

PUBLIC SECTOR EXPENDITURE

Matter of Public Interest

THE ACTING SPEAKER (Mr P.B. Watson): Today I received a letter from the Deputy Leader of the Opposition stating -

Please be advised that today I seek to debate as a matter of public interest the following motion -

That this house condemns the government for its failure to control the growth of the state's public sector expenditure and its ongoing failure to cap recurrent public sector expenditure increases at the real per capita growth rate.

If sufficient members agree to this motion, I will allow it.

[At least five members rose in their places.]

The ACTING SPEAKER: The matter shall proceed on the usual basis.

MR T.R. BUSWELL (Vasse - Deputy Leader of the Opposition) [3.16 pm]: I move -

That this house condemns the government for its failure to control the growth of the state's public sector expenditure and its ongoing failure to cap recurrent public sector expenditure increases at the real per capita growth rate.

Before I deal with the substantive matters before us, which are serious and significant, especially in the run-up to the introduction of the budget, I will correct for the record a statement made earlier by the Treasurer. He was critical of me for using the government's figures for headcounting the public sector. Heaven forbid that a member of the opposition should use the government's own figures and draw a conclusion that it has employed 18 000 public servants over four years. The Treasurer said that the growth in the number of full-time equivalent employees in that period was 10 000.

Mr E.S. Ripper: No, I said 10 500.

Mr T.R. BUSWELL: The fact is that from the end of the December quarter 2000 to the end of the December quarter 2005, FTE numbers under this government increased from 86 396 to 99 655. By my reckoning, that is an increase of 13 259 people. It is a minor issue, but it is important to make sure that the information referred to during debates in this house is accurate. I point out to the Treasurer - he is fully aware of this - that that information is taken from documents produced by the department of -

Mr E.S. Ripper: Do you concede that it is misleading to use the headcount figure?

Mr T.R. BUSWELL: I most certainly do not, Treasurer. I will get to that later.

There is a point to be made that is encapsulated in this motion. The excessive growth in public sector recurrent expenditure under this government, and the mismanagement of the good times in Western Australia, will stand as one of the most unfortunate legacies that this government leaves the people of not only this generation, but also future generations. It is an uncontestable fact that in the 2000-01 financial year, general government recurrent expenditure in this state was \$10.4 billion. It is estimated that at the end of this financial year general government recurrent expenditure in this state will be \$14.1 billion. If that estimate comes to fruition, it will represent a \$3.7 billion, or 36 per cent, increase in the size of general public expenditure in this state under this Treasurer's guidance.

I draw the Treasurer's attention to comments made in the Labor Party's election policy document "Getting Value for Money", which I assume was related to the 2001 election. That document states -

Sound financial management is central to good government.

A well-managed budget underpins the capacity of government to provide quality services for both current and future generations.

Therein lies the conundrum. The Treasurer's mismanagement of the good times has meant that the economic prosperity that this state has enjoyed has not flowed through into benefits of improved delivery of public service to the people of Western Australia today. The structural imbalance that he will leave in public sector finances in this state will stand as a burden for future generations of Western Australians for a long time to come.

I was interested to hear the Treasurer last week in this chamber extolling the wonders of this six-plus per cent growth in gross state product. Of course, that is a good outcome. I would argue that the Treasurer's input into the broad macroeconomic figure is somewhat less than he would argue is the case. He claimed at the time that the Chamber of Commerce and Industry of Western Australia was a great supporter of his government and was firmly behind its wonderful economic record. I was interested to read what the CCI said about the Labor

government's fiscal management practices in this state. It says in its pre-budget submission for this year's budget -

Governments should be fiscally responsible and ensure that expenditure growth is kept in check to avoid placing an increasing burden on taxpayers.

The WA Government's adoption during its first term of the fiscal target to cap the rate of growth in outlays to the level necessary to match price changes and population growth was welcome. Meeting this target is crucial to the WA Government's other key fiscal targets - maintaining tax competitiveness, capping debt, keeping the AAA credit rating and delivering budget surpluses.

However, the Government didn't achieve its expenditure growth target in any year of its first term - a trend it has continued into its second term.

It goes on to express its extreme disappointment by highlighting the government's ongoing and continued failure to meet its stringent expenditure target.

Last week the Treasurer was happy to ride on the coat-tails of this organisation and glow in its praise, but here it is criticising, once again, the state government for its exceedingly poor level of fiscal management. The case in point is that in this financial year public sector expenditure in Western Australian will grow by over \$1 billion. The government has created in this state a public sector machine, or public sector beast, that will require an extra \$1 billion of funding investment every year just to stay in the business of government in Western Australia. Those of us who have been involved in business and in managing household budgets know that to pare back growth in public expenditure of this magnitude is difficult, if not impossible. At the end of the day, the Treasurer will, in his friendly and generous manner, call on the taxpayers of Western Australia, the people who pay the government taxes and charges and royalties, to provide the food to feed this \$1 billion that will be required each year.

