TREASURER'S ADVANCE AUTHORISATION BILL 2023

Second Reading

Resumed from 16 March.

HON DR STEVE THOMAS (South West — Leader of the Opposition) [12.31 pm]: It must be a Thursday if we are doing an appropriations bill. Is it not fantastic? Welcome everybody to the latest discussion on economics in the Legislative Council of Western Australia. I know that members opposite are as enthusiastically looking forward to this debate and my own contribution as I am. I think this will be—sorry, I missed that.

Hon Kate Doust: I said "Obviously more than your colleagues".

Hon Dr STEVE THOMAS: They know that they do not need to be here to support me. They know I am more than capable of having this conversation with the Labor Party. I am quite looking forward to it. Welcome everybody to the most important chamber in the Western Australian Parliament—just in case there was any question. Let us move on to the economic debate in this state, because that is of critical importance to everybody. Let us jump in.

Let us get to the basics, Deputy President. Obviously, Treasurer's advance bills are not unknown. They have perhaps become more common in recent years. They have certainly regularly occurred under governments of both sides for a long period of time. What does the Treasurer's advance do? It authorises an appropriation that was not specifically authorised in previous legislation. In particular, it authorises appropriations that were not in the budget process back in May last year, when appropriations bills were put forward and expenditure was defined. The first thing for members to remember—that is hard to say on a Thursday—is that the money in a Treasurer's authorisation bill is not suddenly new expenditure that the government is bringing forward on top of the budget we previously talked about. Effectively, it is a cash flow in, if you will. It brings in money to various areas and legislatively apportions it to specific outcomes.

It is not the case, as some members get quite excited about, that there are billions of extra dollars in expenditure that the government has hidden away. It is not $3 billion on top of previous budget numbers. The government is, of course, very good at squirrelling away money and not telling us about it. We will get to that in the fullness of time.

In this case, the bill simply refers to expenditure that needs to be appropriated and put in place. If members have listened to me speak on previous Treasurer's advance bills, they will know that most of this expenditure goes towards the normal running and processes of government. Members would also know, because I have mentioned it before, that there is an automatic three per cent variation available to the government under the Financial Management Act. I repeat that it is not necessarily additional expenditure that has not been preordained. If the additional appropriation is within three per cent of the total general government expenditure of the previous year, that allowance is built in with the Financial Management Act.

Let us say that the approximate numbers are $30 billion general government expenditure. Of that, three per cent would be $900-odd million available to the government as a natural extension. The government is asking for $2.1 billion on top of that natural expenditure. The appropriations bill before the house, the Treasurer's advance, is effectively a $3 billion appropriations bill. We will come to the detail in a bit about exactly what that is going to be expended on. That is basically the outline of why the bill exists. As for what it seeks to do, we will come to that in a little bit.

I want to make some general points about the economy and the position of the government. It would not be a Treasury speech if I did not update the house on where the government sits in financial terms. The hirsute Hon Kyle McGinn missed a very interesting debate.

Hon Sue Ellery: Was it interesting?

Hon Dr STEVE THOMAS: Well, we discussed barbers in Leinster.

Hon Sue Ellery: Apparently there aren't any in the goldfields.

Hon Dr STEVE THOMAS: There was a desperate need for additional barbers in Leinster identified in the house. In fact, almost anywhere in the goldfields will do. I committed to working that into something today, so there you go, Hon Kyle McGinn. It was an excellent debate.

Let us talk about the basics of the economy of Western Australia. That cannot be done without dealing with the iron ore price because it is the commodity that underpins economic development in the state. The government, as usual, is highly conservative about the iron ore price. That gives it the capacity to be highly conservative about the impending budget surplus. The government is also very good at hiding some of those revenues and making sure they are squirrelled away for the government's—I will not say nefarious—purposes. That is the joy of winning government. That is where they are.

However, I do note that the iron ore price today remains, let us call it, stubbornly high. It is in the order of $US128 a tonne. I think the predictions for where the iron price is going are quite interesting. When we look at the predictions of iron ore price and revenue in the 2022–23 budget, we discover that, once again, the government has been absolutely remarkably conservative. That is the want of governments; I understand that. If members want to go back, it is in budget paper No 3. I hope their copies are as thumbed through as mine. It is a very important document. Going back, members would note that the expected royalty income in this year was predicted to drop from $12.2 billion in 2021 and an estimated actual of $11.5 billion in 2021–22, which was reasonably accurate based on the end of year financial statements and the *Annual report on state finances.* It was then predicted to drop to $7 billion for the entire financial year of 2022–23. That is a significant drop. The government said that was because it was going to take a very conservative estimate of the iron ore price that will leave us with an expectation of a more modest overall budget surplus of $1.6 billion. Back in the budget, $1.6 billion in surplus is based on this very modest iron ore price. Not many other parameters of the budget changed. It went from $12 billion to $11 billion to $7 billion—that is, down a billion, then down $4 billion in iron ore royalties. The estimation was that the budget surplus would go from $6 billion to $1.6 billion. It is down about $4 billion as well. If anybody suggests to members that the government's revenue and surpluses are not intrinsically linked to the iron ore price and iron ore royalties, just run that number by them. If the expectation is $7 billion in revenue, down from $11 billion, guess what? The budget surplus will drop by $4 billion.

There are plenty of hairdressers in Perth I understand, Leader of the House.

Hon Sue Ellery: Apparently not.

Hon Dr STEVE THOMAS: It is intrinsically linked to the $4 billion drop. It does not look like that is going to be the likely outcome. Does it look like $7 billion in royalties for a $1.6 billion surplus is what we will discover? The government has now had to review that particular expectation a couple of times.

