

TREASURER'S ADVANCE AUTHORISATION BILL 2024

Second Reading

Resumed from 22 February.

MR R.S. LOVE (Moore — Leader of the Opposition) [1.17 pm]: I rise to speak on behalf of the opposition on the Treasurer's Advance Authorisation Bill 2024. In doing so, I say from the outset that we will support this legislation not because we support every one of the cost overruns that has been identified in the bill, but because we understand the need for there to be certainty in the state to ensure that the government can meet its commitments running up to 30 June of this year. We will not oppose this legislation; we will support this bill. However, we will be questioning some of the results that have led to this situation.

We know that this is the third year in a row that this Labor government has come to the Parliament and asked for an advance in excess of \$1 billion over the amount that is already available to it. Three per cent of the state's budget is available as a Treasurer's standing advance, if you like. For a budget that is roughly \$30 billion in total between capital and recurrent items, roughly \$900 million is available without the need to come to Parliament to call upon any more finances. It does not matter how much money flows into the coffers in that period, because this is a situation whereby the Parliament must approve any expenditures. It is not a matter of a net amount; it is a matter of the amount of spending that the government is undertaking, regardless of any income it gets.

A budget of around \$30 billion was put in place last year. We had a lot of interrogation of that budget in May. There were a lot of justifications, and questions were asked about all the projects. We see here an increase of 10 per cent or more in that budget to \$3.2 billion, and a great deal of questions need to be asked about how that figure was arrived at. It is purported that the midyear review is where members will find explanations for what the money is required for, yet the midyear review shows that only about \$1.87 billion is necessary, not the \$3.2 billion that has been called for in this bill.

In the consideration in detail stage, the minister will be asked to explain the details of some of those expenditures because we would like to have more information for the hardworking people of Western Australia, whose taxes are paying for this extra expenditure. We know that the midyear review identified costs due to cyclone Ellie and Metronet cost blowouts, and we also know that the WA Country Health Service has been in a spot of bother in seeking and retaining staff and has been relying heavily on agency staff. Those workforce pressures have led to extra money having to be made available to the WA Country Health Service to ensure that nurses and other personnel are available. However, at the moment in regional Western Australia especially, we see whole areas where services are not being provided under the WA Country Health Service. The opposition has highlighted this on a number of occasions. For instance, at Carnarvon Health Campus, no midwifery service has been offered for years. Apparently, this situation is statewide, and it is leading to the government having to give a lot of money to the WA Country Health Service to provide extra staff. However, when we ask questions in this place on the provision of health services, we are told that there is nothing to see and it is all under control, yet it clearly is not.

This government has a history of not keeping to its budgets. We know that a number of major projects that have been undertaken were analysed in the Auditor General's report last year. I think 20 major projects were reviewed. Interestingly, a number of projects in which the worst cost overruns were identified, as well as being the least timely in their delivery, were in the transport area, which is the Treasurer's portfolio. Therefore, it raises the question of government oversight when we have a Treasurer whose own department is one that has to come cap in hand to the taxpayer to ask for more money than was identified in the budget last year. This is not the first year that this has happened. It is a perennial request from the Department of Transport for those projects. Yet again we see Bayswater station, for instance, being used as part of the explanation for a quarter of the billion-dollar overrun identified in the midyear review, yet there is no explanation of what the rest of this extraordinary request for money will be used for. We will seek to interrogate these matters.

We will support the passage of the bill. We know that this bill must be passed for nurses, police, teachers and all other government workers to get their wages through to 30 June. All those people, including contractors et cetera, rely on the government to make good its debts and commitments to them. We know that this has to occur. As I have highlighted in earlier discussions, when America is in a similar situation and there is a deadlock between the houses over a money bill wherein the government has run into budgetary pressures and has been unable to provide for its commitments, we see people such as police officers, government workers and defence force personnel et cetera not being paid, because the two houses cannot agree on a money bill. We will not ever argue against the government being able to meet its commitments; however, we will question the reason that the ask has been made. As a further advance, the government has had to ask for about 10 per cent or more than the total budget. Looking at the budgetary processes, as I said for the original budget, there are explanations for this 10 per cent request, which is very significant. It is a massive amount of money, yet very little is known about where a large part of that money will go. We will be seeking to find answers to that through questions to the Treasurer in consideration in detail.