People often ask: how can it be that the Western Australian public sector is growing at such an alarming rate? The answer is simply that the growth in public sector expenditure in Western Australia has by and large been driven by a growth in public sector wages. The Treasurer faces some challenges over the coming months to temper the enthusiasm of the Western Australian public sector for real and meaningful wage increases. I will watch with interest how the Treasurer will deal with this issue. Here is the information: general government employee expenses in 2001 were \$4.3 billion; this year it will be \$6.1 billion. In other words, the general public sector wage bill has increased by \$1.8 billion, or 42 per cent, under this Treasurer's guidance. In fact, of the total increase of the size of the general government spending in Western Australia, 50 per cent has been accounted for by an increase in employee entitlements. It is quite clear that there has been a dramatic increase in the size of the public service - 18 142 extra people are employed in the Western Australian public service - and a dramatic increase in the wages that people in the upper echelons of the public service enjoy, as well as more people pushing through into those echelons. We should not forget that 54 per cent more public servants are paid between \$100 000 and \$150 000 and 280 per cent more are paid between \$150 000 and \$200 000. These are the factors that are driving the growth in Western Australian public sector expenditure. An interesting perspective can be put on this, and it was alluded to by the Chamber of Commerce and Industry. When the government was elected, the Treasurer set a very noble objective for Western Australia. He said that the rate of growth of the Western Australian public sector will be capped by a real per capita growth factor. He is in good company with that cap. Stephen Harper, the leader of the Conservative Party of Canada, adopted a cap when he was recently elected as Canada's Prime Minister. It was a central plank of the fiscal policy that his party took to the election. I hope he does a better job than has this Treasurer. For the interest of members, the Treasurer's objective was that every year the level of public sector expenditure should be increased only by a percentage that is equal to the sum of the consumer price index plus population growth. That was the Treasurer's goal, and he has failed to deliver. The CCI said that the Treasurer has failed to deliver in every single year this government has been in office.

What would it mean to Western Australian taxpayers if, through the exercise of sound financial management, the Treasurer had been able to keep on track? It would mean that in 2005-06, this financial year, spending potentially would have been only \$12.9 billion, as opposed to \$14.1 billion; a reduction of \$1.2 billion. Cumulatively over the first five years of its term in office, this government would have spent \$2.5 billion less. I have a chart of my own. Unfortunately, it is not as flash as the Treasurer's because it is not printed on corflute. We are in opposition and cannot afford such wonderments. The Treasurer will notice that the red band on my chart represents the government's budget blow-out, the cumulative effect of which is \$2.5 billion that has been spent over and above the Treasurer's fiscal target. This is an enormous concern to all people who follow matters budgetary in this state. It is a prime example of reckless government expenditure and a complete and absolute incapacity to manage the good times.

I refer the Treasurer to a couple of other measures that are often bandied about to examine the government's fiscal performance. The first, and it was interesting to hear him refer to it again today, is his use of the Treasurer's advance account. I was very interested to note the words that the Treasurer repeatedly used in 2001 regarding the development of the government's policy and his words that are recorded in *Hansard* about the Treasurer's advance account. Members should remember that the Treasurer's advance account was \$300 million and in 2001 the Treasurer promised to reduce it to \$150 million. He said that Labor would halve the annual allocation of the TAA from \$300 million to \$150 million because Labor's more vigorous budget formulation process and the financial discipline that would be required of ministers and agencies would significantly reduce the need for urgent funding injections. That is what he said in the lead-up to the 2001 election. He said, "We will be rigorous and disciplined and if those ministers breach their spending guidelines I will flog them and bring them into line to make sure that we stay on track."

Mr E.S. Ripper: You said it with such enthusiasm. I think you must be a public schoolboy.

Mr T.R. BUSWELL: I went to Busselton Senior High School. These are the sorts of comments he made in support of that. This is what he said about the previous government -

... the Opposition's cavalier approach to expenditure management has resulted in massive appropriation overspending relative to budget. Accordingly, a significant burden is placed upon the Treasurer's advance.

He also said -

The new Labor government is committed to a stricter program of expenditure management. The expenditure review committee will ensure that systematic abuse of the Treasurer's advance will not occur in future.

That is what the Treasurer said when he wanted to increase the amount from \$300 million. He talked about being rigorous and disciplined. Last year the Treasurer increased that amount to \$750 million. I know he did not use all of that - he used about \$680 million - but, in the Treasurer's own words, that is a clear example of financial mismanagement of the highest order.

I will now refer the Treasurer to last year's budget and what the budget papers, and therefore I assume the Treasurer, say. The budget papers stated that the expenses growth target in the Western Australian public sector was 4.1 per cent and the public sector salaries target was 4.7 per cent. Guess what? According to the Treasurer's own mid-year budget review, in the first six months the Treasurer delivered growth in expenses of 7.2 per cent and growth in salaries of 8.1 per cent! A clear argument can be mounted that the Treasurer has absolutely no control over expenditure in this state. Expenditure is running well ahead of what he ever budgeted for, and well beyond what he ever targeted.