If we shift from page 235 of last year's budget paper No 3 to the *Government mid-year financial projections statement*, members will notice a couple of things have changed. The actual in 2021–22 comes in at $11.1 billion. That is not significantly different; that is about right. It is $300 million lower but still significant at $11 billion. The budget for 2022–23 was budgeted at $7.1 billion, but it had to be revised up to $9.1 billion because, guess what? The iron ore price has been remarkably solid. At that point, iron ore royalties had gone up by a couple of billion dollars based on the iron ore price. There had not been a huge variation in volumes being exported. What happened at that point to the proposed budget surplus? It went from $1.6 billion to $1.8 billion. There is only $200 million in additional surplus but iron ore royalties raise expectations by another $2 billion. How did that happen? I hear people say, "Hon Dr Steve Thomas, maybe you're wrong. Maybe the connection between iron ore royalties and the budget surplus in Western Australia is not as strong as you've been telling the Legislative Council for the last six years." I was going to say "ad nauseam", Deputy President. It is probably a reasonable thing. I keep coming back and saying that this connection is absolute. I have said it again today. Hang on a minute—iron ore royalties have bucked up $2 billion, but the budget surplus jumped up 10 per cent of that. What on earth has gone wrong? Has there been a distraction? Has there been a breaking of the inextricable link between the iron ore price and the surplus? The answer is no. What happened in the midyear review that changed that outcome was that the government took another decision, highly pertinent, to defer dividends from government trading enterprises—an issue that we have debated not infrequently, as occurred again this morning, and we will debate I suspect quite heavily on the Government Trading Enterprises Bill 2022 when it arrives from the house that shall not be named. The government deferred that again.

In budget paper No 3, the expectation of dividends from public sector entities in that budget year was $1.5 billion. By the time we get to the midyear review, the dividend has gone from $1.476 billion to $47 million. It is $1.5 billion that has come out of what the government would generally expect in dividends from mostly the Water Corporation. I do not know whether the phrase "cash cow" is unparliamentary, but let us call it a high performing government trading enterprise that—I was going to say "was milking it" because it was a cow reference—certainly makes good profits. According to the Economic Regulation Authority, part of those profits are because it overcharges for the treatment of wastewater, which is a debate we should have on another day. I might be able to work that into a motion bemoaning the government's lack of oversight and poor financial management, but we will do that some time down the track. There was a deferment of revenues from government trading enterprises. In fact, the midyear review actually says precisely that. It is not hidden away. The midyear review says a couple of things here. For those who have their copies back in their offices on their shelves, they could look at the revenue section on page 7. It says —

- higher royalty income (up $2.7 billion), largely due to:
  - an increase in iron ore royalty income (up $1.8 billion), reflecting:
    - a lower $US/$A exchange rate …
    - an upward revision to the assumed iron ore price in 2022-23, from $US77.5 per tonne at Budget to $US87.4 per tonne in this Mid-year Review …

I will come back to that in a bit. It also says at the bottom of page 7 —

- lower revenue from public corporations (down $2 billion) primarily due to a decision for Government Trading Enterprises to retain their 2022-23 dividends (totalling $1.3 billion) …

The connection between the budget surpluses in Western Australia and iron ore royalties remains. Once again, the government is very clever at hiding the money. Why is it doing this? I would have thought the answer was obvious. The Premier, who is also the Treasurer, does not want to be compared with Scrooge McDuck again. The Premier, who is the Treasurer, again —

Hon Darren West: He never is, except by you—never, ever, anywhere!

Hon Dr STEVE THOMAS: You need to read the newspaper, Hon Darren West.

Hon Darren West: You are the only one.

Hon Dr STEVE THOMAS: Hon Darren West does not even need to read the newspaper, which I know is an effort for everybody; he has only to look at the pictures. If he goes to last year's budget coverage, guess how the Premier who is the Treasurer was drawn—he was swimming around in his money bin. Hon Darren West does not even have to read the words. I have a copy of it here. I will email the member a copy of the picture. That will be good—rolling around in the money bin like Scrooge McDuck.

What is going on this financial year? Guess what? The government has finally become embarrassed by its riches. It is the first time that I have seen the Premier who is the Treasurer suddenly go, "Hang on a minute; we've had a $6 billion surplus, then we had a second $6 billion surplus. If we put in the government trading enterprises' $2 billion on top of the $1.8 billion, we are nearly up to $4 billion already." I will explain this in a minute. Hon Darren West will appreciate this. That is probably an underestimate at this point, too. The Premier who is the Treasurer is quite embarrassed by his wealth and riches, particularly because this Premier likes to turn to leaders in the east and laugh and lecture them about their lack of financial output. Never mind that this Premier gets the benefit and the largesse of an enormous iron ore royalty process. Never mind that it is not through any of his doing that this government is as wealthy as it is. The Premier did not cause, I presume, a global pandemic that demonstrated stimulus was required and led to massive stimulus packages around the world that required steel that came from Western Australian iron ore. I do not think there is any conspiracy here.

Hon Darren West: Even I am old enough to remember a time when the Liberals encouraged good economic management. Even I am old enough to remember.

Hon Dr STEVE THOMAS: We are still encouraging good economic management. I am encouraging good economic management. I just want the government to be transparent in the process. Luck is not management. I have to get this message through to the government: luck is not management. The government cannot be lucky with iron ore royalties and claim that is due to its management unless it caused the shortages that saw the price rise in 2019. Remember this started in 2019. I have been talking about it since February 2019. Guess what? It has now been four years. Interestingly, the booms that occur in Western Australia seem to have a longevity of roughly five or six years. There was what I call the Eric Ripper boom, which was from 2002 or 2003 to 2008. He is a Treasurer I have enormous respect for.

Hon Neil Thomson: We should get Hon Eric Ripper back.

