

# Legislative Council

Tuesday, 25 October 1983

The PRESIDENT (Hon. Clive Griffiths) took the Chair at 4.30 p.m., and read prayers.

## ELECTORAL: LEGISLATIVE COUNCIL

### *Membership: Petition*

On motions by the Hon. Tom Knight, the following petition bearing the signatures of 56 persons was received, read, and ordered to lie upon the Table of the House—

The Honourable the President and Members of the Legislative Council of the Parliament of Western Australia in Parliament assembled.

WE, the undersigned citizens of Western Australia:

Recognise that proposals to reduce the numbers of the Western Australian House of Review by 12 Members at the same time as proposals are being considered to increase by 36 the size of the Federal Parliament are not only inconsistent, but also dangerous to Western Australia in that ordinary West Australians would see more elected personnel in Canberra and fewer elected personnel in their local Parliament.

And request the Western Australian Upper House to reject the proposals of the State Government and thus ensure a proper measure of political representation in the State Parliament for ordinary West Australians.

Your Petitioners therefore humbly pray that you will give this matter earnest consideration and your Petitioners, as in duty bound, will ever pray.

(See paper No. 388.)

## ELECTORAL

### *Referendum: Petitions*

On motions by the Hon. Kay Hallahan, the following petition bearing the signatures of 329 persons was received, read, and ordered to lie upon the Table of the House—

The Honourable the President and Members of the Legislative Council of the Parliament of Western Australia in Parliament assembled:

We the undersigned electors of Western Australia desire that the State Electoral

System be reformed so as to incorporate the principle of 'one person-one vote-one value'.

We specifically request the reform of the Legislative Council of Western Australia to achieve:

1. A reduction in the number of Legislative Councillors from 34 to 22.
2. The retirement of half of the Members of the Legislative Council at each general election (ie. simultaneous elections).
3. The election of Legislative Councillors according to a system of proportional representation such as currently operates in Senate elections.

And that the above reforms be decided by the people voting at a referendum.

Your petitioners therefore humbly pray that you will give this matter earnest consideration and your Petitioners, as in duty bound, will ever pray.

(See paper No. 389.)

A similar petition bearing the signatures of eight persons was presented by the Hon. Lyla Elliott.

(See paper No. 390.)

## HEALTH: TOBACCO

### *Advertising: Petition*

On motions by the Hon. P. G. Pandal, the following petition bearing the signatures of four persons was received, read, and ordered to lie upon the Table of the House—

TO:

The Honourable the President and the Honourable Members of the Legislative Council of the Parliament of Western Australia in Parliament assembled.

We, the undersigned are school teachers and we believe that education programmes alone are ineffective in discouraging children from smoking and only by combining education with legislation to ban tobacco advertising can we expect that the uptake of smoking by children will be significantly reduced.

Your petitioners therefore humbly pray that you will give this matter earnest consideration and your petitioners, as in duty bound, will ever pray.

(See paper No. 391.)

## INSURANCE: SCIO

### *Franchise: Petition*

On motions by the Hon. W. N. Stretch, the following petition bearing the signatures of 568 persons was received, read, and ordered to lie upon the Table of the House—

The Honourable the President and Members of the Legislative Council of the Parliament of Western Australia in Parliament assembled.

We, the undersigned citizens:

as concerned electors and Employees of a Private Enterprise Insurer, wish to express our objection to the legislation to grant a full franchise to the State Government Insurance Office.

In this period of such high unemployment, we are extremely concerned that many jobs will be lost if this Bill is passed.

Your Petitioners therefore humbly pray that you will give this matter earnest consideration and your Petitioners, as in duty bound, will ever pray.

(See paper No. 392.)

## FUEL AND ENERGY: STANFORD RESEARCH INSTITUTE

### *Report: Ministerial Statement*

HON. PETER DOWDING (North—Minister for Fuel and Energy) [4.41 p.m.]: I seek leave of the House to make a short statement in connection with the report by the Stanford Research Institute.

Leave granted.

Hon. PETER DOWDING: The study was conceived in mid-1982 by the Commissioner of the State Energy Commission, and was subsequently altered in terms of its scope and commissioned in December 1982 by the Minister for Fuel and Energy in the previous Government.

A steering committee of persons from industry and academic sources to oversee a general investigation into a range of approaches for managing the State's present and future energy resources comprised—

Mr Leslie Hyland (Chairman), Chairman of the MTT and a former President of the Confederation of Western Australian Industry.

Mr Fred Forgan (Deputy Chairman), State Manager of Mobil Oil Australia Ltd.

Mr Stuart Hohnen, Co-ordinator, Department of Resources Development.

Mr Richard Moffitt private consultant in the State's coal industry.

Mr Don Saunders, Assistant Commissioner (Operations) State Energy Commission.

Dr Elizabeth Harman (from 1 March 1983), Lecturer, social and political theory programme, Murdoch University.

Mr Stewart Snell (Secretary) Manager Corporate Planning, State Energy Commission.

The study had commenced and had reached its halfway point at the time of the State election of 19 February when the present Labor Government was elected. Consequently, the analysis carried out has been substantially in terms of the policies of the previous Government.

The consultants contacted a wide range of business and community leaders, academic staff, trade union officials, Government officers, and many private individuals. At the stage of preparing their final report the consultants, together with the steering committee, held a briefing seminar to which all previous contacts were invited. Many attended. I also attended that briefing at which all participants were given the opportunity to put their views and to ask questions.

I would like to thank all those organisations and individuals who provided information and opinions to the consultants during the study. Their help was much appreciated and contributed greatly to a better understanding of the important energy issues. I would also like to thank the members of the steering committee whom I have mentioned previously.

As the study proceeded, it became clear that management of energy resources was a multi-faceted exercise involving several areas of Government, the private sector, and the public at large. Under its Act, the State Energy Commission is charged with specific responsibilities to assess the State's energy resource base, the present and future demand for energy, and to recommend policies for consideration by the Government.

The study has shown clearly that many other Government bodies are heavily involved also. For example, the Department of Resources Development has a vital interest in energy because the State's major mineral development projects have a bearing—perhaps the greatest single bearing—on the likely level of the State's energy demand. Moreover, major development projects such as the North-West Shelf joint venture and the projected aluminium smelter are themselves major energy projects.

The Mines Department has a major involvement through its administration of the Petroleum and Mining Acts, the geological survey, and its regulatory responsibilities. Areas of Government involved in transport, such as the Transport Commission, Westrail, MTT, and the State Shipping Service, have clear interests in the subject of fuel and energy. There is also an obvious relationship between the State and the Commonwealth Governments which can affect the State's future energy developments very strongly. Finally there is a proper interest by the Environmental Protection Authority in all areas of energy development.

The study is essentially a review of the past performance and the policies of the previous Government and has reached conclusions which are perceived within the framework of existing or previously existing arrangements and structures. Bearing this in mind, the consultants have attempted to clarify the numerous inter-relationships between organisations with interests in energy affairs and draw together many of the threads of a complicated picture. The consultants have recommended several alternative approaches to administering energy matters in Western Australia. Each has identifiable advantages, disadvantages, and costs. No single approach is likely to be supported by all sections of the community.

Indeed, the present Government, in releasing the report, stresses that the study is of the policies of the previous Government, not our Government and that the policy options suggested may not necessarily be accepted by this Government.

I wish to emphasise that the Government's decision to continue the SRI study and to table the report does not carry with it any implied criticism of the State Energy Commission or other Government departments involved. I say this because the news media has styled the report as "an investigation into the State Energy Commission". This was never the intention and was not a central element in the consultants' terms of reference, as a perusal of the report will quickly show.

This report was commissioned by the previous Government to review its policies and performance in the energy management field at a cost in excess of \$300 000 or more than \$1 for every State Energy Commission customer.

What the study does bring out very clearly is that the policies of the previous Government in the areas of three major energy headings—public utility, public trustees, and energy management in support of economic development—were full of internal conflicts which made the pursuit of all of them nearly impossible and would make any or-

ganisation charged with them encounter a number of areas of potential incompatibility.

Before deciding what changes, if any, are to be made in energy management arrangements in Western Australia, the Government seeks as much comment as possible from this Parliament, Government departments, industry, and the public at large. All those wishing to express a view will have their opinion considered. To give sufficient time I propose not to take any further action to implement any of the consultants' recommendations for the balance of this year, when the Government will move to consider any submissions received, the content of the report itself, and to determine its course of action.

I should mention that the report has not been seen by any member of the Board of Commissioners of the State Energy Commission or the Energy Advisory Council who will receive their copies of the report for consideration at the same time as everyone else. I have decided to do this to make sure that there could be no suggestion that the State Energy Commission has exerted undue influence in the report's preparation.

We are having more copies printed in an inexpensive format so that anyone can have a copy. A small charge will be made to defray some of the printing costs. Meanwhile, I have a few photocopies available for members of Parliament to peruse.

I commend the report to the House for its consideration. I seek leave of the House to table a report entitled "The Long Term Management of Energy Resources in Western Australia" which was prepared by SRI International of Menlo Park, California and Kinhill Stearns of Perth, Western Australia.

*The report was tabled (see paper No. 393.)*

## QUESTIONS

Questions were taken at this stage.

## STAMP AMENDMENT BILL

### *Receipt and First Reading*

Bill received from the Assembly; and, on motion by the Hon. J. M. Berinson (Attorney General), read a first time.

### *Second Reading*

HON. J. M. BERINSON (North Central Metropolitan—Attorney General) [5.08 p.m.]: I move—

That the Bill be now read a second time.

The provisions contained in this Bill are required to implement the revenue proposals outlined by the Treasurer when presenting the Budget and are intended to give effect to changes in the rates of stamp duty in three main areas. In addition, there is to be a charge of stamp duty on policies of life assurance, as previously these types of policies were not taxed in this State.

The first of the increases proposed is to raise the rates of stamp duty payable on the purchase of property. The new scale will range from \$1.75 per \$100, when the consideration or value of the property does not exceed \$80 000, up to \$4.25 per \$100 on that part of a property value in excess of \$500 000. This will add \$150 to the duty payable on the purchase of a property at around \$60 000 in value. The rate increases are to make the rates of duty more comparable with those charged in other States.

The rebate of duty currently provided to purchasers of a property which is to be used as a principal place of residence or for purchasers of small businesses when the purchase price is \$50 000 or less, in each case will be maintained. As a result the purchasers of these types of properties will continue to benefit by up to \$125 by the application of the concessional rate.

The second proposed change in rates will apply to the stamp duty payable on motor vehicle licences and transfers of licences. These are to rise from \$1.50 per \$100 of the value of the vehicle to \$3 per \$100, and at the same time the maximum charge of \$900 currently applied to licences of certain trucks and buses will be removed. The present rate of duty is substantially lower than the rates in most other States, and Western Australia is the only State that provides a maximum charge of duty for a particular class of vehicle.

The proposed changes will bring the duty payable in Western Australia more into line with that in other States.

The third increase proposed in this Bill applies to mortgages and other instruments of security. Currently, the rate is 15c per \$100 or part of the amount secured, and the Bill seeks to increase this rate to 25c per \$100 or part. In addition, the current rate of \$2.50 charged on securities for an indefinite period will rise to \$4.25. The proposed new rates are reasonable by comparison with those charged in other States. For a \$30 000 mortgage the duty payment under the new scale will be \$75.

Finally, as announced by the Treasurer when introducing the Budget, it is proposed to charge stamp duty on policies of life assurance.

Duty on life assurance is at present imposed in all States except Western Australia. The proposal is to charge stamp duty at the time the policy is issued and not on renewals. It is therefore a one-up cost and not a recurring cost upon each renewal.