I will pose three serious questions in assessment of this issue before concluding. The first question relates to a previous interjection by the member for Balcatta. For all the billions of dollars of extra spending and for all the extra 18 100 people employed in the public sector in Western Australia, has the public of Western Australia seen a significant improvement in the level of public services provided to them? If I asked the people in the parents and citizens association at my local primary school whether they felt 30 or 40 per cent better off, they would say no. If I asked the nurses' union whether there were any extra nurses, it would say no. I met with representatives of the state public sector unions, who are very concerned about how the Treasurer will treat them in the upcoming wage case, and asked them whether they had received any of the additional 18 100 people in their departments - additional people at the coalface - delivering better services to the public of Western Australia. They said no. In December last year the director general promised the Department for Community Development office in Midland an extra five people - out of 18 142. That office received only two of those additional people. Where did the extra 18 000 people go? What sort of a sponge has the Treasurer developed in the public sector to absorb these people and where has all this extra money gone? Clearly it has not been delivered to the public sector of Western Australia through improved public sector services.

The second question that must be asked is very important. What benefits could we have seen and how much lower could state taxes have been in Western Australia if this government had had the courage to stick to the targets that it set? They were admirable targets. As I said earlier, the government could not cap public spending growth at real per capita levels, because it lacked the discipline and the capacity to manage the state's finances effectively. This year, the state government has spent \$1.2 billion more than what it would have spent had it stayed on track. State taxes this year will come in at around \$5 billion. By my reckoning that would give the government the capacity to apply across-the-board tax relief in Western Australia of up to 20 or 22 per cent and to keep a couple of billion dollars as surplus to guard against bad times. It is a fact that the taxpayers of Western Australia will ultimately pay for this government's incapacity to control the blow-out in the public sector of Western Australia.

Mr J.C. Kobelke interjected.

Mr T.R. BUSWELL: If there were more teachers, nurses, police and staff in the DCD office in Midland and if there were not this huge explosion in the middle level of public sector management in this state - the people the government likes to fund - maybe, just maybe, the minister could make an argument, but he cannot.

The third question that must be asked is: what will happen down the track when the growth in state revenues - either from state taxes, royalties or goods and services tax - starts to decline? What will the government do about that? As I said in my introductory comments, the government has created an enormous structural problem in state finances in Western Australia. If the growth in the revenue starts to slow and the government continues on its huge growth path with recurrent expenditure, it will be in big trouble. If the Treasurer wants an example of where that is happening right now, he should get on a plane to Sydney and have a chat with his mate there. He will tell the Treasurer how difficult it is when growth in revenue has slowed after a huge beast of recurrent expenditure has been created. He will let the Treasurer know what the problems are. Then the Treasurer will think: do we have a deficit, do we raise taxes and what do we cut in a hurry? This government has put future generations of people in this state in a very precarious situation by creating structural instability in Western Australia. The great tragedy of the government's mismanagement and the explosion of public sector expenditure in this state is that it has mismanaged the good times. Future generations of people in this state will be left with a legacy for which I fear they will pay for a long time to come.

MR E.S. RIPPER (Belmont - Treasurer) [3.36 pm]: Not surprisingly there appears to be a lack of support for the Deputy Leader of the Opposition -

Opposition members interjected.

The ACTING SPEAKER (Mr P.B. Watson): Order, members! Opposition members had the chance to speak then and no-one stood, so I let the Treasurer have the floor.

Mr E.S. RIPPER: I thought there might possibly be a support speaker for the Deputy Leader of the Opposition. He has some problems on his side; perhaps that explains the situation.

Mr P.D. Omodei: Let's hear your pearls of wisdom.

Mr E.S. RIPPER: There is an old saying about casting pearls before swine, which I think applies on this occasion.

The opposition has adopted an interesting new tactic. After five years of education from this side of the house, the opposition has, through its new shadow Treasurer, at last started to talk about expense growth and overall financial management issues. Until now the opposition has campaigned only on the question of the need for additional resources here and there and the need for more staff in various agencies. It has adopted a new tactic of talking about financial management issues and expense growth. Unfortunately, opposition members have not dropped the old tactic; they are doing both. At question time we saw a schizophrenic opposition. The Deputy Leader of the Opposition asked me questions about expense growth. The shadow Minister for Health asked me questions that implied he wanted more resources put into the health area. The member for Darling Range asked questions that indicated he was advocating additional resources for the Department for Community Development. When my colleague the Minister for Peel and the South West was dealing with the Busselton jetty issue, the Leader of the Opposition interjected to ask how much the government was putting in from the consolidated fund; in other words, he wants money from the consolidated fund to go towards the Busselton jetty.

Mr P.D. Omodei interjected.