Hon Dr STEVE THOMAS: I say bring back Ben Wyatt. Is he honourable still? He probably is, sorry—Hon Ben Wyatt. Bring him back. That is a good point I might come back to later. There was a boom from 2003 to 2008. Then there was the global financial crisis. Then there was the Barnett boom of 2008 to 2013, another five years. Then there was the correction in the levelling out of royalties income. Then there was the boom of 2019 to now, 2023. That is four years. Based on the averages it probably has a year to run. I do not expect the Premier can claim credit for the boom that started in 2019. Remember, Vale, a massive South American iron ore producer, had a dam burst. I do not think the Premier or the government are responsible for that so I do not think they should be able to take credit for it. That pushed up the iron ore price. It left a shortfall of production below demand, and that drove the price up. It is free market economics, people. We should be talking about it more often. That drove the price up. Then there was a pandemic. It was called COVID-19 even though the biggest impact started in 2020. That kept the price of iron ore up and it pushed higher, and it kept going up. It was enormous. The royalty income to Western Australia was huge. The interesting thing is that it remains high. This government has had the good luck to be in power when that happened. Good luck to the government; that is fantastic and is good for the state of Western Australia. There is lots of cash floating around.

I will say this though: the more that this Premier ridicules those in the east, throws his money around and boasts about $6 billion surpluses, the more pressure will come to have a correction, and the only correction available to the eastern states is the distribution of GST under the Commonwealth Grants Commission. The more this Premier boasts about his massive surpluses and the more he lectures the eastern states, the more likely they are to lobby for change. The Premier is making it worse, not better. Then he likes to grandstand. He will puff himself up and say, "We will fight anything in the eastern states." Members who are old enough to have seen bar fights in the years gone past, which hopefully they have not seen, will have frequently seen a person who had imbibed too much fronting up and then backing away and then fronting up again, tormenting the other person and trying to encourage the fight. That is what the Premier is doing to the leaders of the eastern states. He is like a bantam rooster jumping up and down trying to encourage this because he gets good publicity in Western Australia. He encourages them to attack and then he says, "See, look, they are attacking, and I am the champion." Then he will encourage them to attack again. That has probably made things worse.

Again, it is good to see the resources industry putting additional money into the coffers of the state, not necessarily those of the government, although the money will be processed through a government account. On top of the royalties that are repaid there is another $1 billion in a fund that will go to pet projects. How does that look to the eastern states? How does it look to Premiers who are looking at $20 billion deficits? They say not only is Western Australia riding high on iron ore, but the companies producing it are making so much they are chucking an extra billion dollars to the Western Australian government. I am still trying to find out whether that $1 billion is coming out of their pre-tax or post-tax budgets. I think that is really interesting. I asked a question in Parliament, and the Premier who is the Treasurer told me to ask the federal Parliament, but we do not have the capacity to do that. That would be really interesting. In the meantime, it is another $3 billion towards pet projects. The Premier is doing the bantam rooster routine and jumping up and down, showing his spurs and throwing the budget surplus at the eastern states and ridiculing them. Then he is saying, "By the way, we have just been gifted $3 billion." Under those circumstances, why does it surprise anybody that there are repeated attacks from eastern states leaders saying they do not think this is fair? If the Premier were smart in these circumstances, he would maintain a sombre but solemn line that says this is the return of the money generated in this state, and he would resist the urge to grandstand on it, but that seems to be beyond the Premier who is the Treasurer today.

That is why I say bring back Ben Wyatt. I actually put out a press release with that on the top: "Bring Back Ben". If this Premier, who is the Treasurer, is unable to find somebody else in his team to deliver a better message and who can manage the Treasury portfolio, please, Premier, bring back Ben. At least then it was a sensible conversation with somebody who had a better understanding of the economic situation of the state. I would not even mind if he brought back Eric, truth be known. It was Hon Eric Ripper who originally identified the risk to Western Australia. In what I call the Eric Ripper boom I was the shadow Treasurer to Hon Eric Ripper. He first identified boom iron ore increasing own-state revenue to a point at which there would start to be a significant diminishing of GST because of the redistribution of the Commonwealth Grants Commission. Talk about credit where it is due. That is going back nearly 20 years, which is a very long time ago. That was when that was identified. It is not as if it was a surprise to anybody under those rules. We all knew and understood that. It was something that Hon Eric Ripper and I agreed about at the time. In fact, apart from some of the energy policies, I found myself agreeing with him quite frequently on economic policy. There we go, whatever career he had left with the Labor Party is probably dead! I thought he was very good. Eric Ripper identified that problem.

Bring him back because the greatest risk, the greatest threat, right now to Western Australia's GST share is the grandstanding and bantam rooster behaviour of the Premier of the state, who is also the Treasurer. He just needs to stop because as the reviews go through, the greatest risk we have is him. I take heart from the fact that the federal Treasurer, Hon Dr Jim Chalmers, has basically said the GST arrangement will not change, and I think the Prime Minister, Hon Anthony Albanese, has said the same thing publicly. They have no intention of changing it in the meantime. But every time the Premier, who is the Treasurer, wants to get a headline, he just rolls this out and it gets coverage. Everyone else can say it will not happen. It did not matter how many times former Prime Minister Scott Morrison, or current Prime Minister, Anthony Albanese, say it will not happen, it just rolls out. The Premier loves it because there is this great bit of press—"I am the champion, I am the state daddy. I am the champion who is keeping these eastern staters at bay." At the same time, he is the greatest threat. This is somebody who is raising the threat and then pretending to be the solution and taking advantage of that to boost his profile. It is an astounding circumstance that should be addressed. We need better management of this state because the Premier is putting it at risk.

Of course there have been changes to circumstances since the government midyear review, which I also thought were quite interesting.

Sitting suspended from 1.00 pm to 2.00 pm

Hon Dr STEVE THOMAS: We were most of the way through an analysis of the economic situation in the state of Western Australia. I have only a little more to do on that before I do a little bit on the details of the bill before the house. It was pointed out to me over the luncheon break that I have not provided a chart or some form of graphic support, as is often my wont, this year when debating this bill. It is generally my habit to do so. I have been a little remiss. I know that if Hon Alison Xamon were still here, she would be quite upset that I have not provided any graphics to support my arguments; it was something she looked forward to quite a lot. I note that Hon Darren West questioned whether anybody apart from me had referenced Scrooge McDuck. I decided that this is an opportunity to kill the proverbial two birds with one stone.