In the main, the duty is to be imposed at a rate based on the sum assured except in the case of temporary or term assurance where the rate is to be five per cent of the first year's premium.

The proposed rate on other policies of life assurance is 5c per \$100 where the sum assured does not exceed \$2 000; and if it exceeds that figure, at the rate of 5c per \$100 on the first \$2 000 and at the rate of 10c per \$100 on the amount in excess over \$2 000.

The rates proposed in Western Australia are similar to those imposed in all other States except South Australia, where the duty payable is based upon the premium payable.

It is intended that each of the measures, with the exception of life assurance, will operate from 1 November 1983, and they are expected to yield additional revenue of \$21.8 million in 1983-84.

In order to provide some time for consultation with the life assurance industry, the operative date will be from a date to be proclaimed.

Two other minor measures are contained in the Bill which are not connected with the Budget proposals, and these will—

- provide exemption from stamp duty on leases of property by a university or a charitable organisation; and

- clarify the position of dutiability in respect to certain credit and rental transactions and the issue of policies of insurance entered into with the Commonwealth Banking Corporation.

The first of these is to enable the Commissioner of State Taxation to exempt from stamp duty a lease of property when he is satisfied that the leased property is to be used for the purpose of a university or for charitable or similar public purposes.

Similar provisions have existed in the law for many years in relation to the purchase of a property or the borrowing of money when the property bought, or the money borrowed, was to be used for the charitable purpose. This proposal will remove a minor anomaly and the effect on revenue will be negligible.

The second matter will ensure the continued payment of duty by the Commonwealth Banking Corporation in respect of the credit and rental duty charged under the Act, and on policies of

insurance taken out through the bank. The duty is currently paid by the bank, and the provisions proposed by this Bill are purely regulatory.

These provisions, like the others, will be operative as from 1 November 1983.

I commend the Bill to the House.

Debate adjourned, on motion by the Hon. I. G. Medcalf (Leader of the Opposition).

### DAYLIGHT SAVING BILL

#### *Third Reading*

Bill read a third time, on motion by the Hon. D. K. Dans (Leader of the House), and passed.

### STATE GOVERNMENT INSURANCE OFFICE AMENDMENT BILL

#### *Second Reading*

Debate resumed from 18 October.

**HON. G. E. MASTERS** (West) [5.15 p.m.]: I have undertaken a great deal of careful examination of the legislation before the House and I believe the Bill as it stands will not do what the Attorney General said it would do in his second reading speech. As my speech progresses I think I will demonstrate to the Attorney General and to the House that the proposition that the SGIO should operate unrestricted in the general and life insurance areas on a fully commercial and competitive basis is just not covered in this Bill.

Obviously my own philosophical approach is against Government involvement in private enterprise, certainly where the area is adequately covered by private enterprise. That would be of no surprise to anyone in the House.

I have never been employed by anyone but myself—in other words, I have always been self-employed—until I became a member of Parliament, so I can be accused of having some bias in favour of free enterprise. Anyone assuming that would be correct.

Over a period, the Labor Party and Labor Governments have endeavoured to broaden the SGIO's franchise into general and life insurance and the like. Over the years, members of my political persuasion have considered the SGIO has had an unfair advantage; therefore the members on this side of the House, and members of the Liberal and National Country Parties generally, have always opposed such legislation on this principle as much as anything else because we believe the SGIO would indeed enjoy an unfair advantage, quite apart from the philosophical argument I have already mentioned.

The Attorney General, when introducing the Bill, said that the SGIO would compete on a fair and commercial basis, but I cannot accept that the legislation allows this. At the moment the SGIO handles workers' compensation and enjoys, I understand, something like 60 per cent of workers' compensation work in this State, so it obviously makes a significant impact in this area. Quite probably it does a good job in keeping down workers' compensation premiums, which are a great concern to private enterprise generally and 'I am sure' to members in this House who have been in private enterprise themselves and who would know the severe strains imposed on the business sector through workers' compensation premiums.

The SGIO also covers motor vehicle insurance, student accident risk, and general insurance risk, for local authorities under a pool system.

This Bill seeks to extend the SGIO franchise to include all classes of general and life insurance. The office has operated for many years—from 1926, when it first got under way. Certainly this is at least the eighth edition of this Bill brought forward by the Labor Party and Labor Governments in attempts to widen the franchise of the SGIO.

It was interesting to read the second reading debates of 1956, 1958, and 1972. Comments were made also on the introduction of the legislation to both Houses of Parliament.

This Bill has little variation from the others and still offers favourable consideration to the SGIO when compared with the private sector. I do not argue that the SGIO has been established and operating for many years. Members such as the Hon. Graham MacKinnon, who has been in Parliament for many years, would know that this legislation has been revamped and brought forward year after year. He would have a great knowledge of what has occurred.

**Hon. G. C. MacKinnon:** Only on those occasions when we were in Opposition. The Labor Party brought them forward.

**Hon. G. E. MASTERS:** The SGIO has been established for a good many years but it has a restricted franchise, as members in this House well know. It is obvious members of my party have in the past in some way or other, supported the SGIO in its operations, restricted or not. Successive Liberal-Country Party Governments have supported the SGIO and have used its facilities. If the Government today wanted to make some sort of accusation it could accuse us of not being dinkum because if we were we would have sold the SGIO to private enterprise.

Hon. Fred McKenzie: It is interesting to note what the Queensland Premier has done.

Hon. G. E. MASTERS: Let me pursue my argument. That argument has been levelled at members in this place and another place over many years. I think it was levelled at the Opposition in another place during the debate on this Bill.

The SGIO operates specifically in some areas from which many companies have shied away. It has operated in difficult areas where many private companies have felt that it would not be profitable. It has dealt with mine workers' compensation insurance and insurance for vehicles in the north-west. It has also covered 60 per cent of workers' compensation business over the many years it has been in operation, and I am arguing for the continuation of those services. We have supported them and agree that they should continue.

I do not think we can argue against the proposition that the SGIO makes a contribution in the financial area also. Indeed it finances private industry and Government projects; and a lot of money is generated by the SGIO through cash flow in its trading. I do not think the Government will argue against that. It knows the value of it as well as we do. Of course the present Government has been in office for a short time only and was in office in the early part of the 1970s.

Hon. Fred McKenzie: We learn very fast.

Hon. G. E. MASTERS: Of course, the Government will also argue: Why should the SGIO or any Government body cover the dirty jobs or difficult jobs that perhaps are not as profitable as others and allow the cream to get away? Why not take the rough and have some of the cream with it? I do not think that is a good argument because Governments have a responsibility in essential and limited areas to become involved—that is what Governments are all about.

Hon. J. M. Berinson: What about where the rough areas are so rough that they cannot pay their own way?

Hon. G. E. MASTERS: Essential services include some of the areas the SGIO has to cover, if not anyone else. Often Governments have to become involved where private enterprise has to charge too high a fee for services. If the public cannot afford those fees it is essential that the Government move in.

Where there are unprofitable areas, once again the Government has to move in; that is what taxes are about. However, it is only in special circumstances that Governments should move into private enterprise areas.

One only has to think of the passenger railway service. This is subsidised by the Government, and without that subsidy there would be no passenger service because private enterprise could not support it or entertain the losses involved. I do not know what the Fremantle-Perth railway is costing the public, but it is certainly heavily subsidised.

The Government of the day believed that that service was essential and whether or not we agree with it, the Government must subsidise such a service.

Governments have seen fit to become involved in areas not covered by private enterprise and areas which are considered to be essential services. The MTT is another such service. However, having accepted that responsibility, it does not mean that the Government should cover other areas where private enterprise could contract to provide a service.

We now come to the difference between the Labor Party socialist philosophy and the Liberal Party's free enterprise system, which I support. I have always been committed totally to the private enterprise system. I believe the future prosperity of Western Australia, and indeed Australia, will depend on the success and continuing support of private enterprise. The future of Australia depends on less Government and less regulation. We need less Government interference in companies. We ought to be moving away from that over-regulation.

The Attorney General's second reading speech did not cover all the points in the legislation. I would be hard pressed to support the legislation in its present form. It is obvious that the SGIO does have advantages, and will continue to have advantages as far as this Bill is concerned. In other words, it will have unfair advantages over private enterprise operating in a similar area.

We must understand that the SGIO is underwritten by the Government in respect of losses, deficits and large commitments. The public pay for the losses and make up the differences, so the SGIO does have a great advantage in this field. I understand the SGIO is not required to comply with the solvency requirements that are imposed on private enterprise and the insurance industry. This is an important point we must look at. The SGIO will have the advantages I have talked about, and they are not embodied in the Bill.

The Premier made some statements during the second reading debate which I read with great interest. I have absolutely no doubt the Government members have read the comments, which propose totally different concepts to those I have seen in previous times. It will be my intention dur-

ing the Committee stage—provided the legislation gets that far—to move amendments.

Briefly, without going into too much detail, my first proposal is that the SGIO will be entirely competitive, with no advantages over private enterprise, and where advantages are identified, in the Premier's own words, will be confiscated. That statement was made and I say to members that it is my responsibility to make sure that the assurances given that the SGIO will be competitive and work on a fair basis with private enterprise, are carried out. We must ensure that an amendment is made to the legislation so that the proposition is understood fully. It must be written into the Bill because I think we would all agree that it would be unfair if the SGIO were not made to compete fairly.

A suggestion was made that a committee should be set up comprising the Leader of the Opposition or his deputy, the Leader of the National Country Party or his deputy, and the Premier or his deputy. I will put forward an amendment in the Committee stage to cover that. I do not see any reasonable argument against that proposition.

Another amendment I wish to foreshadow relates to a statement that was made to the effect that public sector insurance should be open to the private enterprise insurance companies. I will put forward an amendment to ensure that public sector insurance is indeed open to competitive tender and that there are no reservations about it. As a result, the private sector will have a completely new market open to it—a bigger market—and it will be able to get its share of the cake in that area. It can only create a fairer situation, if this legislation can be made fair at all.

I would like the Attorney General to comment on this and to tell me how hospitals, schools, Government vehicles and the like are insured and how they cover their own workers' compensation. I would think it should be fairly easy to explain that to the House.

In broad terms I would like the Attorney General to explain how the situation works at present and how it would work if I were to successfully move an amendment to make sure those areas are open to competitive tender.

The question of brokerage is another area in which I propose to move an amendment. If the SGIO is to be competitive it should be made to pay brokerage in the same way that other companies in the private enterprise area do. I guess the Attorney General will say that we did not do that when we were in Government, and that is true. That does not mean to say we cannot do it now.

Hon. J. M. Brown: Yes, you did, you paid brokerage.

Hon. G. E. MASTERS: Not in a lot of cases. We want to make sure it is in the legislation.

Hon. J. M. Berinson: The office pays brokerage now; it is only in respect of Government businesses that it does not.

Hon. G. E. MASTERS: I am talking about Government business. I want a competitive edge to exist where private enterprise is concerned. I am talking about Government business being put out to insurance companies.

Hon. G. C. MacKinnon: You will see the rest of us get a copy of this so we know what is going on, will you?

Hon. G. E. MASTERS: Can the member not hear me?

Hon. G. C. MacKinnon: We cannot hear you or the Attorney General.

Hon. G. E. MASTERS: I said brokerage should be paid and we will make sure that is written into the legislation. It is important because private enterprise—private insurance companies—have to pay brokerage. We are saying it should be "even-steven", and the SGIO should have the same imposition placed on its operations.

Hon. G. C. MacKinnon: What did the Attorney General say?

Hon. G. E. MASTERS: I guess he will stand up and agree; he is bound to do that. He will if he is genuine, and I am sure he is.