Every year—I stand to be corrected—that this government has been in place, it has had to come to Parliament for an advance above the three per cent that the Financial Management Act 2006 provides for as a matter of course. If we look back at the previous Liberal–National government, which is often lambasted by this crew for poor financial management, we see that it actually kept to its budgets. It did not have to constantly come to the Parliament to ask for extra money to keep the lights on in Western Australia and to pay schoolteachers. That was not the normal business of government then. It was not needed because budgets were formed and adhered to. Sadly, that is not the situation under Labor. We will be seeking further information about where this money will go whilst supporting the passage of the bill and understanding that it needs to move through in a timely way so that the government can access the money to meet those payment commitments.

DR D.J. HONEY (Cottesloe) [1.26 pm]: I also wish to make a contribution to the debate on the Treasurer’s Advance Authorisation Bill 2024. As was indicated by the Leader of the Opposition, I am supporting the bill. It is very important for us, as an opposition, to provide scrutiny of the government in this matter. If we look at the information that has been provided to the opposition to date, we see that it is the information in the bill. Information was supplied in the midyear review for part of this, which has already been discussed, but we are now looking at an eye-watering increase in the original budget that the government put forward. As was indicated, we are not seeking to artificially delay this, but it is important that we examine it, rather than simply agreed to it.

The state government has a number of key roles and one of them is prudent management of the state’s financial resources. It is not sufficient to say, “Yippee, we’ve got a massive windfall of revenue because of factors completely outside of our control”—to wit, iron ore royalties in particular, but also other mineral royalties and the GST fix that was put in place by the federal Liberal–National government. It is critically important that the state husbands the financial resources. Why is that? It is because the period we are enjoying now is extraordinary but not because of anything the government has done; it is extraordinary because we have had a combination of circumstances that have led to a windfall income—in particular, the royalty income—that we have never seen before in the history of the state. As I say, the state government does not control global prices. It has been interesting to see the debate from the other side, with the government happy to take credit for windfall revenue that it has had nothing to do with. I will also be interested to see whether the government takes credit when we come down the other side of that, and it appears that we are starting to do that at the moment. Obviously, lithium is at the forefront of that, but iron ore prices are also looking like they are starting to wane.

Obviously, the bill as presented will grant the government the authority to access funds beyond the budget allocation without the explicit approval of the department, and that is all the detail. Part of our role is to make sure that we are not ignoring potential risks associated with unchecked discretionary power. I would like to thank the Treasurer for organising the briefing, but as was alluded to by the Leader of the Opposition, the detail of the additional amounts was not forthcoming in that briefing. We heard some broad statements about being a bit over here and a bit over there, but not the detail, nor the justification for it. The budgets I dealt with in my former life were not billion-dollar budgets, but the capital budgets I dealt with were in the many hundreds of millions of dollars and the accumulated totals were certainly in the billions of dollars. I never would have had the largesse to increase spending on projects, as appears to be the case for Metronet projects in particular, but also for other projects.

Inflation is nothing new. In fact, the average current interest rate is around 7.5 per cent and it reflects average inflation. Inflation is higher than it was because we had an unusual period of stability, but it has not been excessively high. If there were unexpected costs in the projects that I was responsible for in my former career, I was expected to find savings within the rest of the projects. I have heard no evidence whatsoever of any savings being found in projects. It appears that in all these projects, it is just cost plus. Dollars are just added on and it does not appear that there is any control.

The current Treasurer’s advance of \$909.3 million, which is three per cent, is 43 per cent larger than the Treasurer’s advance in 2016–17, which was \$632 million, so it is a substantially greater amount of money over a relatively short time. In 2016–17, the last year of the Barnett government, the total amount drawn against recoverable advances for new items was \$427.4 million against the three per cent advance of \$632.4 million allowed under the Financial Management Act. That was an extraordinarily difficult period of government. It saw the opposite of what this government has seen; that is, it saw a massive increase in the population of the state. There was an increase of 500 000 people over the eight years of the government. It went a little bit beyond that. Essentially, the population of Tasmania arrived here in that time, yet the revenue from the GST plummeted to a fraction of the dollar and the price of iron ore went down to about \$US40 a tonne, not the well north of \$US100 a tonne that this government has enjoyed. Despite that, as was mentioned by the Leader of the Opposition, that government, which the other side likes to pillory and criticise at length, managed within that and did not spend outside the three per cent advance. What has happened under the McGowan and Cook Labor governments? The Treasurer’s advance was increased to \$1 billion in 2019–20, \$750 million in 2020–21, \$1.5 billion in 2021–22, \$2.1 billion in 2022–23 and \$2.3 billion in 2023–24. These are not advances of a few hundred million dollars. These are not slight rounding errors. These are substantial cost overruns by the government. Outside of forecasts, it must have included inflation. Especially with the

budget that we have just had, there was no surprise that there were inflationary pressures on costs as we came out of the COVID pandemic. That was not a surprise. Any prudent government would have built that into its forecasts.