Mr E.S. RIPPER: He is on the same tack again. He is attacking us for not putting money from the consolidated fund towards the Busselton jetty. We were then asked a question about the Swan River. The Swan River, Busselton jetty, health services and DCD were four issues raised by the opposition during question time when it in effect attacked us for lack of resources. At the same time the opposition seeks to attack the government for its rate of expense growth. The first thing the opposition must do if it is to have any credibility on financial issues is to realise the necessity to choose. Will it campaign for increased resourcing in each area of service for which its shadow ministers are responsible, or will it campaign for reduced expense growth and accept the consequences of taking that approach and restrain its shadow ministers from attacking the government for a lack of resources? I know what the opposition will do. It lacks discipline. It will do both. Each shadow minister will be allowed to go on an extended campaign, calling on the government to put additional money and staff into the area for which that shadow minister is responsible, while the Deputy Leader of the Opposition will pretend that he is far above that and he will have his own shadow Treasurer campaign for reduced expense growth. Some time in 2008 members opposite will have to sit down and work out how it all adds up. Then they will realise that choices have to be made, or perhaps when they sit down and try to make it all add up, they will be in the excruciatingly painful position that their mentor was in two days before the last state election. I really felt for the member for Cottesloe when I saw that interview. It was an excruciatingly embarrassing moment. If

the opposition is to avoid such an excruciatingly embarrassing moment at the next state election, it will need to start making decisions now about whether its major campaign is to restrict public expenditure or whether its major campaign is to have a series of sub-campaigns calling for an increase in public expenditure.

As I explained during question time, the government has faced an extraordinary set of circumstances. For example, we inherited the Barnett budget blow-out, which was \$400 million worth of unfunded commitments entered into by the previous government for which there was no budget provision. That is a great way to control expense growth - make an announcement and then not put any money in the budget! It looks as though expenses are controlled, except that the bill comes in and it must be paid - just as the bill had to be paid for teachers' laptops. That was part of the enterprise bargaining agreement that was signed off by the then Minister for Education, now the opposition's mentor, without any budget provision, which this government had to provide. Obviously that reduced the previous government's expense growth figures, but it added to our government's expense growth figures. However, the decision was made by the previous government when it signed off on that EBA. Not only that, we discovered a range of service deficiencies, and we have remedied those service deficiencies. We have remedied them because we have had the capacity to do so. Our booming economy has brought additional revenue to the government.

Mr P.D. Omodei: It's not true. Service delivery is not growing; bureaucracy is growing.

Mr E.S. RIPPER: Service delivery has grown, as the Leader of the Opposition will find when I read out the figures of the number of people who are directly delivering services to the community of Western Australia. We have had extraordinary circumstances. We have had increased capacity to spend and to improve services and we have had a need to spend to improve services, and we have done that. Yes, that has led to expense growth beyond the target that we agreed on when we were in government in 2001. The commitment that we made to the people of Western Australia was to retain the state's AAA credit rating, and we have retained the state's AAA credit rating. The expense growth target and the debt-to-revenue ratio target are really subsets of the overriding target, which is to retain the AAA credit rating.

Mr C.J. Barnett: Why did Labor lie on taxes?

Mr E.S. RIPPER: I do not accept the member for Cottesloe's interpretation of Labor's behaviour. He needs to examine the document I tabled that lists the Barnett budget blow-out. If he does, he will see the set of circumstances that we were confronted with. The government's commitment was to retain the state's AAA credit rating, and it has done that very successfully.

Mr C.J. Barnett interjected.

The ACTING SPEAKER: Order, member for Cottesloe!

Mr E.S. RIPPER: There is a lot of debate about the budget. A lot of different issues and indicators can be raised. However, there is a very simple way of determining whether the budget is being run properly and whether the finances of the state are sustainable, and that is the AAA credit rating.

Mr C.J. Barnett: You lost it in government. You were a minister when you lost it.

Mr E.S. RIPPER: The mentor of the opposition - I nearly slipped back into old habits by calling the member the Leader of the Opposition - wants to take us back to 1991 or 1992 to discuss these issues. This is 2006. It is important that we have a discussion about finances now. The AAA credit rating is like a star rating system. If people want to know whether the state's finances are well managed and sustainable, they should look at the star rating. The star rating is AAA. It is the best rating a state can get, and we have retained it easily year after year. The suggestion of the Deputy Leader of the Opposition that we are leaving a structural imbalance for our children, or that there will be serious issues in the future, is just wrong. We would not have the AAA credit rating if we were leaving something that was unsustainable and would not be supportable in the future. The reason we have retained the AAA credit rating is that debt has been kept under control, despite the fact that we have built billions and billions of dollars worth of infrastructure since 2001. I think we have probably spent more than \$13 billion on infrastructure since 2001. Despite that fact, debt as at 30 June 2005 was \$4.001 billion. That is the lowest level of net debt on record, both in absolute dollar terms and as a share of the economy. We have built billions of dollars worth of infrastructure and debt is lower than when we were elected; \$4.001 billion is the lowest level of net debt for this state government on record. No wonder we have kept the AAA credit rating and no wonder Standard and Poor's and Moody's Investors Service think our finances are sustainable and of the highest quality.