Just in case members are unaware of this, and specifically for the edification of Hon Darren West, I have a still shot of the Channel Seven budget review of last year's May budget. For those who are not aware, that was the television coverage and this is what Scrooge McDuck looks like. For those who are unware, in terms of graphic support, let me present Scrooge McDuck as per the Channel Seven coverage of the budget year. I obviously took a single shot, but we did have Scrooge McDuck swimming through the money bin as it were. I am resisting the temptation to seek to have this graphic tabled, but I will ask the clerks to place it on Hon Darren West's seat in case he missed that coverage.

The second piece of supporting information I have is from 29 September last year when the end-of-year financial figures came out in the *Annual report on state finances*. Although the Premier is not depicted as Scrooge McDuck in the Alston cartoon of that day, he is depicted bouncing around in a money bin off the diving board of a high tower. It is very hard to not consider that to be a money bin with the big vault door sitting there. When the Clerk Assistant has a minute, I will ask that this be delivered to the table of Hon Darren West. I am concerned that he missed some of this vital budget coverage; he might be able to catch up. If any government members want to catch up, I am sure that Darren West will be more than happy to share these two graphics. I thank those members who reminded me over the lunchbreak that I had failed to deliver any graphic aids during this process; hopefully, I have now rectified that.

After that slight diversion, I do not propose to do a full recap of where I had got to before lunch, but effectively I was comparing the midyear review with the budget papers to see what had substantially shifted. I discovered that the government had taken $2 billion out of the dividends from government trading enterprises—specifically, $1.3 billion from a couple of them—and had therefore reduced its proposed budget in the midyear review from a bit more than $3 billion to $1.8 billion.

I want to reference one more financial document that comes out before the handing down of the budget—namely, the *Quarterly financial results report*, which was released last month. Generally, the quarterly financial statement comes out about six weeks after the end of the quarter. We have had the July, August and September quarter and the October, November and December quarter. The December quarterly financial figures come out about six weeks after the end of that quarter, which is generally early to mid-February, as they, indeed, did this year.

What changed substantially between the budget, the midyear review and the quarterly financial statements that were released last month? Members will be interested to know that the dividends budgeted in the midyear review—that is, in the December figures—of $47 million, down from $1.5 billion, crept up to $79 million. There was a slight uplift, but it was still effectively $1.5 billion lower than expected because the dividends are still being held over. That is absolutely fine if a government is hiding its money, but the government had to look at royalty income. In the quarterly financial statements, in the first six months of the current financial year—that is, from 1 July to 31 December—royalty income was $5.033 billion. Bear in mind that even in the initial projections, the government expected to get to $7 billion in total for the full year. If members look at the expected royalty income in the budget, they will see that it was basically $7.1 billion for the year. The outcome has been more than $5 billion in the first six months.

Members might say that the iron ore price could still correct. Right—but it would have to dive down to $US40 a tonne to get anywhere near the government's projection of $7 billion. The price today is in the order of $US128 a tonne. We went through that figure before. It is showing absolutely no sign of going down. From 1 January 2023 to date, which is nearly the end of the next quarter, the price has gone from below $US120 a tonne to being just about $US130 a tonne. The average in this quarter has been higher than the average in the previous quarter, which pushed royalty revenues from an expected $7 billion to $9 billion, and now it will go higher again. What are we looking at in reality in the Western Australian economy? We are looking at today's iron ore price of $US128 a tonne and with today being 23 March, there are only eight days left in this month. Unless there is a crash, the government will have to add another couple of billion dollars to the royalty revenue that it has received.

The government wrote in its budget, "There's an impending crisis because iron ore royalties are expected to halve." First off, the government did not get it right. I have said numerous times—I have lost track of the number—that a soft landing is coming in Western Australia, despite the Premier, who is the Treasurer, going out there and running a scare campaign, "We're about to have an impending crisis and a major correction" and despite every economist going around saying that a soft landing is coming in Western Australia. The government has gone from $7 billion to $9 billion in iron ore royalties, and it is still basing it on an expected price of I think $US80-odd a tonne. The iron ore price averaged $US101.2 a tonne in the first six months of this financial year.

There is a present for Hon Darren West over there. I am sorry; he was away on urgent parliamentary business, but I did not want him to miss out on the information that was available to everybody else. On the bright side, his haircut is pretty good.

The average iron ore price for that year was $US101.2 a tonne. It was $US136.7 a tonne in the previous year for that same six-month period, so, yes, it is lower, but it is still a boom price. I take this opportunity to remind members of the question that I asked Hon Ben Wyatt when he was the Treasurer back in 2019, when the price hit $US90 a tonne. I asked him what his calculations were if the price were to stay above $US90 a tonne. Members will remember that his answer was that the chance of the price of iron ore remaining above $US90 a tonne was “highly unrealistic”. I think he should have been prepared, but anyway. I did call for him to come back and be reinstated as Treasurer—hopefully, he has learnt his lesson now that he has been out in the private sector—but never mind. It was $US136.7 a tonne the year before; it had dropped to $US101 a tonne. But in the period since, it has not really dropped below $US120 a tonne. In the next three-month period, the average will be higher than the previous average of $US101. There were a couple of months when the price briefly dropped down to between $US80 and $US90 a tonne before rebounding back up again. The next three months will be even more productive than the first six months, when the government was $2 billion above its estimates.