Hon. J. M. Berinson: I might take it further.

Hon. G. E. MASTERS: I will be interested to see what develops.

I have foreshadowed a number of amendments that I propose to move in the Committee stage, and on the understanding that they are supported in Committee, I will consider not opposing the second reading of this legislation. I would like a number of questions answered before that step is taken.

In South Australia the SGIO has an extended franchise and I understand—I will be corrected if I am wrong—it made a loss of \$20 million in three years. I am sure this House would not want the SGIO in this State with an extended franchise and broader area of operation to have that sort of deficit. It is \$7 million a year for three years, and I am sure that is the last thing the Government and Opposition want. It is more than the public will be prepared to stand.

We would like the Attorney General to explain what the Government will do to ensure this does

not occur. I guess he will say the Government wants the SGIO to make a profit and it is not prepared to allow that sort of deficit, and nor would any Government. However, it occurred in South Australia and maybe in other States.

Hon. D. K. Dans: What about Queensland's SGIO?

Hon. G. E. MASTERS: I know it has been successful; I am not arguing about that.

Hon. D. K. Dans: Perhaps we could get the Queensland manager here.

Hon. G. E. MASTERS: Or the Queensland Minister.

Hon. P. G. Pendal: That would be an improvement.

Hon. Fred McKenzie: It will not be a Liberal Minister, anyhow.

Hon. G. E. MASTERS: With that fear in mind, I would like the Attorney General to explain how the Government will deal with that situation.

Ministerial powers exist in the legislation and we would like to know what steps the Government will take to ensure those sorts of losses do not occur and that the public are not disadvantaged.

Surely there is always the risk that management could cut rates if the SGIO has the backing of Treasury. The SGIO does not face competition in the same way as does private industry; nor does it have shareholders to pay. The SGIO is responsible to Treasury and if it loses money Treasury could and probably would pick up the tab.

Hon. J. M. Berinson: Are you aware of the loss experience of private insurance companies over the period to which you referred? How do you expect them to make up losses?

Hon. G. E. MASTERS: Obviously, they have reserves.

Hon. J. M. Berinson: And in an ordinary, commercial way.

Hon. G. E. MASTERS: The SGIO does not have the solvency requirements faced by private enterprise.

Hon. J. M. Berinson: But the SGIO meets all those requirements comfortably.

Hon. G. E. MASTERS: That is fine. I am only seeking the Attorney General's assurance. I am saying the last thing we want, if this legislation passes through the Parliament, is for the SGIO with its broader franchise to lose money and for the public through the Treasury to pick up the debt. We cannot tolerate that. If that is to be the case, and the SGIO is likely to run at a loss of some millions of dollars each year, it would be far

better to throw out this legislation and not take the risk. We are entitled to ask that sort of question.

I understand the figures for the 1982-83 financial year are not available. Surely, when we are dealing with legislation such as this on a matter of public importance, we are entitled to some indication from the SGIO or the Attorney General of its trading position this year—whether it is showing a loss or a profit.

We do not seek exact figures, but we want an assurance that it is trading reasonably. We know any big business such as the SGIO, where millions of dollars are handled all the time and which has modern technology and computers, has a much more up-to-date record of progress and profit or loss. Surely the Attorney General and the Government can give an indication of the SGIO's finances at the end of June this year; that is three or four months ago.

The next point I want to raise is that companies in the private area are required to submit to a solvency test. I understand it means their assets must exceed liabilities by 15 per cent. That policy is rigidly imposed and the assets are carefully considered. There is certainly no getting away from that requirement by over-stating the value of some of the assets. That is in itself a penalty. I wonder if the SGIO meets that solvency requirement.

The second consideration is whether the SGIO can meet that level of solvency.

Hon. J. M. Brown: Palmdale insurance did not meet that.

Hon. G. E. MASTERS: Surely, and we do not want that to happen again.

Hon. D. K. Dans: Nor did Bishopsgate.

Hon. G. E. MASTERS: I know problems exist in the insurance area, and they always have. I am being perfectly reasonable; I am asking questions which I am sure the Attorney General will answer in his usual efficient manner. If he is upset by people on his own side he will not like it much.

We on this side of the House need to be assured that the SGIO will be required to meet the same solvency level as private industry does. That requirement is absolutely essential, otherwise the SGIO will operate at an advantage. I ask the Attorney General in his reply to make a comprehensive statement of how the Government's self-insurance schemes operate. I have previously mentioned schools and hospitals and the like.

The Opposition has reason to be a little concerned. I quote from the 1982-83 annual report of the SGIO, page 316, under the heading

"Government Fire, Marine and General Insurance Fund" as follows—

In general, the State carries its own insurance on all property controlled by Ministerial departments. Public buildings are covered by the Public Buildings Insurance Account within the restrictions described under the heading as published in Part II of this report.

The premiums for 1980-81 were \$2.83 million and for 1981-82, \$3.02 million. Administration expenses for the fund for 1981-82 totalled \$1.339 million. In addition, commission and brokerage, which were paid in this case, amounted to \$240 000, which gave a total of \$1.579 million. It can be seen that from a premium total of \$3.02 million, over 50 per cent has been absorbed by administration and brokerage. I would like the Attorney General to explain how that could occur. If that is the extent of costs involved, it is a waste of time to continue with the exercise. Private enterprise can do the job more efficiently and more thoroughly. It seems fantastic that 50 per cent could be spent on administration and other costs, and I am sure private enterprise would not be able to operate on that basis.

It is proposed that the SGIO pay 50 per cent of net profit to the Government. However, the SGIO will be underwritten by the Treasury and, therefore, may be tempted to compete by cutting rates to get business, knowing it has the backing of the Government and has no shareholders to pay. It could be that there will be no profit; and 50 per cent of nothing is nothing. In that case the Opposition believes great risks exist in this area. Although it sounds favourable to say the Government may receive 50 per cent of net profit, if the Government ends up with nothing, going through this exercise could be a waste of time.

With reference to levies on insurance companies and the SGIO, I understand, and the Attorney General may correct me, that Lloyd's Insurance, a large company established in Australia, pays the Commonwealth a levy of 4.65 per cent on gross turnover. I have been given this figure by the insurance industry and I understand the 4.65 per cent is paid in addition to normal taxation.

In that case why should not the SGIO be levied a percentage on gross turnover to bring it back to a reasonable proposition, knowing that whatever happens it will be operating with certain advantages because the Government is underwriting it and it may not have the profit incentive which exists in the private insurance area?

Hon. J. M. Berinson: You have only mentioned Lloyd's which is not very active in this State. Are you saying this levy applies to all insurance companies or is it just Lloyd's? Presumably you would not want a condition applied to the SGIO that applies to one company out of 150.

Hon. G. E. MASTERS: I am saying that whatever is done with this legislation the SGIO will still enjoy some advantages. The mere fact that Treasury is standing behind it and it is a Government enterprise illustrates this point. The Government could not afford to let the SGIO go broke or build up losses for too long, it will foot the bill somehow or other. With the power and might of Government behind it and Government finances, which can be bolstered by increasing taxation—and we know the Government is expert at that—the risk will always be present.

Before further progress is made on this Bill I would like detailed answers to the questions raised. My amendments are reasonable and I do not believe assurances given in this House or another place are good enough. Premiers and Ministers change, and with important legislation such as this the least that can be done is to write into the Bill provisions which will be there forever and a day; and the only way in which they can be changed is by bringing the legislation back to Parliament. It is not reasonable to ask members to take the word of the Government. I am not doubting the integrity of the Premier or Mr Berinson, but it is the responsibility of the members of this House on both sides to make absolutely sure that these matters are put in the legislation.

Of the amendments I have put forward, some are my own and some are based on remarks made in another place. They are important aspects of the legislation. A refusal by the Government to accept these amendments would amount to deception, as far as I am concerned, with regard to some of the statements made. I have no doubt the Attorney General will consider them carefully and will accept them as a responsible approach to this Bill. I will reserve my judgment until I hear the Attorney General's reply.

HON. NEIL OLIVER (West) [5.50 p.m.]: I shall be very brief in speaking to the Bill, which seeks to extend the franchise of the State Government Insurance Office to permit unrestricted entry into general and life insurance on a fully competitive and commercial basis.

At the recent State election the Labor Party policy included the following commitment, according to the Attorney General's second reading speech—

The SGIO would be freed of its present restricted charter and permitted to compete in all areas of insurance on a normal commercial basis.

He went on to say that the Bill seeks to implement that election mandate.

Of course, this election mandate has been mentioned so many times that it is not necessary for me to labour that point. I do not require any explanation because I intend to oppose the legislation. The reason I do that is that the Government intends to expand the operations of the SGIO and use it as a vehicle for the expansion of socialism in Western Australia. I do not think the Government makes any secret of its reasons for introducing the Bill.

I oppose the Bill because I do not accept that the Government should be involved in the business of insurance, and whether that happens in other States is a matter for those States.

I have always opposed the operations of the SGIO, although when this State was developing the SGIO made a contribution and, in some cases, it gave a lead.

My reason for opposing the Bill is as follows: When Mr Berinson was a Minister in the Federal Labor Government, a proposal was advanced to introduce an insurance corporation into Australia. That insurance corporation was to operate in almost the same manner in which it is proposed that the SGIO operate under this legislation. The insurance corporation was to operate in the free enterprise market offering the same terms, policies, and conditions as were offered by private companies.

For the benefit of members, I draw their attention to the historical facts in relation to that Commonwealth Bill. After it was introduced into the Commonwealth Parliament it was opposed in many quarters. Opposition to the legislation grew right around Australia. Indeed, at one stage it was associated with a dispute between the postal workers and the Prime Minister of the day. The Prime Minister told the postal workers' union what it should do and the union told the Prime Minister exactly what it intended to do, and it continued to do that.

The point I make is this: There was tremendous opposition to this form of legislation and the same situation applied in respect of the intention to nationalise the banks in Australia.

I have set out the Federal proposal for the establishment of an insurance corporation and the dangers associated with the operations of Government insurance companies in the insurance industry.

The situation I put to members is this: We have an insurance company which is backed by the Government proposing to move into the market and operate on a free basis against all the other insurers in the marketplace. Because the SGIO is guaranteed by the Government, it is a gilt-edged security and able to operate at an advantage over private insurers. I would be surprised if the Attorney General disagreed with me on that issue.

If the SGIO is able to operate with the gilt-edged backing and the guarantee of the Government, it will then be in a position to be manipulated; that is, it will be able to offer premiums significantly below those which are ruling in the marketplace. Once we start interfering in an artificial manner with the free marketplace as to the competitive nature of the premiums offered by a body which does not have to work within the same constraints as other bodies, naturally the premium income—quite apart from the investment income—of the private insurers must dry up unless they are able to compete and offer the same terms.

The flow-on effect of that is that the various insurance companies in the private enterprise sector are placed in a situation where their current assets could be committed to policies which are maturing; therefore, those companies reach what is called a "negative cash flow" position. The only option then available to any insurance company or business which reaches that negative cash flow position is to start looking to its fixed assets which provide it with an income which enables it to meet its commitments on life insurance policies.

The effect of that situation is that the cash flow dries up and, therefore, insurance companies are placed in a position in which it is necessary to dispose of some of their fixed assets. If this occurred at the one time naturally we would have the situation where billboards would appear in St. George's Terrace, because the Australia & New Zealand Bank at 68 St. George's Terrace is owned by Prudential Assurance Co. Ltd. I know the Attorney General is aware of the volatility of the property market and the manner in which insurance companies invest—their investments are spread out in the same way as fire insurance is spread even around the City of Perth—and the different manners in which underwriters operate. Some other building down the road is owned by another insurance company—

Hon. J. M. Berinson: I agree, that is a very horrible prospect, but it has not happened in over 50 years in Queensland and New South Wales where there has been open competition in all those fields. What makes you think it will happen here,

especially in view of our commitment to fair competition?