That is not to say that we cannot do better. That is why the government has instituted a program of agency functional reviews. We are starting with the Western Australian Sports Centre Trust and the Department of Indigenous Affairs. Both those reviews began last year. We will move on to other agencies because we want

the effective delivery of services for the people of Western Australia and we want value for money for our taxpayers.

That is not the only action we are undertaking to control expenditure growth. We have a very significant program of procurement reform. That will save approximately \$450 million over the forward estimates. Do I get support from the opposition for our very important procurement reform program that will deliver value for money to taxpayers? No, I do not. I get aggressive questions from the opposition that indicate that it will not support our procurement reform program. Despite the fact that I have challenged the opposition on a number of occasions to declare its support for procurement reform, I have not received a positive response. On the one hand, the Deputy Leader of the Opposition has said in this place that we should control expenses. On the other hand, a very important reform program is under way to make significant savings on government purchases of goods and services for which I cannot get any support from the opposition. The opposition would rather attack the employment of police officers, nurses, teachers, teacher aides, disability service carers, social trainers, environmental appeals people and people who approve planning for subdivisions in the Department for Planning and Infrastructure. It certainly does not want to go anywhere near the efficiencies in the purchase of goods and services by the government.

Another very important reform program that the government has put in place, which will save us more than \$200 million across the forward estimates, is the shared services program to deliver routine corporate services in a more efficient way. That program is based on a very simple premise; namely, if we can reduce the cost of routine corporate services transactions to the level that is already achieved by the best practice agencies in Western Australia - in other words, if all the public service can achieve what is now the best practice in the public service - we can save more than \$200 million over the forward estimates and we can achieve more than 700 fewer positions in corporate services across the public sector.

Mr T.R. Buswell: Where are they going?

Mr E.S. RIPPER: They will go out of the public service, because their services will simply no longer be required.

Mr T.R. Buswell: We will watch the figures with interest.

Mr E.S. RIPPER: The Deputy Leader of the Opposition can watch the figures with interest, because the government is serious about that program. We want the opposition's support for that very important shared corporate services reform to achieve improved efficiency, better value for taxpayers, fewer staff, less expense on back-office bureaucracy and more money released for expenditure on core services.

There has been some discussion about the number of full-time equivalents. In 2001, there were 88 039 FTEs.

Mr T.R. Buswell: Which quarter is that?

Mr E.S. RIPPER: I do not know which quarter. In 2005, there were 98 621 full-time equivalents. That is an increase of 10 580 full-time equivalents. It is interesting to see where those FTEs have gone. I refer to the advice that the government received from the Acting Director General of the Department of Health, Dr John de Campo. Between June 2001 and June 2005, an additional 3 586 medical nursing and medical support staff were employed in our public hospitals at a cost of \$516.5 million. In June 2005, there were 22 094 doctors, nurses and allied health staff working in the public health system compared with 18 508 in June 2001. That equates to a 19 per cent increase. According to the same advice, overall there are 2 231 more nurses, 899 additional allied health staff and 456 more doctors. That is a very significant increase. I have other figures that also show where we have been employing people. For example, in the education system there are an additional 1 544 teachers in our schools. That is direct service delivery.

Mr P.D. Omodei: Is that in five years?

Mr E.S. RIPPER: That is in five years; since we were elected to government.

Mr P.D. Omodei: What was the population increase in that time?

Mr E.S. RIPPER: The Leader of the Opposition has asked what the population increase was in schools over that time. Of course, the population has increased and, as a result, the government has had to spend more money on providing services. The Leader of the Opposition provided the answer to his own argument. Yes, the population has increased. The economy has grown. People are flooding into the state as a result of our booming economy and we have to provide services to them. Not only are we providing services to them on a per capita basis, but also we are providing improved services. Since we came to government, there are an extra 1 544 teachers and 1 655 education assistants in our schools. If we add the number of teachers and education assistants together, there are more than 3 000 extra people in public school classrooms as a result of this expenditure growth about which the opposition complains.

I refer to school cleaners. The opposition disagrees with the government about cleaners. When we take cleaners off contract and bring them back into the direct employment of the government, of course there is an apparent increase in the number of FTEs. There is an increase in FTEs, but we are not spending the money on contract costs.

Mr T.R. Buswell interjected.

The ACTING SPEAKER (Mr P.B. Watson): Order, member for Vasse!