As we go forward, guess what? We will have $7 billion up to $9 billion in iron ore royalties, still with a highly conservative measure. Where will we get to over the next few months? There is every chance that we will be close to $11 billion in iron ore royalties at the end of this month, in eight days’ time. Well done to the government. It has very conservative figures and it makes use of that, because it gives it a lot of spare cash to pump into special purpose accounts to hide away for its own benefit. I guess I understand why it needs to play games with government trading enterprise dividends: it is simply because it has become an embarrassment how big this budget surplus will be. Interestingly, for those members who follow these things, the quarterly financial report raised the expectation of the budget surplus from $1.8 billion to $2.5 billion—that was to 31 December—bearing in mind, again, that does not include the retained dividends of the government trading enterprises. We have gone to $2.5 billion, and there is at least another $1.5 billion not going in. Guess where we are? We are up to a nominal surplus of $4 billion before we factor in the higher iron ore price that has existed for the first three months of this calendar year. All that suggests that, once again, this government is going to have a massive budget surplus. Once again, it is going to be embarrassed by that wealth. Once again, it is going to squirrel away as much as it can for its own future use. The question will be: What will it do with that surplus? Will the people of Western Australia gain the genuine benefit from that additional wealth? The answer is that it is hard to know. I do not know.

The government seems resistant to significant change to reduce the impacts of cost of living increases. It has refused suggestions to freeze charges; it has refused to invest additional funding into not-for-profit organisations that are at the coalface of poverty and cost-of-living issues in the state. I would imagine it is likely that the government is considering another cash handout of some form, and the easiest way to do that will be in the electricity market. We had a cash handout of $600 a household followed by a cash handout of $400 a household, and there was really no difference to the budget surplus in each of those years. I do not know whether it will go lower again, or maybe the government will average it out and do a $500 cash handout this financial year. For over a million households, there is a lazy $500 million worth of investment back to the people of Western Australia. I do not think it is the best way to do it, because it is not targeted. People who are doing very well get the same benefit as the people who are really struggling, but that seems to be the government’s forte. It seems to be the government’s modus operandi, so perhaps that is where we will end up.

The outcome of the debate is really that I can guarantee members that, once again, Scrooge McDuck will ride. Again, for the third year in a row, this government has a massive budget surplus thanks entirely to iron ore. Bearing in mind that it had solid budget surpluses before that as well, and it has solid budget surpluses predicted in the forward estimates. In 2019–20, there was a good budget surplus; in 2020–21 and 2021–22 there was a surplus of $6 billion for each year. If it gets to $4 billion or $5 billion this year, that will be a budget surplus of $17 billion over three years. That is an astounding amount of money. What has the government done with it? It has reduced debt, but not by very much. Considering that it has had a $17 billion budget surplus at a time when everybody else has had $20 million budget deficits, I think it could have reduced debt by more than the $3 billion and something that it has cut back. That is according to what goes through the debt reduction account, which is, in my view, a fanciful piece of accounting that is not worth actually being referred to as significant debt reduction.

Let us have a brief look at what the government might have done. I am not a Keynesian economist by any stretch of the imagination—I lean more towards Friedman, which should be no surprise to anybody who has listened to me—but Keynes was always of this opinion. I miss Hon Alannah MacTiernan during these debates. It was quite interesting when she threw in.

Hon Neil Thomson: I feel like you’re channelling her!

Hon Dr STEVE THOMAS: Yes—I liked a good challenge from Hon Alannah MacTiernan. I think she is a Keynesian at heart! Keynes said that when times are very good, the government saves money, and then when times are bad, it expends money to boost the economy. The problem the current government has is it is trying to spend at a time when times are good. It is in competition with the private sector. That is why it takes two years to build a house at the moment—because there are not enough workers or materials and the government is in direct competition. It is doing the reverse of Keynes. Ideally, with Keynes, we would have seen higher expenditure in the correction period between 2017–19 and lower expenditure as we go on, but this government has done the reverse. It has boosted its asset investment program up to $9 billion at a time when it cannot manage to do that anyway. We find ourselves in a perverse reversal of Keynesian economics under the management of the current government. For a group that I thought was probably Keynesian in nature, I thought that was quite strange.

I could wax lyrical about the budget situation for hours, and I kind of long for the day when the Leader of the Opposition or the lead speaker's time to speak in response to the budget was unlimited, but those days are gone. I am sure that the Leader of the House is probably grateful for it.

Hon Sue Ellery: And I bet if you were sitting on this side—maybe one day you will be—you won't bring it back.

Hon Dr STEVE THOMAS: I suspect that will be the case, as well. It might have been for my amusement rather than the chamber's.

I will finish with a brief reference to some of the expenditure that is within the bill itself. It is not my intent to go to the committee stage on this bill unless other members call for that; I am happy to accept the government's explanation. I thank the Leader of the House for the provision of the briefings that we have had. They were actually very positive. I did what I do in every briefing for a Treasurer's advance bill: I said that the more information they can give us in advance, the quicker the whole process will occur. I have to say that the response has been pretty good, so I thank the Leader of the House and the staffers from both the Department of Treasury and the Treasurer's office who provided those briefings.

The additional funding is a little difficult to pin down. If members are interested and really want to go through it in detail, the Treasurer's advance is appendix 4 in the *Government mid-year financial projections statement 2022–23*. I do not intend to go through it in enormous detail; I simply make these notes for members who want to see it broken down in a significant manner. I notice that for "Item 40: All Other Grants, Subsidies and Transfer Payment" some excesses are put in place, and this might be something that the minister could be aware of and put in her reply. I presume a reasonable amount of that is probably the COVID small business grants, but the minister might have some form of breakdown about where that money went in a little bit more detail.

The Department of Communities has a couple of hundred million in excesses in line 73. I could well imagine that there might be some additional need for support. One of the other factors that is generally reflected in here, of course, is that the government has provided public sector pay rises. Much to my chagrin, not infrequently I have found myself supporting the government in a lot of cases. Maintaining a solid wages policy is important, and it probably came at some cost. I suspect that all sides of politics have a vested interest in a consistent wages policy—let us call it that. A government cannot run wages policy based on the cost of living, unfortunately for those who are impacted, and it cannot run it on the CPI. The best that the government can do is attempt to be consistent so that it is within a range. In times when CPI is high, some people fall behind, but in times when CPI is low, they tend to get ahead, so the government has to try to keep a long-term balance in that. I will go as far as to say that I think the government's policy is "not unreasonable", which is perhaps as generous as I will be today, given the earlier fracas.

