a short shower. That is an insult. How does he know that they are not environmentally conscious? He has made a predetermination on "Twiggy" Forrest's and Richard Goyder's children, but the member missed the point. As the Minister for Water stated, 40 per cent of water consumption occurs in the garden. It is not related to showers; it is related to the garden. Overwhelmingly, it is the people that the member for Cottesloe represents in struggle street who are using the majority of the water that comes into our dams. It is not related to showering, and how dare the member cast aspersions over the social responsibility of "Twiggy" Forrest's and Richard Goyder's children.

The member for Mount Lawley raised an incredibly important point. We can go on about the increase in charges, but what about the other end—the actual income? Has the Liberal Party ever supported a significant increase in the minimum wage? Has there ever been a Liberal government that supported a substantial significant increase in the minimum wage, and what about penalty rates? If we abolish penalty rates, do members think that will help the working poor? The fact is that under a Liberal government and under a Leader of the Opposition that comes from the Institute of Public Accountants, the working poor will always remain the working poor. This side is trying to lift people from being working poor into a more substantial income stream because we do not oppose penalty rates or increases to the minimum wage, which members opposite oppose. They constantly oppose any sign of an increase in the minimum wage and the economic benefits flowing to the working poor.

*Division*

Question put and a division taken, the Deputy Speaker casting her vote with the noes, with the following result —

Ayes (16)

Mr I.C. Blayney  
Mr V.A. Catania  
Ms M.J. Davies  
Mrs L.M. Harvey

Dr D.J. Honey  
Mr P. Katsambanis  
Mr Z.R.F. Kirkup  
Mr A. Krsticevic

Mr S.K. L'Estrange  
Mr R.S. Love  
Mr W.R. Marmion  
Dr M.D. Nahan

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

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Noes (35)

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

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Pairs

Mr J.E. McGrath	Mrs M.H. Roberts
Mr K. O'Donnell	Ms S.E. Winton

Question thus negatived.