Hon. NEIL OLIVER: In 1972 or 1973—I am not certain of the year—people were demonstrating on the Esplanade in Perth because they were concerned about the matter.

Hon. J. M. Berinson: That is an interesting piece of history, but what does it have to do with the Bill, especially given the sorts of safeguards Mr Masters has proposed?

Hon. NEIL OLIVER: The point is quite clear: Historically this Bill seeks to give a State Government insurance organisation a position identical to that which the Whitlam Government proposed for an insurance corporation. The population of Australia attended major rallies and demonstrated against that proposition. The Attorney General was a Minister in the Federal Government at that time and he would be aware that the Government withdrew that legislation. Historically that is what occurred.

By the Government's seeking to place the SGIO in a similar situation to that which was sought for the insurance corporation—that is, enabling it to operate right across the whole spectrum of the market—we are seeing a similar position occurring as was the case historically.

*Sitting suspended from 6.00 to 7.30 p.m.*

Hon. NEIL OLIVER: I was about to conclude my speech at the point of the tea suspension. This brings to mind a similar situation of a member who as the clock approached 6.00 p.m. said he was about to conclude his remarks. Mr President, I recall your saying you would leave the Chair until the ringing of the bells, and during the 1½ hours for the dinner break the member had the opportunity to do some further research. I clearly recall that very diligent member, the Hon. Roy Cloughton, then proceeding to speak for a further 2½ hours!

Hon. G. E. Masters: You are not going to do that, are you?

Hon. NEIL OLIVER: I assure the member it is not my intention to do so this evening.

Hon. V. J. Ferry: It is not ours either.

Hon. NEIL OLIVER: I mention the activities of the SGIO, particularly the manner in which it has underwritten the students' accident programme in Western Australia. In fact, my own family is a beneficiary of that scheme. My secretary, Julie, filled out a form for a programme utilised by schools thinking it was compulsory that the form should be lodged with the school, and placed it on my desk with the appropriate cheque, whereupon it was duly signed. Unfortu-

nately, later in that year my oldest son suffered a very severe accident on one of our horses. Thanks to the SGIO and orthopaedic surgeons he made a good recovery and now enjoys good health.

In the past I have been critical of other financial institutions in Western Australia. A significant amount of the funds placed in financial institutions in Western Australia should be kept here. Frankly, I am not convinced that the SGIO, in its management of funds, would not make use of the short-term money markets that are not available in Western Australia.

My second point is that the Attorney General has said he has always looked at financial institutions such as insurance companies to provide a substantial part of the funds required for Government programmes in Western Australia. I put it to the Government that it needs to make investment sufficiently attractive to institutions in this category. Frankly, I am not certain as to what institutions the Minister alludes because I know of some major financial institutions that have made great financial contributions to Western Australia and to the development of this State's resources. I am not certain what the Attorney General meant by that statement in his second reading speech.

The Royal Commission chaired by His Honour, Judge Heenan, a person for whom I have tremendous respect, was commissioned by the Tonkin Labor Government, and naturally Judge Heenan's report was restricted due to the terms of reference made available to him within which to conduct the Royal Commission. This Bill was introduced into Western Australia by the Labor Party, and it is Labor Party policy which we see here today. I will not be a party to this type of legislation, be it the SGIO Bill or a Bill in regard to the State steelworks. Therefore, I oppose the Bill.

HON. H. W. GAYFER (Central) [7.35 p.m.]: I am a little intrigued by the comments made by the Hon. Neil Oliver inasmuch as on rising to his feet he said in effect, "I want to make my position very clear. I don't intend to support the Bill and I do not want any questions that I bring forward answered, because my mind is made up". In other words, "Don't confuse me, my mind is made up". I will be different and say at the outset that I am favourably disposed to the Bill. If it were possible to change my mind in this House of Review it would have to be along the lines of repudiating some of the comments made by the Attorney General in his second reading speech.

The shadow Minister has tabled some amendments which, if anything, only serve to safeguard

the provisions and stated intentions of the Bill. Perhaps when we reach the Committee stage this will be fully explained. This illustrates that the shadow Minister expects the second reading to be carried and therefore we will go into the Committee stage to consider the points made. That statement by the Hon. G. E. Masters is quite interesting. I am no special ally of Government instrumentalities, but the points made in the Minister's second reading speech are valid. The Government has stated its policy on this matter and the comments the Attorney General made must be repudiated before the Opposition can oppose the Bill and bring about its defeat by the sheer weight of numbers. The Attorney General said in his second reading speech—

Its operations have been extended from time to time, but it remains the most restricted Government insurance office in Australia. It is in fact, the only State Government insurance office without general franchise.

The second reading speech continues—

In New South Wales, Victoria, Queensland and South Australia, the Government insurance offices are able to cover all areas of life and general insurance. In Tasmania and the Northern Territory, the offices' access to insurance business is unrestricted.

Hon. A. A. Lewis interjected.

Hon. H. W. GAYFER: I am not sure, Mr Lewis. I believe some private insurance companies in this State might have lost that much money also.

Hon. A. A. Lewis: What about the taxpayers?

Hon. H. W. GAYFER: We need to know the full explanation. The honourable member can give it to us when he makes his contribution to the debate. Further on in his second reading speech the Attorney said—

They have also contributed substantial sums to the general revenues of their States, thus relieving the taxpayers of those States of burdens which, in Western Australia, have had to be financed from taxation.

This appeals greatly to me—if indeed this source of funds is available. If it is not, the Opposition's approval will not be available. If the funds are not available and this is a pie in the sky, positively the legislation is being brought forward under some hoax or misleading statement. Its provisions will enable the SGIO to offer a complete range of services to the public of Western Australia on the basis of fair competition with many private

companies that have unrestricted access to the market in this State.

If the SGIO operates in fair competition and if all things are equal—they will be more so with Mr Masters' amendments—surely there could be no objection to the Bill. Further on in the Attorney's second reading speech he said—

As a result, the State will gain financially and the community, already well supported by the SGIO will derive increased benefits.

He later said—

The SGIO is the biggest of only four insurers operating in Western Australia that are wholly incorporated here.

Interesting facts indeed. If the money profited from this organisation is to be reinvested in Western Australia, that is another perfectly good reason that the SGIO should be fostered.

The Attorney General continued—

Its investable funds are ploughed back into Western Australia and not sent interstate or overseas. It is the firm policy of the SGIO to support the people of Western Australia by investment in this State.

The recommendations of His Honour Judge Heenan to which the Hon. Neil Oliver referred are most comprehensive. They may have been formulated at the direction of a State Labor Government; I am not arguing about that. Nevertheless, the observations he has made and the parameters he has outlined are very necessary if the SGIO is to come into being or be given full franchise in WA. I have no real arguments with Judge Heenan's parameters, unless a philosophy that is adamantly opposed to the workings of the SGIO or any other Government instrumentality is put forward. I think the member's fears are unfounded.

The PRESIDENT: Order! There is too much audible conversation in the Chamber.

Hon. H. W. GAYFER: If the SGIO becomes what the Government wants it to be, Government members will say that there is no chance that my party will return to power so we could clip its wings and put it back on an even keel. That talk in general is rather fatalistic.

Hon. A. A. Lewis: That is being unstable.

Hon. H. W. GAYFER: It is not being unstable at all. No reasons have been put forward for our being completely against the legislation. However, it is possible that in time, if it gets out of kilter, the amendments suggested by Mr Masters if indeed they are carried would again be a further safeguard to that proposition. Later in his second reading speech the Minister said—

This Bill adheres to that principle of competitive neutrality and ensures that the SGIO will have no special advantage in the marketplace.

This point has been disputed. If that is to be the case, so be it. The Minister continues—

The SGIO already makes a contribution to the State Treasury equivalent to Commonwealth income tax. The Bill actually increases that obligation by providing for a payment of 50 per cent of net profit to the Treasury. This is higher than the corporate tax paid by private companies and is similar to the obligation placed on the R & I Bank.

Frankly, without the R & I Bank in operation, this State would be much poorer. The R & I Bank has proved to be quite successful and I see no reason that the SGIO cannot be equally successful.

The Minister said also that, in addition, the existing practice of the SGIO in meeting all rates and charges made by private enterprise is formalised in the legislation.

He said that the total investment in semi-Government loans by all other companies in operation in this State amounted to \$7.2 million last year, while the total investment by private insurance companies in local government loans was only a negligible \$558 000. He said this low level of support was in sharp contrast to the amount ploughed back by the SGIO in 1982-83; despite its limited franchise, it provided \$5 million for our semi-Government borrowing programme and \$6.9 million for local government.

If these are facts—it is the Opposition's job to prove they are not and they have been stated by the Attorney General in his second reading speech—then I do not know what all the kerfuffle is about. I see no reason at all that we should not support this Bill.

Over the years, the SGIO has lent considerable support to the capital requirements of the State's semi-Government and local government authorities, and it has demonstrated a strong commitment to the people of Western Australia. The office was the biggest single contributor to the funds of the building societies and its contribution was double that of all the other insurers combined. This speaks volumes for supporting the proposition that is before us.

As I said when I commenced my speech, I have no reason not to support the legislation in its present form. I might add that I have done so in the past. I certainly will support its second reading and I will watch with interest the amendments to be moved by Mr Masters. I see the look of sheer

abhorrence on the faces of members on this side of the House, but that does not worry me one iota.

I support the legislation in its present form and wish it well.

**HON. P. G. PENDAL** (South Central Metropolitan) [7.48 p.m.]: I signify my opposition to the Bill now before the House and, indeed, I intend to vote against it.

As a general view I do not favour the involvement of Government in the marketplace where that can be avoided. I guess that in the course of this debate many of us on either side of this argument will argue the philosophy that prompts the Government to bring this legislation forward. I say briefly that as a general view I do not favour the Government's involvement—this Government, the past Government, the Federal Government, or for that matter local government—in matters that can best be handled by the private sector of the economy. One of the requests that an opponent of this Bill might reasonably have made of the Government is that the Government failed to put evidence before the House that might suggest good reasons for us to support the legislation. Specifically, one in my situation may well have expected to hear from the Government of any gaps that exist in the current insurance economy—gaps that can be filled only if the SGIO is given an extended franchise under this Bill. However, I put it to the House that the Government really has made no effort to inform us that there is any need for that franchise to be extended.

I acknowledge that the Government is committed philosophically to a greater involvement in the economy. I do not quarrel with that because the Government represents a political party that has that as one of its most fundamental tenets. However that is not sufficient reason to persuade me to vote in favour of the Bill in the absence of any need being shown that the community is now or will be worse off if the SGIO's extended franchise does not come about.

Hon. Garry Kelly: There will be more revenue.

Hon. P. G. PENDAL: My friend interjects and says there will be more revenue. I would put it to him that from my vantage point that is no justification for supporting an extended franchise. It may well appeal to those responsible for the balancing of the Budget in this State, but it is something I reject. I admit further that in many respects the SGIO is an organisation of some vitality. For example, I cite the way in which the SGIO very rigorously and very creatively goes about its promotional business of attracting new clients to its office. There is no question that, to

that extent at least, the SGIO goes into the marketplace and attempts to win the minds of prospective clients, and more particularly to win their money by way of premiums paid.

Notwithstanding my opposition to the Bill, I commend the SGIO for the programme it has promoted in the public media—in particular its television advertising—over the last three to four years in an effort to improve its share of the marketplace.