They are just a couple of specific issues. One that might relate to the minister is the excesses in the Department of Education in item 60. The minister might be able to break that down slightly in her response, as well.

Hon Sue Ellery: I think that one is wages, but I will check because it is a large wages bill.

Hon Dr STEVE THOMAS: It may well be. That is right. I would imagine that departments with big staff would obviously be where the biggest impact of wages is. It might be the same with the Department of Communities. I would not be surprised. Health excesses, in item 54, are $213 million, and that is probably wages, as well. The minister might be in a position to give us a bit more detail on that. To be honest, I will assume that is not too bad and I will not bother chasing it during the committee stage. The only other item was item 145, which is some capital appropriation for Main Roads. Those are probably the biggest components that would be interesting.

I will finish with these couple of comments. As I said at the start of my contribution, the Treasurer's advance is not new money being sought for projects; it is existing money that is being properly appropriated. The other thing to remember, of course, is that the government does not have to spend the money it has appropriated. It can hold it over. I have not known too many heads of departments who have been very good at not spending their entire budget. They tend to have a habit of doing that; however, we will find out in the fullness of time whether that happens. We might ask, perhaps in the budget period or in some form of debate about the *Annual report on state finances*, precisely where those numbers ended up. It is not a requirement that the government spent this money. It is an allowance. When I have given my children an allowance, there never seemed to be any held over that has come back to me, but we can always be optimistic, I suppose. Other members might leap to their feet and say that they get change, but it does not seem to happen at my place.

I should have said at the start that the opposition will obviously be supporting the Treasurer's Advance Authorisation Bill. We will not be seeking to use our numbers to try to block supply and bring down the government at this time. We think the expenditure is probably reasonable, but it is certainly expenditure that is already in the budget. We are not really concerned because the Premier, who is the Treasurer, will make far more money than predicted, and there is no threat to the budget because Scrooge McDuck will ride again.

HON NEIL THOMSON (Mining and Pastoral) [2.24 pm]: I also rise to speak on the Treasurer's Advance Authorisation Bill 2023, and I will refer to the *Government mid-year financial projections statement 2022–23*, which was published in December 2022.

It is important to spend a little bit of time and look at what is happening in finances, because a lot happens over 12 months. We have seen, for example, some big natural disasters in the north, in my region, and that has been very significant. I will talk a bit about that because the response to that will, no doubt, place some pressure on the budget. Certainly, from my point of view, I would like to see more being done than is being done at the moment.

First, I will look at some of the issues that are in some way related. Page 7 of the *Government mid-year financial projections statement 2022–23* has a few comments about additional revenue that is coming through. One dot point states —

- higher taxation revenue (up $3 billion), mainly due to:
  - payroll tax (up $1.8 billion), with higher collections in the year to date underpinned by mining sector activity and a stronger outlook for private sector wages growth across the economy;

That is a positive thing. Obviously, we are blessed in Western Australia with a very strong mining sector, notwithstanding some of the potential risks going forward. In this place, we talk at length about the incredible natural resources we have and the ability to grow our economy, even in the face of some of the challenges we have seen. During the COVID-19 pandemic, for example, Western Australia really carried the rest of Australia because of its mining and resources sector.

The second point in the report is —

  - insurance duty (up $608 million), with cost pressures in the insurance market (such as from adverse weather events) flowing through to premiums;

I will come back to that in a moment. The third point is —

  - vehicle licence duty (up $430 million), with new vehicle wait times and prices remaining elevated since Budget …

We have about $1 billion extra in revenue. I would say this is not so positive for the first point, which relates to payroll tax. Certainly, some parts of business would suggest that is not positive, and I am sure a lot of businesses would like to see payroll tax reduced as the economy grows, but we know that is the system we have in place and that is a reflection of growth in the payroll sector.

These other taxes are what I would call the "pain and suffering" taxes. Since the last estimates were provided during the budget, we have had $1 billion additional revenue, which is a lot of money, because of higher insurance premiums as a result of adverse weather events. We know that adverse weather events are occurring right across the nation, and that is driving up insurance premiums, but this is a real opportunity to have a look at that. It is no fault of the people of Western Australia that we have additional pain and suffering being placed on the good people of the Kimberley, a place where the average insurance premium is significant. I can only base it on my own experience, but I know that for our home, which is nothing particularly grand and just a reasonably modest home in Broome, the insurance premium is around $12 000 a year. That is a lot of money. It is a major point of discussion on Facebook. People talk on Facebook about struggling to find insurance premiums below $6 000 or $7 000 for very modest homes, and some premiums are closer to $20 000 a year. The federal government introduced an insurance guarantee scheme last year to provide a guarantee for the third-party reinsurance market that operates across the globe to incentivise and alleviate some of the cost of insurance in the north. That was a great policy, but unfortunately it is yet to flow through to the insurance market in the north. The $608 million has come from the general cost pressure that is affecting everybody. We are getting a higher duty as an artefact of the fact that insurance premiums are going up because bad things are happening to our community. We do not have to cast our mind too far to know that places such as Kalbarri were affected by cyclone Seroja, a terrible situation, but that there has also been a slow response to the rebuild. Many questions have been ventilated in this place about how long it has taken to address those issues.

The matter that is at the forefront of my mind at the moment is what is going on in the Kimberley. It is still yet to get a road between Broome and Kununurra. We are still yet to get that connection across that bridge. In the past couple of days, a grand announcement was made that a barge was now operating to take six vehicles a day across the river—six vehicles a day! The state government is picking up a $608 million pain and suffering tax from the community. It is a windfall gain from the pain and suffering of our community, but it cannot go past stage 1 of the contract for the barge operator. I have spoken to people who were involved in the implementation of that. We saw the wonderful photo opportunity in the press of the Minister for Transport at the river's edge. When she eventually came back from her holiday she went up there and stood by the river and made comments about the barge that would be operating and she was going to look at opportunities for stages 2 and 3. She was all positive. She got the hopes of the community up around having an interlocking barge system that was going to float and create a temporary bridge in the river. She even talked about heavy transport on the barge. That certainly has not happened. It is just not good enough.