Mr E.S. RIPPER: In the area of community development, there are an additional 50 case workers, 25 child protection workers and 31 workers in the family and parental support area. It is not the case that the money has not been spent on direct service delivery. If members look at our budgets, year after year this government has reprioritised. If we add up funding for health, education, law and order, and community support, members will find that every year those areas occupy a larger proportion of the budget. We said way back in 2000 that if we were elected to government we would place more emphasis on those key government services. The opposition can see that year by year we are putting more emphasis on key government services. That is where the money is going. It is going into health, nurses, doctors, education, teachers, teacher aides and the WA Police. We are providing extra police officers and extra civilian staff to support those police officers. The money is going into the Department for Community Development to employ extra case workers and child protection workers. It is going into the Disability Services Commission to fund care for people with disabilities. It is going into the Department of Environment to provide more resources to protect the environment. It is going into the Department for Planning and Infrastructure to provide for quicker approvals of subdivisions to keep the economy going. It is going into the Department of Industry and Resources to provide additional staff so that we can get approvals for major projects.

I have already indicated that we have been through extraordinary economic times, with an extraordinary growth in revenue and an extraordinary growth in population. This government inherited the deficiencies of the other side of politics when it was in government, which we have needed to remedy. We have been remedying them. We were elected on a promise to improve services. I am proud that the government has been spending \$1.2 billion more on health, an increase of 52 per cent, since it was elected. Every year we are spending \$1.2 billion extra on health compared with what was spent on health when the member for Dawesville, the shadow Minister for Health, was a member of the Court government. We are spending \$737 million more a year on education and training, which is a 39 per cent increase, than when the mentor of the opposition, the member for Cottesloe, was the Minister for Education. We are spending \$381 million more a year on police, and on law and order, which is a 41 per cent increase, than when the Leader of the Opposition was a member of the previous Court government. We are achieving improvements in health, law and order, and education and training.

However, we are not sitting on our laurels. We know that more and more must be done. More resources must be put into these areas. We must also have reform programs to get the best value for our money, because the taxpayers expect and deserve no less than full value for the money they give us. We have got those reform programs. The government's biggest and most important reform program is the health reform program, which came about as a result of the recommendations of the Reid committee. This is not easy stuff. It is not easy to reduce the rate of growth in health expenses to 5.5 per cent a year. It has been achieved by some ministers, but it is very hard to achieve consistently. It can be achieved only with a determined, persistent, comprehensive and systematic reform program based on world best practice. It can succeed only if there is a big capital commitment to modern facilities, as is the case in Western Australia. The government has put in place the necessary reform program. It has a large capital investment. It is not looking only at reducing the growth in expenditure, because the important point is to deliver the services that the people of Western Australia need. I want the people of Western Australia to be able to go to a public hospital in 10 years and get the services they need. I do not want some intervening financial crisis to jeopardise the opportunity for people to receive those services. This is a long-term reform program aimed at best practice and sustainability, both operationally and financially, in our health system. The opposition ought to get behind it. Although current signs are that Labor will continue in power for a very long time yet, I am realistic enough to understand that the other side of politics will be in power at some stage in the future. When that is the case, those conservatives will want to know that action was taken to ensure that our health system is operationally and financially sustainable.

Mr R.F. Johnson: Treasurer, you did the same in 2000: you said it would take 15 years or more to fix the system. You then said you would fix it. Six years later you've not fixed it. Now you've told us that in five or six years, or in another 10 years, you might have fixed it.

Mr E.S. RIPPER: We have made substantial progress. The government has put an additional \$1.2 billion a year into the system. It has employed the additional 3 586 medical, nursing and medical support staff. We have made a lot of changes to our health system, but, yes, the problem has certainly proved to be thornier than I imagined to be the case when campaigning in 2000. We found it necessary to undertake a comprehensive review

in the form of the Reid report. The government has considered the recommendations from that review, and will implement them in a systematic way. I pay tribute to the health ministers of this government - namely, the member for Yokine, and the current Minister for Health - for the determination with which they have reformed our health system.

Finally, I return to the fundamental point. If members opposite think the finances of this state are unsustainable and that there is a structural imbalance, how is it that WA has a AAA credit rating? How is it that press releases from Moody's Investors Service and the Standard and Poor's rating every year state that our finances are strong? How is it that we have built all that infrastructure, yet we have the lowest net debt on record? How can there be the problems the opposition alleges in our finances if WA has a AAA credit rating, which is forward looking and examines risk into the future and sustainability? How is it that we have the lowest net debt on record? I think the opposition has to come up to speed. This state now has a \$100 billion economy. It is a much bigger economy than the economy left to us by the coalition government.

Mr C.J. Barnett: It grows every year.

Mr E.S. RIPPER: It does not grow at 10.4 per cent every year, my friend, as it grew in 2005!

Mr J.C. Kobelke: The interjection from the member for Cottesloe that the economy grows every year indicates that he has forgotten that the last year he was in government, the state economy shrank!

Mr E.S. RIPPER: That is right. It does not grow every year. When the mentor of the opposition was the Minister for Resources Development, the economy got smaller. That was an achievement! According to the Australian Bureau of Statistics, the state's economy grew by 10.4 per cent in the calendar year 2005 on a year-on-year basis, and it grew by 7.6 per cent if members want the year average growth.

The DEPUTY SPEAKER: Order, member for Vasse!

Mr E.S. RIPPER: The government has had the additional capacity to finance improvements in services; it also had the need to do so.