Now a great deal hinges on its behaviour in the marketplace, and I would suggest that it is pivotal to this Bill for one to sustain from the Government's point of view the argument that the SGIO has not only in the past gone into the marketplace on a fair and competitive basis, but also that that criterion will continue in the future. Certainly, the Government's whole case rests on that point.

One could say that the Labor Party would want to justify the extension of the franchise merely because that is consistent with Labor Party philosophy, consistent with a greater degree of socialism or nationalisation. Even the Government, in this case, does not seem to push that philosophical line. Many people might wonder, therefore, about the political integrity of the Government. They have reason to wonder why it is that the great emphasis in this Bill so far, from the Government's point of view, has been on the point that the new SGIO will have to compete fairly, openly and competitively with other people in the private market rather than on the ALP's socialist philosophy. I find that a rather curious emphasis for a Government that is clearly committed to greater socialism or nationalisation—call it what one likes.

Hon. J. M. Berinson: Where do you get the evidence for that sort of observation?

Hon. P. G. PENDAL: Had the Attorney General been listening he would have found that my observations were fair, but for his benefit, I am quite happy to repeat what I have said.

Hon. J. M. Berinson: May I withdraw the question?

Hon. A. A. Lewis interjected.

Hon. P. G. PENDAL: I detect a mere hint of boredom from my friend on the left, but I am sure it is only a mere hint of boredom.

The Government is not fighting this measure on any deep-seated philosophical argument that it wants to see a greater involvement by the Government in the marketplace. Instead, the Government is fighting it on the basis that the new SGIO will only be given a fair trading situation with the private sector. It will not be given any advantage

over that private sector, and again I find that a curious stance for a Government to take, especially a Government which has as its very fundamental commitment a greater role being played by the State.

It has been suggested that none of us should worry about what has happened in the past and that none of us should examine too closely whether the SGIO has operated as a competitive force, because whatever we have been told and whatever has occurred in the past will not be allowed to happen in the future.

Members have heard, both in the Parliament and outside, a number of assurances given in that regard by the Premier. I put it to the House that it is only by a person's past actions that one can judge what one's future actions are likely to be.

Only a week ago I made some inquiries in this House—the Attorney General may remember—and discovered that the SGIO has a sales tax advantage over its competitors in the private sector. Never at any time have I suggested that that sales tax advantage was a vast one. I did not suggest at any time that it ran into millions, or even hundreds of thousands of dollars. Indeed it was confirmed in the end that the money from the advantage enjoyed by the SGIO in terms of its sales tax exemption was only paid in part to the Consolidated Revenue of the State Government.

But it is the principle which is important here; the principle which was seen to be at stake last week in those questions is what is important, and not the amount of money. I would suggest that if it can be shown that the SGIO is permitted, albeit on a very small scale, to be given a competitive advantage over the private sector by way of sales tax exemptions, that in itself is an indicator of what might happen at some time in the future.

I would like to move on now to more substantial objections. It is apparently accepted in the insurance world, at least as a general practice—although I recall that the Insurance Council of Australia described it as a cardinal rule—that if profits cannot consistently be produced from underwriting, ultimately the company concerned will be steered into an impossible position. The only way in which money can be created to sustain both inflationary and new business growth is for there to be that underwriting profit.

It has been put to me that that cardinal rule has been broken in the case of the SGIO. I had the financial statements of the office submitted for analysis by competent people; therefore I am prepared to be guided by them. The figures contained in the SGIO's own financial statement

suggest that the underwriting profit of that office went from a surplus of \$6 million in 1980—

Hon. J. M. Berinson: Excuse me, that is the year 1979-80 to which you are referring?

Hon. P. G. PENDAL: Yes, the financial year 1979-80. The underwriting profit went from a surplus of \$6 million to what one might regard as a catastrophic result the following year, when it had a deficit of \$7.9 million. If that is not enough, the following year's financial statement reveals that in 1981-82 the deficit went to \$12 million. So in those two years alone, in accounting terms, there was an accumulation of \$19 million deficit, following an underwriting profit of \$6 million in 1979-80.

I am not an accountant and indeed the analysis and examination of any company records nowadays, including those of the SGIO, requires a great deal of expertise. Even experts can be confounded by what they find; therefore there is not a lot of room for manoeuvring on the part of amateurs, even those conscientiously doing their best to get to the bottom of what the figures mean.

If that cardinal rule of the insurance world which I outlined earlier is accepted in the industry as that, one must come to the conclusion that a deficit of \$19 million in that regard specifically is not only catastrophic but quite incredible and incomprehensible. It is rather like someone with an orchard paying money all year round for staff and for machinery, knowing full well that he will not reap any fruit from the orchard. To add insult to injury, next year he buys a type of fertiliser which he knows full well is of no use in an orchard, an orchard which last year did not produce anything anyway. If that sounds slightly silly, that is the conclusion one is entitled to reach on the figures contained in the SGIO's own financial statement.

I made reference earlier to those questions without notice and those on notice which I posed to the Attorney General on this matter only a week ago. I am ready to concede that the amount of money involved there was somewhat paltry—in the vicinity of \$40 600 of sales tax saved in the three years under discussion. I want now to refer to some more substantial figures, not to suggest some public scandal, but in a genuine effort to suggest that all may not be well within the SGIO. Once again they are conclusions drawn by competent analysts who have had experience in reading financial statements of insurance companies.

It has been put to me that the financial statements which are laid on the Table of this House alone suggest that in the year 1980-81, the SGIO

underpaid the State Treasury by an amount of some \$547 000. We are now not talking about a small amount of money, as in the case of the \$40 600; we are now talking about a substantial amount, an amount of well over half a million dollars, in the financial year 1980-81. I raise these questions because they have been raised with me by competent analysts who simply cannot understand whether the SGIO has underpaid the State Treasury by that amount of what otherwise would have been its part of the tax liability, or whether there is some other simple explanation for it.

Hon. J. M. Berinson: I am sorry to interrupt you, but I would like a clear understanding of this. Are you saying that there was an underpayment of \$500 000-odd during the year 1980-81, or on account of the year 1980-81?

Hon. P. G. PENDAL: I can see the distinction being drawn by the Attorney General, but I will get around to that.

According to the SGIO's financial statement, it was liable for the equivalent of \$56 000 in company taxation. My understanding, confirmed last week in those exchanges with the Attorney General, was that the equivalent of the SGIO's taxation liability is paid into Consolidated Revenue of the State. That was the whole point of my exercise last week. Let me repeat myself: The tax liability, if the SGIO had to pay tax, was \$56 487. There is no doubt about that, because that is in the SGIO's own financial statements. However, it is suggested to me that on the profit alone made by the SGIO that year, it should have paid not \$56 487 but \$603 857. If that is accurate—and the people who have gone through it with me have no reason to believe that they are giving me inaccurate information—it means that the SGIO has underpaid the State Treasury by \$547 370, because instead of paying \$56 000 based on the profit of that year, according to my figures it ought to have paid \$603 000. By extension, if that is accurate, it means that the SGIO has underpaid the State Treasury, which it is paying in lieu of the Federal Treasury, an amount of \$547 370.

Hon. J. M. Berinson: Can you tell me what profit figure that is based on?

Hon. P. G. PENDAL: Yes. It is based on profit of \$1.3 million. But the principal part of the profit for that year was a little over \$4 million. Out of those figures my financial analysts have taken the \$2.7 million surplus in the employees' indemnity account which they believe would unfairly load the argument which I am now putting to the House. It is suggested to me that that surplus is not taxable, or should not be taxable;

therefore one should reduce the \$4 million profit by \$2.7 million, giving a figure of \$1.3 million.

If nothing else I would be grateful if the Attorney General could clarify that. Not only has it baffled me, but it has baffled people with experience in the industry, who have spent some considerable time going through the financial statements of the SGIO.

Hon. J. M. Berinson: I can assure the honourable member that there is a perfectly satisfactory answer. My only problem is whether I will be able to convey it clearly enough.

Hon. P. G. PENDAL: When the Attorney General gives me the answer, my problem will be that I will not know whether I should accept it.

The second part of my argument refers to two pages contained in the financial statements of the State Government Insurance Office which were tabled in this place. The pages are headed "Employers' Indemnity Insurance—Industrial Disease". For the year ending June 1980 and the year ending June 1981, in somewhat splendid isolation from the rest of the accounts on these pages, after we have taken into account a surplus in each year transferred to the general revenue accounts of the SGIO, is the rather staggering amount in each case of in excess of \$14 million, which is described as the maximum outstanding liability on approved claims. That applies to both years.

In the following year, 1981-82, that amount has risen by a little over \$3.3 million to \$17.3 million. How is it that the SGIO can have what is said to be a \$17 million contingency liability and allow it to exist with those figures as if they are not part of the company's accounts—the company in this case being the SGIO? Surely, if it is a liability, the time will come when the SGIO will be asked to meet that liability. Yet the liability appears to be sitting in splendid isolation from the rest of the accounts, with no provision being made for it to be met at some time in the near or distant future.

The best advice I have is that the contingent liability would simply not be tolerated by the insurance commissioner who oversees the activities of the private insurance companies throughout Australia. It may be that the Attorney General has a satisfactory answer to that; if he has, I would be grateful to receive it.

Other figures not only confuse me as a layman, but also they disturb and confuse the most highly experienced people. For example, in the consolidated accounts of the SGIO one finds that the incurred claims—that is a specific insurance term—for the year ending June 1980 amounted to \$31 million. That figure represents 72 per cent of

the premiums earned by the SGIO in that year. So far so good. In brief, the company incurred, in claims, 72 per cent of the amount that it received on the other side. Yet I am told that in the following year, 1980-81, the position appeared to take rather a turn for the worse. The premiums received in that year amounted to \$49.7 million, yet the claims incurred amounted to \$50.4 million. In other words, the SGIO incurred more in claims than it earned in premiums.

Hon. J. M. Berinson: Are you not putting in a different way what you previously indicated was a move from a profit position in 1979-80 to a loss in 1980-81? This is just putting the same fact in a different way.

Hon. P. G. PENDAL: Yes. It is all part of the one financial statement. No-one is suggesting otherwise. I am merely using it to underline the point that financial statements have been laid on the Table of this House, and we are expected to pass legislation based on the belief that the SGIO has been operating on the free market in total and fair competition with the private sector; yet no-one can clearly understand those figures. Indeed, the figures indicate that the fair and open competition is not there.

Hon. J. M. Berinson: The figures prove that that fair competition is there.

Hon. P. G. PENDAL: Figures are like statistics; and Mr Berinson ought to be the first to know that.

Hon. J. M. Berinson: You just said that there was not fair competition; I am saying there was.

Hon. P. G. PENDAL: Mr Berinson says that all of the figures prove conclusively that the SGIO has been operating on the free market; yet people have suggested the contrary to me. On those figures, the SGIO is incurring more in claims than it is receiving in premiums.

The position appears to have been even worse in the following year, 1981-82. In that year, the earned premiums were \$55.8 million, and the incurred claims totalled \$59.7 million. One is entitled to believe that the SGIO went from a position of incurring in claims 72 per cent of what it earned in premiums in 1979-80, which seems to be healthy enough, to 1981-82 when it appeared—I am not putting it beyond that—to have incurred claims of 107 per cent of earned premiums. If that is the case, it is ludicrous; on that basis, a company would be going backwards. I would not go so far as to say that on those indications the SGIO is going to the wall, because I am not out to use this argument to start rumour-mongering. However, I am suggesting that those

figures show a very serious decline in the position of the SGIO.

Hon. J. M. Berinson: That happens to companies from time to time, though.