An amount of $608 million has come into the coffers of the Western Australian Treasury as a result of unfortunate events across Australia and people having to pay more for their insurance, and all we see is a pathetic attempt by the government to deliver a solution to transport. I raise the issue of transport subsidies. Businesses are tearing their hair out. They do not know how to go forward. Great announcements were made about transport subsidies for that part of the world, yet transport companies are removing themselves from the transport of goods into that region because the bureaucracy is too much. I presented a petition in this place that had a lot of support. I have also called for a broad-based transport subsidy that does not involve bureaucracy, keeps businesses afloat and helps the community so that the adverse impacts of this terrible situation, which I take it will continue to feed the coffers of the Western Australian government through stamp duty on insurance, has not been addressed. We need to address it. We need to do more and we need to be more focused on providing solutions.

We heard the great fanfare about airfares. Broome did not have regional support for airfares so we now have cheaper airfares into Broome from Perth to bring more tourists into Broome. That is fine, but what about the flights between Broome and Kununurra? The only way to get between Broome and Kununurra by air is to fly from Broome to Perth and then back to Kununurra. If people go online to book a ticket from Broome to Kununurra return, they usually pay about $1 500. This is the only mechanism for people to fly. I have heard story after story of people having to return to their homes and leaving their vehicle on one side, driving around the bottom and coming up again. They need more support.

The massive windfall in the midyear financial projection statement should have been redirected to assist that community and to assist communities with the work that was commenced after cyclone Seroja and ex-tropical cyclone Ellie, and the challenges in the north, because the people of the north are suffering a lot. They are suffering because they will also then face yet again higher insurance costs. This government is all about rolling in the money. That is what our shadow Treasurer has said; it likes to roll in the money bin. It does not give a damn about what the poor people of the north are having to go through. There needs to be a much more concentrated effort and a timelier response to deal with the big challenges in the north. That is what needs to happen and there is plenty of opportunity—$600 million worth of opportunity to provide relief to the people of the north.

The licence duty is another one of these pain and suffering taxes. This one is because of the terrible costs. Again, I think of our regional people who have to buy vehicles. People who live in the regions sadly have a raft of taxes that come their way. Often if they live in a remote community, they need to buy a four-wheel-drive vehicle. Members should go online and look up the price of a second-hand Toyota. They should check it out and see what they are worth! I can tell them that more than likely they will be up for a luxury car tax. It is hardly a luxury to buy a vehicle when one is trying to get around the bush in a safe and convenient way. However, this is what has happened because even the second-hand market for these vehicles has gone through the roof. It is all because there are huge international challenges with the logistics, even all the way down to the microchip market in some of the places in Asia where they are developed that then feed into the supply chains for vehicles. Those supplies have been slowed down as a result of the COVID-19 situation internationally. There are reasons for this, but because of that, this state government gets another $430 million.

People can last only so long; they can make do. Wait times for new vehicles can be up to 12 months or longer and that is putting incredible pressure on the second-hand car market. Usually second-hand cars are required by people in the regions. People living in the region I represent are then slugged yet again with the high cost of living. The impact of the cost of living in the regions has been astronomical, through the disruption on supply chains and the challenges with getting just the basics of food and the affordability of fuel and a range of things. In relation to cars and insurance, these things are hugely impactful. There is more that can be done. Those were the comments I wanted to make. I will leave that aspect there, but I think it is something the government should take note of and reflect upon.

I want to compliment my colleague Hon Dr Steve Thomas for being relentless on the issue of budget management. I know he has raised this many times. I want to raise this issue again, in support of my colleague, in a broader sense in relation to budget management. We hear a lot from the other side about how incredible they are at managing the budget, but a rather unconventional thing that we have seen over the time of this government is that a lot of the surplus has just gone back into hollow logs within the government's processes.

Hon Dan Caddy: It's paying off the debt that was left to us!

Hon NEIL THOMSON: For the purposes of *Hansard,* although there are interjections from the other side about the paying down of debt, there has actually not been as much paying down of debt as there should have been. What we have actually seen is the storing of billions of dollars in special purpose accounts. We have also seen some of the hypothecated accounts raided illegally. I mean, that was a very interesting scenario with the Minister for Transport getting stuck into the Perth parking levy! It is quite cunning to have a slush fund to dip into without reading the purposes of the act. A disgraceful piece of accounting went on, and that needs to be held to account. Some retrospective changes were then made that needed to happen. Those are the facts. Members may not like to hear the facts, but those special purpose accounts represent a cost to the state. They cost millions of dollars. The higher interest costs are detailed on page 9 of the *Government mid-year financial projections statement* —

> $510 million in higher interest costs for Consolidated Account borrowings, reflecting the impact of higher interest rates, partly offset by lower interest … from the Government's decision in this Mid-year Review to repay a further $400 million in central borrowings;

Was $400 million all that was paid off in central borrowings? The issue is that for every dollar held in special purpose accounts, it costs the government in interest. I do not know how many basis points are in that gap. I think there was some discussion of that during last year's budget debate and some back-of-the-envelope calculations were done on the cost to the Western Australian taxpayer, but I think there needs to be a stronger focus on the paying down of debt from the amazing windfall gains that have come the government's way.

We see the cunning games that get played, such as the retention of revenue in government trading enterprises. I am speaking about this only because Hon Dr Steve Thomas has been relentless in driving through and forensically picking up these issues. It is just wasteful expenditure. We are looking to further reduce debt and not have those great slush funds, which I am sure members of the Labor Party and cabinet are squirrelling away so that they can roll out all that expenditure in 2025. Let us hope they do not do it ultra vires to the legislation governing the proper management of those hypothecated funds. Let us hope there is proper management of it. That is what the hollow logs are used for, coming at the cost of debt not being reduced. That is certainly something I called for last time and I call for it again. The cost to the state from the retention of funds in special purpose accounts and GTEs, without taking the time to reduce debt so that we reduce interest payments, should be transparent. There was $510 million in higher interest costs to the consolidated account borrowings. I commend Hon Dr Steve Thomas for his amazing work in highlighting this issue. When we are in government, we will make sure that we deal with things and not tax the poor, longsuffering people of the north, who go through great pain and suffering in order to fill up hollow logs for other things that might be delivered into the future.