I am fascinated about the government beating its chest about its credibility as a financial manager. What is quite clear is that it has no idea what is going on. These are multibillion-dollar overruns on a budget that was already inflated. That is not prudent fiscal management by the state government. We are out of the COVID era now, yet the amount of money that is being sought is substantially greater than the money that was sought during the COVID pandemic. I will give the government its fair dues in 2020 and going into 2021. Who could have predicted COVID? But the amount of money that is being sought now is even more than that. This is no small thing. I would be interested to understand, for example, the policy decisions on the wages policy and other decisions, particularly around capital investment. I am really bemused by the overruns in capital investment. It has all the hallmarks of there being no proper controls over capital projects that are being managed by the state.

I will otherwise leave my comments there and look forward to the responses of the Treasurer in consideration in detail.

MS R. SAFFIOTI (West Swan — Treasurer) [1.35 pm] — in reply: I thank the two members for their contributions and thank them for their support of the Treasurer's Advance Authorisation Bill 2024, because we do not want to be like the United States, where people do not get paid or it is left to the last minute. A Treasurer's advance bill is normally introduced each year to try to support the spending of the state government. I am happy to go through in a bit of detail some of the questions about the additional spending for this year asked by the two members who rose to their feet, but first I want to make a couple of comments.

We are seeing significant cost pressures as a result of the state's growing population. The member for Cottesloe went through the spending each year. We have been through both a COVID and, now, a post-COVID world and have adjusted our spending to keep up with the enormous impact that things like population growth are having on services throughout the state. We have seen some very significant events, particularly bushfires and the floods in the north, which, again, can never be forecast or predicted. Of course, there is also the timing of commonwealth revenue, which moves around; therefore, some capacity needs to be built. That is why we have brought in this Treasurer's advance bill.

I highlighted in the second reading speech the expenditure that had already been outlined at the cut-off for the midyear review, which was on 27 December. Other items we are funding as part of the Treasurer's Advance Authorisation Bill include additional costs for hospital activity, including more spending to reduce the elective surgery waitlist. I understand that to be a good thing. The opposition always wants us to spend more money on health, and that is what we are doing. We are spending more money on health to reduce the waitlist. In community services in particular, there are some initiatives in the family and domestic violence space and for out-of-home care for vulnerable children. Again, that is something that I thought the opposition would welcome. We have made increases in RiskCover premiums. The Western Australian student assistance payment was announced primarily by the Premier and the Minister for Education on the weekend, with \$150 for each primary school student and \$250 for each secondary student. The opposition has outlined that the cost of living is the biggest issue in the community, and we are responding. Again, I thought that would be something that the opposition would support. Infants will be immunised against respiratory syncytial virus. Again, I thought that was a good initiative in the health space that the opposition would see as valuable. There are allocations for wages. In the Treasurer's advance, there may be provision for funding, as there was for the previous wages round, but the allocation needs to be drawn down against a particular agency, and that is why that is highlighted in the bill. We have announced further royalty relief for nickel. Again, that was supported by the opposition. That was not forecast at the time of setting the budget. Further cost-of-living initiatives included the summer of free public transport and free public transport for students. Again, it was a good thing to do and I think the opposition supported it. Of course, our builders' support facility to make sure that more houses are finished was initially raised by the opposition. I said we will go through the additional items in a bit more detail, but as we can see, they are very much driven by the need to deliver cost-of-living relief to Western Australian families and support health initiatives in the state.

I will say that it is not easy to manage a budget with such extraordinary demand. We have strong population growth and increasing costs and needs in our health system. We have extraordinary demand across services, whether it be education, community services, domestic violence, children at risk or the justice system. Members opposite come in every day and ask us to spend more money, and now that we are spending money to deliver key services, they are criticising us.

I respect the member for Cottesloe's history of working in a global company, but no-one has experienced the price shocks in construction that we have seen over the past four years. Elsewhere, one state had to pull out of hosting the Commonwealth Games because the cost of delivering that infrastructure had blown out so much. Just over the past two days, the Queensland government has had a radical rethink on hosting the Olympic Games. It has had to change its entire stadium methodology because of the cost of construction. We have seen it in the housing sector. I am sorry, but we have never before experienced these shocks in delivering infrastructure in this nation. That goes

to labour supply and supply chain interruptions and to many of the consequences of COVID, but, more generally, the other supply side interruptions such as those that have occurred through events in Ukraine and now the Middle East. It is a challenge to manage the services that people in WA want and deserve given the cost of living. We believe those things are necessary for Western Australians, but, members, things are not cheap. Everything is costing more.