I make an additional point. A fast growing state in itself generates demand for additional expenditure. Why do we need to spend money on additional planners, environmental approvals officers and staff in the department of resources? Why do we need to spend more money on training at the Department of Education and Training? We must spend money because the state's economy is producing more demands on the public sector. Business wants an efficient and effective public service with which to deal. Business wants the public service to be competent and effective and properly resourced. Good quality people are needed at the top of the public sector to provide that effective decision-making service that it needs to undertake its part in the development of the state. The opposition has made some advance by at least seeking to talk about these issues. However, it is a long way from disciplining itself and settling on a common strategy, because it still campaigns for extra expenditure in particular areas while at the same time calling for a reduction in general expenditure. Members opposite need to get on board and support the government's expenditure reform programs, such as procurement and shared services, if they are indeed to have real credibility in this area.

DR K.D. HAMES (Dawesville) [4.06 pm]: The Treasurer and Acting Premier spoke about the schizophrenic nature of the opposition. However, the Treasurer should consider some of the comments made from members on this side of the house when we were in government. He did exactly the same thing he accuses us of doing; that is, he stated that, on the one hand, we as a government spent too much money and did not have good control of our funding, yet, on the other hand, we were not providing enough services. The Treasurer cannot have it both ways. He cannot have us doing both. He is just as schizophrenic as he claims we have been. When we were in government, we went through some very difficult times. The Treasurer may recall the South East Asia meltdown. Predictions were made that the Western Australian economy would collapse; it did not. The coalition government kept the state strong, and kept funding under tight control. The Treasurer flashes his little graph showing five out of eight budget negatives. I have spoken to former Under Treasurer Mr Langoulant about the Treasurer's little graph. I am not an expert in Treasury and finance, and I asked Mr Langoulant what the graph means and whether the Treasurer was accurate with his little graph. He said it is a load of nonsense; he said that the accounting mechanisms were changed during the time outlined in the graph, and that one cannot compare one side of that graph with the other. It makes no sense at all. I asked whether the Labor Party was doing a much better job financially than we did when we were in government. It was tough when we were in government as there was not enough money to do all the things we wanted to do and to provide the services we wanted to provide. Mr Langoulant said there was no difference. He was Under Treasurer under our government and under the current government, so he should know what he is talking about. When we were out of government, we worried about the lot opposite getting back into government. I used to warn people: I said that this lot have a Bankcard mentality. Liberal governments must then come in to fix things. Members opposite wasted money and damaged the economy through WA Inc; they bankrupted the state and lost our

AAA credit rating. It was left to the Liberal government to save the economy. We won government and got things back on track. As inevitably happens, the lot opposite came back into government, and what did they do? Out came the Bankcard; it was placed on the table. Members opposite spend, spend, spend - they pay more and they buy more. The Treasurer referred to increased services. I contend that there are no increased services, particularly in the health system. I will go through that aspect in a minute.

I firstly refer to the reason that the economy is doing so well. We have the luckiest Treasurer alive. He has won the trifecta. When people say how well the economy of Western Australia is going, I ask them to tell me one thing the Treasurer has done to make a difference. He has done one thing; he has increased taxes. The economy is booming for three reasons. The Treasurer has the quartet. First, there is the huge boom in the Chinese economy, which is the main reason that this state is going so well. Second, the Treasurer has the steadily increasing GST revenue as a result of an initiative brought in by the federal Liberal government. Third, the Treasurer has benefited from the change in estimates in commonwealth grants that have provided a huge boost to the state's income. Three of those factors are nothing to do with the Treasurer, but one is, and that is the increased tax. I recently downsized my house. In doing so I had to pay \$32 000 in stamp duty. It may be that the house I owned was worth too much. However, when one looks at the issues in my electorate of elderly people who have reached the stage where they want to downsize to a smaller house, they have to pay \$10 000 or \$15 000 in tax because the Treasurer wants to get more money out of people. Why should elderly people who are downsizing their house and moving into a smaller property have to pay the penalty of \$15 000 tax to the Treasurer and his government? What happens to that money? Where does it go?

My recent questions have been about the increase in the number of fat cats in the health system. From June 2004 to June 2005 the number of people earning \$80 000 to \$90 000 a year increased from 123 to 242, and the number of people earning \$90 000 and above increased from 122 to 193.

Mr E.S. Ripper interjected.

Dr K.D. HAMES: I have too little time to take interjections. That represents \$17 million out of a \$21 million increase for the year that went to those two pay brackets, while all the rest of the health workers got nothing. The Treasurer has talked about an extra 2 231 nurses, which is where that money has gone in the budget, but there are no more beds in the hospitals. John De Campo, who provided those figures, said that no more beds can be provided because the Department of Health cannot get any more nurses. The number of beds in hospitals is exactly the same. Doctor Sprivilis in his report said that the fact that 120 people were dying each year due to overcrowding in hospital emergency departments in this state is caused directly by a lack of beds and by a lack of nurses. The state has the same number of hospital beds, yet where are the extra 2 231 nurses? I would like to see where they have gone, because they have certainly not gone into major hospitals and into providing increased services. I will study the Treasurer's figures in great detail to try to find out where those nurses have gone, because they have certainly not gone into the state's hospital system. All that money has certainly not gone into providing increased services.