Hon. P. G. PENDAL: I acknowledge that; those companies can sustain that for only so long, as the Attorney General well knows. Then they go down the gurgler.

It is an accepted fact—if I did not make the point earlier, I will make it now—that the very existence of the State Government Insurance Office as a State Government instrumentality means it has a competitive advantage over everyone else because the Government of the day will not stand by and see the SGIO go to the wall. I am not suggesting it should; but the fact is that the SGIO has an edge over companies in the private sector in that way.

Hon. J. M. Berinson: Have you any idea of the asset backing of the AMP?

Hon. P. G. PENDAL: Substantial.

Hon. J. M. Berinson: In the billions of dollars, is it not?

Hon. P. G. PENDAL: Of course it is.

Hon. J. M. Berinson: No-one would doubt the AMP's capacity to see through a few bad years.

Hon. P. G. PENDAL: We are debating what was at the heart of the Attorney General's second reading speech—the fact that the SGIO will operate as a totally free competitor in the private sector. I am suggesting that if one can show that the past indicates that that has not happened, one is entitled to question the assurances that have been given, even by the Premier, regarding the future. The assurances may well have been given in good faith, even by the General Manager of the SGIO and other officers who staff the organisation; but that is not the point.

Therefore, I return to the point at which I started; that is, I oppose the legislation. Having done that, I intend to vote against the legislation.

In my view, the Government has failed to put any argument whatsoever before the House to suggest that there is currently a gap in the insurance consumers' market which is not being met. Even if the Government were able to say that that gap existed, it would not be sufficient for me to vote for the legislation because I suspect, if it were a gap of any proportion and if it were part of a good market, it would have been taken up long before now.

I therefore repeat what I said in the Attorney General's absence: If nothing else, the SGIO ought to be commended for the vigorous way that it approaches its promotional work and attempts

to go into the market to attract new clientele. However, the fact that that is a commendable practice is not sufficient, in my view, for suggesting that the SGIO should be given a franchise extended beyond that which it now has; therefore, I oppose the Bill.

HON. LYLA ELLIOTT (North-East Metropolitan) [8.27 p.m.]: I support the Bill, and I am sorry to hear the Hon. Phillip Pendal indicating that he will not support the second reading.

Some people are superstitious about numbers, and particularly the number 13, which some people believe to be unlucky.

Hon. N. F. Moore: I have just read your last speech!

Hon. LYLA ELLIOTT: I hope this Bill proves to be the reverse because, if it is not passed on this occasion, it will be the thirteenth time that a Bill dealing with the SGIO has been introduced by a Labor Government and has not been agreed to in this Chamber.

The history of the State Government Insurance Office is a very interesting one. The Collier Government, which came to power in 1924, was determined to introduce workers' compensation for miners who had contracted diseases of the lungs. Because of the unco-operative tactics of the private insurance companies, the Government decided to establish its own State insurance office.

In a Press statement on 5 June 1926 the Minister for Labour, Mr Alex McCallum, announced the establishment of the State insurance scheme, to give effect to the amended Workers' Compensation Act in respect of miners' diseases. He declared that the decision was forced upon the Government because of the attitude of the private insurance companies towards the Government's overtures for a workable scheme for the application of those sections of the Act. It was a controversial step at the time. It was opposed by *The West Australian* newspaper, by the private insurance companies, by the conservative politicians of the day, and by the Perth Chamber of Commerce. Those bodies accused the Government of attacking private enterprise and taking a step towards the socialisation of industry.

The Government persisted with the establishment of the office to provide workers' compensation insurance, but it was 12 years before Labor could get a Bill passed by this Chamber to legalise the operations of the SGIO. Six attempts were made by Labor Governments in the 1920s and 1930s. Bills were introduced by the Collier Government in 1926, 1927, 1934, and 1936 and by the Willcock Government in 1937; but all were

rejected by National and Country Party majorities in this Chamber.

It was not until 1938 that the Legislative Council was finally forced to pass a Bill introduced by the Willcock Government to validate the SGIO. I say "forced" because by that time the SGIO was so firmly entrenched and accepted by the people of this State that non-Labor parties in the Council could not continue to deny its existence.

During the next decade the SGIO was given power to handle other forms of insurance, but it was still restricted from competing with the private companies for the more lucrative markets of life and general insurance. For six consecutive years, from 1953 to 1958, the Hawke Government introduced Bills to widen the SGIO's franchise, but on every occasion this House threw out those Bills. The Tonkin Government in 1972 tried yet again, but again the Bill was rejected.

Hon. G. C. MacKinnon: Was that the year the SGIO financed Curtin House?

Hon. LYLA ELLIOTT: If that is so it has probably proved to be a very good investment, but I am not sure whether what the member says is correct—certainly it is irrelevant.

The Tonkin Government's Bill was rejected here despite the very strong case put to this House to show the great financial benefits to be reaped by this State both by way of profits and investments in Western Australian projects. Should members doubt what I am saying, I suggest they read *Hansard*.

Sir David Brand is reported on page 1052 of that year's *Hansard* as saying, "We will leave the upper House to deal with this one", and deal with it did, because for the twelfth time a Labor Party Bill on the SGIO failed to pass the Legislative Council. I would like to know how many millions of dollars have been lost to this State over the past 30 years because those Bills failed to pass the Legislative Council.

Despite the numerical gymnastics indulged in by Mr Pental—which I am sure the Attorney will be able adequately to answer in his reply—even with the limited franchise the office has now, no-one could deny it has contributed substantially over the years to the Treasury. The figures for the years 1979 and 1980 alone show that it paid over \$8 million in taxation. In addition, it has made very valuable contributions in the areas of low-interest housing loans, loans to small business, low-cost insurance for local authorities through the pool, and investments in Government, semi-Government, and local government projects.

As the Attorney said, Western Australia is alone among the mainland States in restricting

the franchise of the SGIO. Even in Queensland, the bastion of capitalism, the Government insurance office is allowed to compete with private insurance companies in the area of life and general insurance.

It is a ludicrous situation in this State that any foreign insurance company has been able to operate here and reap all the financial benefits, while our own State office, the people's office, which invests its profits in Western Australia, has been shackled all these years. What is the justification for this by people who have insisted on the SGIO's being shackled in this way? The only justification is an ideological one which says that the SGIO represents socialism. Well, if that is so, so does the Rural and Industries Bank, but are members who are opposed to this Bill—I hope there are not too many of them—prepared to write off the R & I as a socialist enterprise of no benefit to the State?

Members may have seen an article about Frank Wise in the 11 October edition of *The West Australian*. The article is headed, "Wisdom shown in bank's success" and it talks about his being the guest of honour at a luncheon to celebrate the thirty-eighth anniversary of the R & I Bank and makes the point that he is regarded as the father of that bank. The article goes on to deal with the establishment of the bank in 1945. Because of the foresight and determination of Frank Wise, who was Minister for Lands at the time, we have a highly-respected and influential people's bank in this State. What a battle he had to get it through the Parliament in 1944. By reading *Hansard*, members will get an idea of the scepticism abroad at the time about whether the bank was needed and whether it would be of value to the State.

Frank Wise has given me a copy of a recording he did some time ago for the archives in the National Library in Canberra, and the recording refers to the battle he had in those days. I shall quote a portion of it because it is very relevant to the Bill we are discussing tonight and I believe it will be of value. I quote as follows—

For those who can find time to follow the passage of the Bill there is complete evidence of the worries associated with getting such a Bill through Parliament.

The committee stages are very expressive of the determination to save the Bill. It must be one of the most contentious ever introduced into Parliament in this State. Very few Bills have been debated over ten weeks and have emerged as Acts of Parliament. The work done by Mr. Kitson M.L.C. as Chief Secretary was remarkable.

Because of the many amendments made in the Legislative Council, some of which were wholly unacceptable to the Legislative Assembly, the Bill had to go to a conference of managers from both Houses for the Bill to be referred to them. The managers for the Assembly were A. R. G. Hawke, A. F. Watts and myself as Minister in charge of the Bill, and from the Council, W. H. Kitson, Garnett Wood and Sir Hal Colebatch.

The conference started after an all night debate, an all night sitting of both Houses, at 5.35 a.m. on the morning of December 15, 1944.

At this conference the Bill was very nearly lost. It is usually accepted that details of proceedings in conference between the two Houses are not to be reported to Parliament. I will content myself by saying for the purpose of these records that the obstinate attitude of Sir Hal Colebatch nearly lost us the Bill in spite of the great help of Hawke and Arthur Watts, and I felt I could not face losing at this stage. The Act could be so important to this State.

I have a letter from Sir Hal Colebatch written many years after when he expressed pleasure at the great success the bank was receiving and explained his attitude at the conference when he had found great difficulty in giving it his support.

I thought I should read that to the Chamber because I feel we have a similar situation here, where there is scepticism about the value of this Bill and whether it will mean a great deal to the State in the future.

Let us consider that initiative in 1944 and what it means to the State today. If we look at the 1983 annual report of the R & I Bank we find that the bank has grown to be an organisation very respected and influential in this State, with 540 branches throughout Western Australia. It has assets of over \$1 800 million, deposits of over \$1 400 million, and advances and loans of over \$984 million. It had a net profit last year of over \$11 million. Members can read through the report to find all the services the bank offers to the people of this State. It makes a substantial contribution to community activities and so on. It would be easy to continue to make very eulogistic remarks about the R & I Bank. I have mentioned these facts because I wanted to create an analogy between the Bill we are debating tonight and the Labor Party initiative of 1944 where, because of the foresight and determination of Frank Wise,

we now have an extremely valuable financial institution in this State.

Once again we have a Labor Government providing an initiative which will mean a great deal in financial terms to the people of this State, an initiative which, as the Attorney said, in his second reading speech, has the backing of a Royal Commission established in 1974.

In the Hon. Gordon Masters' speech tonight he said—I think I quote him correctly—that where areas are unprofitable, Governments must move in. Why can Governments not move into areas that are profitable?

Hon. G. E. Masters: I thought I explained that as well.

Hon. Lyla Elliott: It is quite acceptable and legitimate for Governments to move into profitable areas, and this is one area into which it is quite legitimate for the Government to extend the franchise of the SGIO.

If this Bill is not passed on this occasion, the State will be robbed of badly-needed funds for semi-Government and local government borrowing programmes and it will mean less money will be available for housing and small business. The taxpayers of the State will be deprived of a source of funds for general revenue which could relieve them of some of the burden they now carry. To reject this Bill would be to continue to deny the people of this State the right to insure with their own insurance company.

I hope members opposite will see the wisdom in the words contained in the Attorney's second reading speech, and, on this occasion, 13 will prove to be a lucky number and we will see the Bill pass through the Legislative Council.

HON. A. A. LEWIS (Lower Central) [8.45 p.m.]: What a fascinating journey into the history of the R&I and SGIO Acts! I know the Attorney General is an honourable man and a good businessman also, but I am not particularly interested if this is the thirteenth or twenty-seventh time this Bill has come before the House. I am sure the Attorney General is not either.

Hon. J. M. Berinson: As long as there is not a fourteenth.

Hon. A. A. LEWIS: There will not be a fourteenth time because the Attorney General will learn if he listens, and there will be no need.

I will oppose the Bill and I will explain the reasons for my opposition. If the Attorney General can give me some answers, he may have some chance of swaying my decision, but I would think there would be little chance.

The Hon. Lyla Elliott spoke about legislation brought forward in 1924. What the hell would have happened if a similar Bill had been passed during the Depression? I wish to hell that it had. The business would have gone like everything else in the 1930's and we would not have heard about it again. The Labor Party would have learnt its lesson. I wish it had been passed in 1924, just to show the people who think that money grows on trees or that the taxpayer can keep on funding things all the time, just what would happen. There is no way it would have survived the Depression.