Mr P.J. Rundle: Especially Metronet.

Ms R. SAFFIOTI: The member opposite does not complain about the extra money being spent on regional road safety. It is costing us more, but we have to spend money on regional road safety. The Bunbury Outer Ring Road has cost us more. The Albany ring-road has cost us more. The projects through the north west have cost us more. Every project has cost us more. The member goes to Metronet because he does not support it—fine. However, there are costs in delivering everything across the state, whether it be a school or something else. I can tell members that the average cost of building a school has increased significantly compared with four years ago. The cost of delivering out-of-home care has increased and is one of the factors we are considering as part of this.

I heard the Leader of the Liberal Party on radio this morning saying that we should freeze all household fees and charges. That would cost \$780 million. Is that something she supports? It would not be means tested. She criticises an education payment worth \$103 million targeted at families, but she is saying that we should forgo \$780 million. That is not means tested either. Is it the member's policy to freeze household fees and charges?

Ms L. Mettam: We were calling on you not to do any further increases—to rule out any further increases.

Ms R. SAFFIOTI: The Leader of the Liberal Party opposed the education payment and is now calling on us to do more.

Ms L. Mettam: No, I did not; I questioned it.

Ms R. SAFFIOTI: She opposed it. She said it should be targeted. If we were to freeze household fees and charges, how would that be targeted? The member contradicted herself in two sentences.

Ms L. Mettam: Targeted at households.

Ms R. SAFFIOTI: Targeted at households—oh, my goodness! A freeze of household fees and charges is targeted at households, but an education payment targeted at families is not targeted. It is an incredible contradiction there.

Like I was saying, managing budgets is hard. We all know it. Everyone has their household budget. Those with mortgages have had increased costs. The cost of doing things in WA has increased. Costs everywhere across the nation and the world have increased. But, ultimately, we get elected to balance delivering key services, the cost of living and delivering infrastructure. I say again that when the former government left office, it left a recession, in a sense, and a failing economy, but it was cheaper to deliver projects. That is because no-one had jobs and the unemployment rate was higher. Over the past number of years, we have seen a massive growth in the economy and a change in cost structure in delivering infrastructure. As I said, over east, the cost of constructing rail lines has gone from \$12 billion to about \$24 billion. In one state, there has been a \$12 billion increase in the cost of delivering the rail line, and there has been an \$11 billion increase in another state. Victoria cancelled hosting the Commonwealth Games because of the cost of delivering them. I think you guys wanted to get the Commonwealth Games in WA, or one of their candidates did. Queensland has changed the entire structure of its stadiums because of the different cost structures. When there is so much demand and activity, we have to act. Otherwise, we could not do anything. We could not deliver improved services in the communities space. We could not deliver increased hospital activity. We could not deliver cost-of-living payments. But I think the WA community wants us to balance delivering key services and key infrastructure and providing cost-of-living payments in a financially responsible way, and that is what we are doing. Like I said, I have gone through a list of those items, but I am happy to go into that in the consideration in detail stage.

Thank you very much for your support. As I said, I highlighted some of the additional items that were not included in the midyear review. For example, as I said, there was an allocation to a wages provision, but when we allocate to the actual department, it comes through the Treasurer's advance, and that is why it might have been picked up before in a provision, but allocating against an agency is why it has to be explicit, and we can go through that. This is not in relation to the new wages policy; it was in finalising the past set of enterprise bargaining agreements.

Mr R.S. Love: Would you be happy to table that?

Ms R. SAFFIOTI: I would be happy to go through it at the consideration in detail stage.

Question put and passed.

Bill read a second time.

[Leave denied to proceed forthwith to third reading.]

Consideration in Detail

Clause 1 put and passed.

Clause 2: Commencement —

Mr R.S. LOVE: This is the commencement provision for the bill to come into operation. I am just wondering whether the Treasurer can please give me an explanation of when the government requires this bill to be in operation as opposed to when it would like it to be in operation. In other words, when does Treasury expect that the bill needs to be in operation for us to meet the commitments of government?

Ms R. SAFFIOTI: It depends on the agencies because the Treasurer's advance authorisation goes to the agency level. Some agencies will not require it at all, but some will require more funding closer to the end of the financial year. My advice is that some community services agencies in particular would require this by around April or May to make sure that they can continue to deliver services, and they also face additional costs on their contracts.

Clause put and passed.