MR P.D. OMODEI (Warren-Blackwood - Leader of the Opposition) [4.13 pm]: We have just heard the Treasurer talking about a budget that is operationally and financially sustainable. If that is so, why does the Treasurer need a functional review? I put it to the Treasurer that the members for Vasse and Dawesville have made the very clear case that the Treasurer's budget is not financially and operationally sustainable. Recurrent expenditure is increasing by 36 per cent of \$3.7 billion. Increases in wages are blowing out every year by over \$1 billion. What will happen when the boom, which the Treasurer was not responsible for, comes off the boil? Obviously, recurrent expenditure will come down somewhat, but it will still be there. How will the Treasurer fund it with reduced royalties, goods and services tax receipts and all those other contributions that come with a boom?

Mr E.S. Ripper: We have to be prudent and plan for that sort of scenario. That is why we run quite a big surplus. That is the cushion in case things go wrong.

Mr P.D. OMODEI: The Treasurer must be prudent. The reason the government has had surpluses is its massive tax increases. The Treasurer knows that. The member for Vasse might have already mentioned the government's official wages policy of three per cent per annum. The budget papers for 2005-06 state that salaries are forecast to grow by 4.7 per cent. The latest December quarterly figures from Treasury show that for the first half of 2005-06 salary expenditure increased by 8.15 per cent, so salaries are already blowing out. For the first half of the financial year salaries cost \$208 million more than at the same time the previous year. How can that be sustainable? I do not think it can be.

The Treasurer has talked about the increase in services. Obviously, when the state's population grows, demand for schools and other services grows, so of course expenditure grows. However, we are saying to the government that while administration costs are blowing out and public servant numbers are blowing out, public services are not increasing at the same level. Department of Health administration staff costs have increased by

\$94.6 million since 2001. The number of administrative staff earning more than \$70 000 a year has increased by 440 since 2001. How is that delivering more services?

Mr E.S. Ripper interjected.

Mr P.D. OMODEI: Let me finish, because I have only two minutes. The number of staff in the Department for Community Development earning over \$100 000 has increased from one to 16 since this government came to power. As at June 2005 the number of staff in the Department of the Premier and Cabinet earning over \$100 000 has increased from seven to 59. On it goes. Despite the massive increase in expenditure, service delivery - the very thing we talked about today - is not increasing at the Midland office of the Department for Community Development and at other places where DCD is closing its doors. That is why every time the Minister for Community Development visits an office like Midland, two other offices close their doors. We will show the government in the coming weeks and months that despite the increase in the number of public servants employed under the Public Servants' Act, the delivery of services has not changed significantly at all. The Disability Services Commission bureaucracy has increased by 80 or 90 people, with the number of cleaners and local area coordinators increasing by five or six people.

What the Treasurer is saying is not true. I believe that the reason the Treasurer is having a functional review is that he knows that operationally and financially his figures are not sustainable.

Question put and a division taken with the following result -

Ayes (20)

Mr C.J. Barnett	Dr E. Constable	Mr R.F. Johnson	Mr G. Snook
Mr D.F. Barron-Sullivan	Mr M.J. Cowper	Mr J.E. McGrath	Mr T.R. Sprigg
Mr M.J. Birney	Mr J.H.D. Day	Mr P.D. Omodei	Mr M.W. Trenorden
Mr T.R. Buswell	Dr K.D. Hames	Mr D.T. Redman	Ms S.E. Walker
Mr G.M. Castrilli	Ms K. Hodson-Thomas	Mr A.J. Simpson	Dr G.G. Jacobs (<i>Teller</i>)

Noes (25)

Mr P.W. Andrews	Mr F.M. Logan	Mr M.P. Murray	Mr P.B. Watson
Mr J.J.M. Bowler	Ms A.J.G. MacTiernan	Mr A.P. O'Gorman	Mr M.P. Whitely
Mr J.B. D'Orazio	Mr M. McGowan	Ms J.A. Radisich	Mr B.S. Wyatt
Dr J.M. Edwards	Ms S.M. McHale	Mr E.S. Ripper	Mr S.R. Hill (<i>Teller</i>)
Mrs J. Hughes	Mr A.D. McRae	Mrs M.H. Roberts	
Mr J.C. Kobelke	Mr N.R. Marlborough	Mr T.G. Stephens	
Mr R.C. Kucera	Mrs C.A. Martin	Mr D.A. Templeman	

Pairs

Mr G.A. Woodhams	Mr J.A. McGinty
Mr T.K. Waldron	Mr A.J. Carpenter

Independent Pair

Dr J.M. Woollard

Question thus negatived.