HON SUE ELLERY (South Metropolitan — Leader of the House) [2.45 pm] — in reply: I thank the opposition for its support of the Treasurer's Advance Authorisation Bill 2023. Hon Dr Steve Thomas outlined the process of a Treasurer's advance bill, although this is certainly not the first one this house has dealt with. The Treasurer's advance limit is set automatically by the Financial Management Act and is calculated as three per cent of the amount appropriated in the financial year. For 2022–23, this equates to a Treasurer's advance limit of $977.5 million. This bill seeks to increase this limit by $2.1 billion to $3.1 billion. The Treasurer's advance simply provides the authority to meet higher funding requirements; it does not commit the state to any additional funding. Any unspent capacity will lapse at 30 June 2023.

Most of the spending expected to be charged to the Treasurer's advance this year was in fact included in December's *Government mid-year financial projections statement*, including all of the $1.8 billion disclosed directly as a charge on the Treasurer's advance in the midyear review, as well as additional allowances for the allocation of residual wage and asset investment program cost-escalation provisions that are expected to be reflected in the appropriation funding by 30 June. An allowance is sought to provide temporary funding for Main Roads WA spending that is proceeding as planned this year but for which commonwealth funding is now expected after 30 June. The buffer of $542 million is the only new impact for net debt purposes. This is for yet unknown pressures and in fact is already being allocated to the cost of dealing with the impact of ex-tropical cyclone Ellie in the Kimberley.

The honourable member highlighted the midyear review changes to the operating balance. It is important to note that not only did iron ore royalties and dividend revenue change, but also total revenue in 2022–23 increased by $2.2 billion. That is set out on page 5 of the midyear review. The government used the higher surplus to deal with the upward pressure on wages, supporting our hardworking public sector workers; on the higher recovery funding to small businesses still impacted by COVID-19; and to pay for higher National Disability Insurance Scheme participation. We also repaid an additional $400 million in consolidated account debt and put more money into economic diversification initiatives. Moreover, the decision around dividends, following a similar decision in 2021–22, means that we have set aside funds to deal with future infrastructure pressures. This will help avoid new debt funding.

There was reflection on the government's strong financial management credentials. That is something that we —

Hon Dr Steve Thomas: Aspersions as much as reflections.

Hon SUE ELLERY: Nasturtiums! That is not something that the government shies away from or is embarrassed about. We have worked hard to maintain our strong economic and fiscal position amidst huge global uncertainty, with the economy forecast to grow by three per cent in 2022–23, up from two per cent at budget time. I might just draw my advisers' attention and anyone who might be watching to a couple of line items that were specifically referred to. If somebody is sending me a note on that, could they please hurry up.

Hon Dr Steve Thomas: In terms of the line items, if you mention that afterwards, I do not mind.

Hon SUE ELLERY: Okay; I will do that. I know that with education, it was around wages. There are some 40 000 staff.

Hon Dr Steve Thomas: I am happy to catch it up later.

Hon SUE ELLERY: Thank you very much, honourable member; I appreciate that.

I was talking about the economy being forecast to grow by three per cent to 2022–23, up from two per cent at budget time, and the unemployment rate being forecast to average 3.5 per cent in 2022–23, down from 3.75 per cent at budget time. We returned the budget to an operating surplus position in 2018–19 after four years of deficits under the previous government. The midyear review showed that the state's projected net operating surplus had been revised up to $1.8 billion in 2022–23, compared with $1.6 billion at budget time. The midyear review also includes a record four-year $35 billion infrastructure program, and net debt is forecast to remain relatively stable over the forward estimates period, reaching $32.2 billion by 30 June 2026, which is $1.7 billion lower than forecast at the time of the 2022–23 budget.

Several members interjected.

The ACTING PRESIDENT: Order, members!

Hon SUE ELLERY: That is in contrast with other jurisdictions that are running significant operating deficits, driving very large increases in net debt. We also note that S&P Global has upgraded our credit rating to AAA with a stable outlook.

Several members interjected.

Hon SUE ELLERY: Do not interject on me.

Moody's Investors Service has lifted the outlook on its Aa1 rating from "stable" to "positive".

Hon Dr Steve Thomas asked about small business grants as part of item 40. The Small Business Development Corporation, which oversees that program, has projected the cost to be in the order of $240 million for the year, with almost 26 000 applications having now been processed and another 40 applications still being assessed.

Hon Dr Steve Thomas interjected.

Hon SUE ELLERY: There were forty.

I was correct about item 60, education: salaries increases were the major component of that increase, with enterprise bargaining agreement settlements for teachers and administrators, education assistants and cleaners. With regard to item 73 and Communities, I flagged in my earlier comments higher numbers of National Disability Insurance Scheme participants—an increase of more than 2 000 clients between August last year and the end of January this year. That is an increase of around 4.5 per cent. Under Main Roads capital, item 145, an additional appropriation of $200 million has been provided to ensure that Main Roads can meet contractor payments in 2022–23. That includes $80 million for the Tonkin Highway gap project and $57 million for the Mitchell Freeway widening between Hodges Drive and Hepburn Avenue. A $100 million share of additional costs has been sought by the state government through the commonwealth government's current budget process.

With those comments, I again thank the opposition for its support and I commend the bill to the house.

Question put and passed.

Bill read a second time.

[Leave granted to proceed forthwith to third reading.]

Third Reading

Bill read a third time, on motion by **Hon Sue Ellery (Leader of the House)**, and passed.