Clause 3: Authorisation of expenditure to make certain payments or to make advances for certain purposes —

Mr R.S. LOVE: The Treasurer offered to provide further advice and detail on the other additional expenditures, but this is also the only time to interrogate the midyear review itself, I would imagine, as it is not really authorised by Parliament. I refer to the *Government mid-year financial projections statement* papers of December 2023. On pages 166 and 167 is a list of transfers, excesses and new items that were on the recurrent side of the ledger, and on page 168 are the capital appropriations that are needed for the extra costs associated with them. I would like to ask a couple of questions about some of these changes, starting on page 166. Item 17 under "Treasury" is "Electricity Generation and Retail Corporation (Synergy)", with an extra \$42.5 million allocation being made in the midyear review. Can the Treasurer give some more detail than what is in the appendix about the necessity for that item? I know it is mentioned on page 171, but can the Treasurer explain whether this was brought about because of a particular shortfall, or was there another reason that this extra expenditure occurred?

Ms R. SAFFIOTI: This was announced. It was as a result of Synergy not complying with some wholesale electricity market rules back in 2016–17 and, as a result, the payment was made. I think it was given back to Synergy customers. This was primarily driven by that. A breach in the wholesale electricity market rules was determined in 2016 and 2017 by the Electricity Review Board and households received a direct credit of approximately \$30 as a result of the Synergy payment.

Mr R.S. LOVE: Is this a one-off situation that has now been resolved and will not need to be reflected in future Synergy budgets?

Ms R. SAFFIOTI: That is correct.

Mr R.S. LOVE: Under item 22 is an extra allocation to the Water Corporation of \$88 million. The explanation for that on page 172 simply says that it was "largely due to the reimbursement of subsidised costs for the delivery of country water services in late 2022–23." I wonder whether the Water Corp has explained why that matter blew out to the tune of \$88 million from what was budgeted a mere six months before.

Ms R. SAFFIOTI: The consolidated fund—in essence, the state's taxpayers—subsidises the cost of the delivery of water in regional Western Australia. As a result of cost increases to the Water Corporation, the cost for that subsidy increased by \$88 million. That is the payment as a result. It is a payment to help continue to subsidise regional water users.

Mr R.S. LOVE: I am happy if other members have questions, but I will keep going for the time being.

Under "Treasury" is a list of items called "New Item". I refer to the new item "Provision for Strategic Industrial Area Rent Scheme". Perhaps the Treasurer could explain a little more about that scheme and whether that money has been expended or whether it is still just a provision.

Ms R. SAFFIOTI: This was a government decision. DevelopmentWA is a government trading enterprise and the Treasurer's authorisation account refers to the consolidated fund. That is why there is a provision from the consolidated fund to DevelopmentWA. The \$400 000 allowance is representative of the cost of the decision. I cannot say whether that has been expended because that will be coming up in DevWA's accounts. I would like to point out that on pages 170 to 173 we provide an updated description of each of these items, but I am happy to go through them in the chamber as well.

Mr R.S. LOVE: I am reading those explanations as well. I am asking for answers beyond the simple explanation that is there. I was hoping that the Treasurer would be able to update me a little bit because we know that the Oakajee project has been sitting there and has not been moving. I wondered whether there has been any movement

at the station, so to speak, on any of those projects. However, it appears to be a provision for Treasury and the Treasurer does not have an update on those as such.

I move to the provision of \$20.9 million under the new item “Ecological Thinning Program Account”. On page 173, it says that this is to establish a recurrent funding source in a new special purpose account in support of the ecological thinning works to be conducted by the Forest Products Commission under the *Forest Management Plan 2024–33*. Is that program expected to be based entirely on a cost to government or will there be any return in revenue to the government under the thinning program?

Ms R. SAFFIOTI: We provide this provision to the Department of Biodiversity, Conservation and Attractions that funds grants to the Forest Products Commission to engage in ecological thinning works under the forest management plan. I understand that some minor revenue may come in as a result of the FPC facilitating that thinning, but if it does, it will go to the FPC budget and is therefore not something that I will have in front of me.

Mr R.S. LOVE: That brings me to the next question that relates to the Forest Products Commission. Page 173 states —

New Item: **Forest Products Commission** (\$15.9 million), to offset losses on the Native Forest segment of the Commission’s activities, and to main a suitable cash position to meet ongoing financial obligations.

Is the \$20.9 million being added to the thinning program’s account to the special program to offset the loss of \$15.9 million, which is in the budget? Is the Forest Products Commission being directly supported by Treasury to the tune of around \$36 million a year simply to keep the organisation afloat?

Ms R. SAFFIOTI: I do not have the full figure because there would have been a budget provision together with the midyear review provision. Given that we may stop for question time, I can get the team to work out that total cost to give the member an answer after question time.

Debate interrupted, pursuant to standing orders.

[Continued on page 1029.]