The other point I would like to make is how well Frank Wise thought he did in the conference of managers and the fact that he took in its work. It was an interesting point and I hope the Labor Party takes note of it and observes that it is possible to have compromise in such conferences.

I will take very little of the Attorney General's time and will deal with the sorts of questions I would like answered. It is obvious my questions will not be answered tonight but if the Attorney General's Government is dinkum—it may be pulling another stunt—I would like these questions answered.

I would like to know the job losses in the SGIO in the last two years—how many staff the SGIO has cut. I would like to know the job losses in private insurance companies, because I understand that the efficient insurance companies have had to cut staff to keep up profits and to keep in line with the law. I know a number of jobs have been lost.

I know the Labor Party could not give a damn about people losing jobs if it means it can get its philosophy through. It does not worry about people; it will push people out into the street and there is no guarantee that these people will ever get another job in the insurance industry. The Labor Party could not care about that.

Hon. Kay Hallahan: Could we get on with the Bill?

Hon. A. A. LEWIS: It is to do with the Bill and the honourable member should listen, because this legislation will create unemployment in her electorate. I am shocked that a socialist party does not care about people losing their jobs.

Hon. Fred McKenzie: That is not true, and you know it!

Hon. A. A. LEWIS: It is true Mr McKenzie, and it is what will happen if this Bill is passed.

Hon. J. M. Berinson: How?

Hon. A. A. LEWIS: I praised the Attorney General. Maybe I was a little premature in my

praise because he compares this legislation with another Bill which I cannot mention. I am not allowed to remember that second reading speech. We have 60 general insurance companies and 30 life companies operating in Western Australia.

Hon. J. M. Berinson: There are 100 in New South Wales.

Hon. A. A. LEWIS: That is probably the most depressing comment the Attorney General has ever made in this Chamber.

Hon. G. E. Masters: And he has made some bad ones.

Hon. A. A. LEWIS: The Attorney General does not make very many, and I take issue with Mr Masters' comment. The Attorney General is usually careful about what he has to say. The Attorney General knows the mistake he has made, so I do not have to highlight it any more and embarrass the honourable gentleman.

I would like to know what research has been done into the loss of jobs when this legislation is passed. What is the estimate of the loss in the private sector? Being the honourable man he is, the Attorney General would be concerned about that, even though some of his party members may not be. I hope he can tell me whether the SGIO will pick up some staff, with the increased business. Mr Dans and Mr Burke seem to have different views on this matter; it appears so when one reads the Press.

What is the predicted growth of business with the SGIO when it is really competitive? We have been told that a committee will inquire into this, but I would not trust that committee.

Hon. J. M. Berinson: It is really competitive now.

Hon. A. A. LEWIS: It is competitive? Oh, I started this debate with the view to speaking for only a few minutes but the Attorney General has the hide to tell me that the SGIO is competitive. He really must think that we on this side are a little slow. The SGIO has sales tax preference, Public Service agency details, stamp duty preference, other provisions of the insurance Act, etc. etc., and the Attorney General calls that competitive.

He is simply wrong. Does the SGIO buy its cars sales tax free?

Hon. J. M. Berinson: It has not in the past paid sales tax. We will undertake that it will pay in future, and it amounts to something less than \$14 000 a year.

Hon. A. A. LEWIS: The Attorney General is rather dull tonight. I usually expect him to be right on the ball. I detailed the headlines but

when he said "that is wrong", I asked the first on the list and he said "Yes, but it is only a mere \$14 000". It may be, but I have asked for the predicted figures. The SGIO does pay sales tax.

I hope the Attorney General will answer my questions, because if he does not he will not get a sympathetic vote from me.

The second reading speech was an insult to anyone who understands anything about business. If a member of the SGIO, not a ministerial adviser, wrote that speech, the SGIO does not deserve to have any more franchise. Maybe it ought to be wiped out, because it must give to us the proof that it should be there. There is no proof: there is a lot of talk but no proof of profit in that second reading speech or how it will continue. No prediction figures were provided that the ordinary businessman in the street or the ordinary businessman, small as he may be, in this House could understand.

There was a lot in the second reading speech about support from the SGIO in the field of finance. I am getting a little sick and tired of hearing about the amounts of money that have been put in by the SGIO. The private insurance companies are being wiped off. The Government spokesmen in this House select the areas they wish to talk about and do not consider the general development of Western Australia and what other insurance companies have put in to back various shows in this State.

They just choose the ones they want to, and perhaps that might be all right if the Attorney General and Treasury were allowed to get away with it; but I will not let them get away with it.

I want a comparison of the total input by insurance companies into Western Australia in the last few years so that we know the truth. It is all very well to say the terminating building societies have had the SGIO's money and everybody else has had all this money, but we must refer back to a base.

I was a little affronted when the Attorney General made his speech. I know his speech was written for him and I know he does not believe half what he has to read out; however, it was an insult to the intelligence of any business person.

The Premier has spoken about setting up a committee to review what is happening and whether or not the SGIO is competitive. Would you, Mr President, trust a committee comprising the Premier, the Leader of the Opposition and the Leader of the Country Party to be experts in insurance and to be able to follow what is going in that field?

The committee would be a Caesar unto Caesar situation and its representatives would be too busy to look at the position. Again, another insult to our intelligence from this Government. I am ashamed that Mr Masters has accepted this legislation. I cannot understand how he could possibly accept that assurance knowing that the committee members could not be experts in the insurance field.

This con trick really worries me. It is like the con trick on diamonds. This Government is getting away with too much.

Now we are talking about competition. Will the Government instruct all Government departments that other insurance companies must compete with the SGIO and that their business should go to the lowest tender? I want to know that. If it does not happen, where is the competition? If competition is wanted, surely it must be thrown open to everyone.

I have nothing against the SGIO, I have used it for business because at times it has provided a competitive quote and, being a businessman, I took that quote. Many times it did not provide a competitive quote and I took my business to private insurers.

I want the Attorney General to assure me on those points. Unless I have his assurance on those points I could not possibly support the Bill.

I am very disappointed that this House should be treated in such a way by the Attorney in not putting the full information before us. I hope he can give me the answers; until I am assured on the points I have raised in this brief interlude, there is no hope of my supporting the Bill.

**HON. D. J. WORDSWORTH** (South) [9.01 p.m.]: The place of a Government insurance company in a private enterprise economy is a vexed question. Ideally, the public should be able to insure, if they so desire, with a Government company. If a purchaser, as an elector, considers it falls within his political beliefs, he should be able to insure with the Government insurance company. The difficulty obviously arises in how the Government insurance company is put on the same footing as those in private enterprise. How do we set them on equal terms?

The cut and thrust of private enterprise makes the field of business very keen. When a Government business enters the field a complete imbalance is created. This has been proved in many other sectors, and I am afraid that when I see a Government suddenly entering a field of private enterprise I recommend to investors to keep well and truly out.

We have endeavoured to try to make the SGIO trade on equal terms, and it has been suggested half of the profits of the State is "equal terms". This is utterly ridiculous because the SGIO might not get to the stage of making profits. Other factors come into this. How can a company which does not pay the same taxes on every policy compete with a company that does? How does a Government company that does not pay sales tax on its cars compete with one that does? These sorts of things occur and give the SGIO a definite advantage in that field.

There are disadvantages and they have been pointed out by previous speakers, because Governments will force the insurance company—whether the SGIO or another—to go into fields it would not normally enter. We have seen prime examples of this, the best being the motor vehicle insurance field where undoubtedly the SGIO would have put up its premiums had it been allowed to do so. It was not allowed to do that; it was not in the best interests of the Government to allow the premiums to be raised. We saw the SGIO run at a loss.

Hon. J. M. Berinson: On its motor vehicle insurance?

Hon. D. J. WORDSWORTH: I think it must have been one of the major reasons for the SGIO's loss.

Hon. J. M. Berinson: On the contrary, it has been most consistently one of the profit-making areas.

Hon. D. J. WORDSWORTH: Then why did the SGIO have to put up its premiums by so much so quickly?

Hon. J. M. Berinson: In order to remain profitable. You must be aware of the costs associated with motor vehicle insurance.

Hon. D. J. WORDSWORTH: My knowledge of that aspect has always been to the contrary.

One of the benefits of the SGIO entering motor vehicle insurance was that it could keep the costs down. However, it ran into difficulties and found itself making a \$12 million loss. If that is not the field in which it made the loss, we are waiting to find out which one it is. Some reason exists for the SGIO's large loss. We will await the Attorney's response to find out the details.

It appears not only to be a \$12 million loss but also a matter of \$17.2 million in liabilities which I presume have been calculated but are yet to be paid out. They also appear in the annual report of the SGIO.

Laying-off seems to be part of the insurance business. We have been critical of the number of

international companies involved in the insurance field, but it would seem to be necessary in insurance to deal in the international area. One wonders how the SGIO will get on when a catastrophe such as cyclone "Alby" occurs, if it does not deal internationally. Obviously, when a cyclone or a natural disaster hits a particular State and the SGIO has the majority of the insurance and has not laid off elsewhere the Government will have to foot a fairly hefty bill.

I think we will find the SGIO will lay off as every other company does. People purchasing insurance may think their money is going to a local company, but in fact it will be going overseas. I would like to ask the Attorney whether the SGIO, when and if it takes up its expanded field, will lay off locally as it has in the past, or will it go overseas to spread its risk?

It is interesting to note that when some local insurance companies have gone into liquidation the SGIO has appeared among the list of major creditors, or has been shown to be using those now defunct companies to lay off. This would indicate the SGIO was far from an excellent judge of the business arena. I ask the Attorney what will be the policy of the SGIO if it expands its field?

I do not believe any amendments we move in this House will put the SGIO on an equal footing. If private enterprise can carry out a satisfactory service, why does the Government wish to enter the field?

Hon. Garry Kelly: Because the State would benefit.

Hon. D. J. WORDSWORTH: It has not been proved that any great profitability attaches to it. No figures exist to say a profit can be made that we should be enjoying. It is an assumption and a typical Labor Party assumption. It would appear some 60 other companies operate in general insurance and 30 in life insurance and they are giving us a pretty satisfactory service. Strong competition exists and one wonders how it will affect private enterprise if the SGIO wins a major sector of the trade.

The money cannot be spent twice. If there is something in it for the Government, it is obviously the Government having the ability to drag the SGIO into areas in which it can put the money it is keeping aside to cover liabilities. The Government feels it can direct the SGIO to various projects within Western Australia; but where did the money go previously? Let us look at life insurance companies such as the AMP Society. The AMP invests in the Stock Exchange and private enterprises borrows from it. If the AMP is to lose

part of the trade, obviously that also will be lost to the private sector.

If the Government is taking money out, the private sector must lose; one cannot spend money twice. This move will cause an imbalance in the private sector. It may be a method for the Government to get more money, and previous Governments whether Liberal or Labor have felt it is a good way to get more cash for investment funds and perhaps guide that cash towards development. But this Government development will take place, anyway. We can see with the life insurance companies where their investment money has gone—into various companies which one knows are carrying on development within Australia. The life insurance companies have been major investors in the Australian Stock Exchange. It has not been shown that the AMP sends a large amount of money overseas; it has been shown that the AMP invests in Australian industry and development.

Unless we hear some strong arguments from the Attorney General on the points that have been raised, I intend to vote against this legislation.

**HON. N. F. MOORE** (Lower North) [9.11 p.m.]: I intend to oppose this legislation and I hope the House will reject it. It is incumbent on me to make my point of view known.

This Bill is a classic example of the philosophical differences that exist between the party of which I am a member and the party which is currently in Government—the Labor Party. It illustrates the complete difference of philosophical attitude on the question of Governments and businesses and whether Governments should be in business or in the business of government. I want to illustrate quite clearly the difference between the platform of the Liberal Party and that of the Labor Party with respect to Government in business and to illustrate the basic differences of philosophy.

Before I quote from the platforms of both parties I want to make the point that I accept that Governments of both political persuasions from time to time have not always practised what they preached. The Liberal Party while in Government maintained the existence of the SGIO although it did not agree to the expansion of its franchise. The Liberal Party has agreed to the existence of a Government company involved in the business of insurance. Just because previous Liberal Governments did certain things, it does not constrain me to believe they have done the right thing. I do not consider myself bound in any way by the positions of previous Liberal Party Governments if they have acted in ways that I consider to be contrary

to the philosophy and policy of the party of which I am a member. It is my hope that the Liberal Party when next in Government may be constrained to look more closely at its platform and policies before making certain decisions, such as some in recent times which have had a slightly socialist flavour.

I will quote from a book called *Platforms for Government*, which lists the different platforms of the various political parties, to explain the difference between the two approaches.

The PRESIDENT: Order! I presume the honourable member will relate it to the Bill.

Hon. N. F. MOORE: The Bill is a move by the Government to expand its involvement in business and I propose to quote from the platforms of both parties to show there is a marked philosophical difference and to explain why I am opposing the legislation. Is that acceptable? It is a very brief quote.

The PRESIDENT: I will listen.

Hon. N. F. MOORE: On page 14 of the book the Liberal Party platform is stated as follows—

Liberals favour independent decision making, preferring individuals, families, associations and businesses to decide as many things as possible for themselves without Government intervention and to accept responsibility for their decisions.

Further on it states—

Liberals believe in private property, private enterprise in a competitive market and economic growth.

On page 77 the book sets out the Labor Party platform as follows—

The Australian Labor Party is a democratic socialist party and has the objective of the democratic socialisation of industry, production, distribution and exchange. . .

Further on it states—

Establishment and development of public enterprises based upon federal, state and other forms of social ownership, in appropriate sectors of the economy. Democratic control and strategic social ownership of Australian natural resources for the benefit of all Australians.

Quite clearly the quotes I have read from the platforms of both major parties indicate the obvious differences in philosophy embodied in this Bill.

I can accept, and the Liberal Party accepts, that circumstances exist in which Governments must go into business—for example, to provide

most essential services, such as electricity, water supplies and public transport. These are areas in which Governments must be in business to provide essential services for the community which private enterprise could not operate. However, it is not necessary for Governments to be in the business of insurance where the private sector can provide the insurance requirements of the community.

I conclude by saying that the Bill represents a clear philosophical difference between the Government and the Opposition. I hope that in the event of this Bill being passed, although I trust it will not be, on re-election to Government the Liberal Party will rescind the legislation, and even go to the extent of looking at the necessity for the Government to be involved in the insurance business at all. The future of the SGIO should be closely looked at in respect of the franchise it has at present. I remind the Hon. Mr Gayfer of the National Country Party's platform on the question of private ownership of business, and I quote from page 47 as follows—

Protection of private ownership and the advancement of free enterprise through individual initiative, and opposition to the socialisation of industry, production, distribution and exchange.

This Bill is a socialist Bill and I strongly oppose it.

**HON. G. C. MacKINNON** (South-West) [9.17 p.m.]: I refer to the origins of the SGIO and the legislation. When first established it operated illegally for six years and it was not until 1938 under the Willcock Government that it was made legal. It might surprise members to learn I have no personal knowledge or experience of that Government.

**Hon. J. M. Berinson**: It is about the only one you don't.

**Hon. P. G. Pandal**: That is not what Sir John Forrest used to tell you.

**Hon. G. C. MacKINNON**: The comments of Mr E. H. Gray, who was Honorary Minister in this Chamber in those days, make interesting reading. I think the time is probably coming when we should re-organise things and have Honorary Ministers. It is not a bad option and would be better than the one currently being examined by some people. Now that I have run my race I think it is a good idea.

Mr Gray was quoted as saying—

I do not propose to recapitulate the reasons for establishing the State Insurance Office, but I point out that, notwithstanding the criticism levelled at the Labour Government

of the day for creating and subsequently continuing it without legal authority, no action was taken by another administration to terminate its existence.

It is odd that that particular stance has continued for such a long time.

Since 1956, in the few years that Labor has been in Government and I have been in Opposition, the Bill to expand the franchise of the SGIO has been brought forward every year. In my long political history that means, if my sums are right, since 1956 nine Bills to expand the franchise of the SGIO have been presented to this Chamber. I must admit on previous occasions the speeches from the Labor members were infinitely more vituperative than are the speeches tonight. I attribute that to some of the early comments by the Hon. Gordon Masters. I noticed a look of chagrin pass over several faces on the other side, of members who had obviously prepared long and vituperative speeches which they thought they should not continue with.

**Hon. Robert Hetherington**: We are all sweetness and light with not a touch of vituperation anywhere.

**Hon. G. C. MacKINNON**: I wish the new members would go back over *Hansard* and read some of the earlier contributions by the Hon. Robert Hetherington. Members would see whether or not he is capable of vituperation; he not only knows how to spell it, but also is exceedingly efficient in its use.

We are facing slightly different circumstances; whether this is because of the fullness of time or the change in nature from the Australian Labor Party to the social democrats, I know not. A markedly different approach has been made, indeed so different I think the present Government is bending overboard a little too far. For example, the Attorney General mentioned a moment ago it was the intention of the Government to have the SGIO commence paying sales tax on its motor cars.

**Hon. J. M. Berinson**: Paying the equivalent of sales tax.

**Hon. G. C. MacKINNON**: That is a different kettle of fish and I am glad I have been able to elicit that piece of information. The thought of paying any sum which is not strictly necessary, whether it be to a Liberal, Labor or social democrat Government, would go against the grain. I am delighted at the assurance of the Attorney General that it is the intention to pay the equivalent.

**Hon. J. M. Berinson**: I am surprised you should have doubted it.

Hon. G. C. MacKINNON: The member has not been in government for that long and I have seen some silly actions from Governments of his colour.

Several members interjected.

Hon. G. C. MacKINNON: I mean the red colour of the Labor Party. I am glad we have cleared that point regarding sales tax because I think it is important.

There are two ways of looking at the ideological attitudes to which Mr Moore drew our attention and to which our attention should constantly be drawn. The Liberal Party is correct in its belief that industry run for private gain is better and more efficient than Government industry, and generally succeeds. Therefore, it follows that if the SGIO is made to conduct itself and to face up to the same sort of payments which a private business must meet, the private business will succeed and has nothing to fear. I believe that quite firmly. I am ready to listen to propositions brought forward, and I have listened to the assurance given by the Premier. However, although I have no doubts about the assurances given by the Deputy Premier or those given by the Attorney General, Ministers, even in a Government which stays in office, come and go and the emphasis changes.

As an example to illustrate my concern and demonstrate why I believe with Mr Masters that the Government must show its good faith by making the suggested amendments to the Bill, I refer to an incident which happened many years ago. On that occasion an election was fought and one of the issues involved in the fall of the A. R. G. Hawke Government was the establishment of TAB or SP betting shops. When the TAB was established as a result of the win by the Hon. David Brand, later Sir David Brand, the assurance was given that TAB shops would be placed away from hotels, would be sparsely furnished, would not have toilets, and would be relatively uncomfortable. These conditions were designed to discourage people from betting and were made on the basis that people would go to the shop, make a bet and then go home.

What has been the result? Despite the assurances of the then Government, public pressure has insisted that the TAB shops have become successively and progressively more comfortable. Although I am not an habitue of such shops I understand they are now carpeted, frequently have toilets, and are now sometimes part of a hotel.

Hon. Garry Kelly: Because it is safer.

Hon. G. C. MacKINNON: That is one of the more sensible remarks made by Mr Kelly and it indicates that obviously there are good reasons for the changes. The point I make is that changes have occurred, despite those firm assurances by Ministers of the day on behalf of the Government of the day. No feeling of distrust exists in the request for the Government to come forward with the amendments, or to sponsor those amendments put forward by Mr Masters or agree to them. It is a matter of experience from observing previous Governments progressively bending to public opinion. If the changes so enthusiastically supported by Mr Gayfer are agreed to, those assurances are not necessary.

From 1956 until now I have sat here and made speeches against this proposal. One speech, which Mr Moore was kind enough to remind me of, was made in 1972. I opposed the legislation on that occasion because the SGIO had been shamefully used by the Government of the day to finance the structure of its headquarters in Beaufort Street. Not content with having raised the money through the SGIO, the Government literally bulldozed the Public Health Department into taking over a long-term lease of the premises.

Hon. J. M. Berinson: Are you sure it was an SGIO loan? I thought it was the Commonwealth Bank.

Hon. G. C. MacKINNON: I thought it was the SGIO. It will be interesting for the member to do some research on it. The Attorney General has so many advisers, and I have to carry out such research on my own. The Attorney General only has to whistle and he can get the work carried out—he may correct me if I am wrong. I am sure he has many advisers sitting in their rooms working on the problem—probably they have already started typing notes.

Hon. J. M. Berinson: How many do you think I have?

Hon. G. C. MacKINNON: The Attorney General is lucky; Mr Dowding is out of the Chamber so he has one less than Mr Dans usually has. I am quite sure the member can borrow two or three advisers any time he wishes to. At least we will know what the true situation is. I was always sorry that a loophole could not be found in the agreement to get the Public Health Department out of that building, because I believe that action was scurrilous, wherever the money came from. It was a good investment when the Government knew it could force a captive leaseholder into the premises.

The Attorney General has enticed me from the real subject of this debate, and I now refer to the

SGIO Bill. On this occasion, along with one or two of my colleagues on this side of the House, I am prepared to listen to the second reading of the Bill and look forward during the Committee stage to seeing just how good are the assurances of the Government.

I am quite certain that its leader, Mr Brian Burke, means them and means them well and I am quite sure they will be able to find ways and means to put them into the acceptable phrasology so that they are in that measure and will be part of the Act governing the operations of the SGIO which is an honourable organisation and will no doubt abide by it.

**HON. P. H. WELLS** (North Metropolitan) [9.31 p.m.]: Despite the fact that the Premier has provided some material on this Bill, I find it difficult to obtain all the information I require, because we do not sit down in a committee atmosphere which enables us to ask questions and receive adequate answers before debating the legislation. The sort of information which I require would be available to any director of a business when making the kinds of decisions we are asked to make here tonight.

The sorts of questions we must ask are: How much money will become available as a result of these provisions? What is the prediction of the percentage of the market the expanded franchise of the SGIO will enable it to gain? What is the crystal ball prediction of a corporation like the SGIO? Over the years its officers must have done some calculations as to what the provisions in the Bill would enable them to obtain. What will it cost to obtain that market?

I have a million and one thoughts in my mind. It would be nice one of these days when making decisions of this nature to do so in a climate in which the necessary information is available. I gather such a situation may exist as a result of the activities of the Select Committee on Committees. It might enable Bills of this nature which contain complicated provisions to be examined more fully and for the relevant information to be provided.

I shall ask some basic and simple questions. I shall not take up a great deal of the time of the House, because as a result of doing justice to the last Bill handled by the Attorney, I had to work out my priorities timewise and, as a result, could not spend as much time as I would have liked on this Bill. There is great pressure on the time available to enable me to analyse the necessary fields to make a just decision on these issues.

I have asked myself three questions in relation to the Bill. They are: What will it cost? Will my electors be advantaged or disadvantaged? What

will it provide us with? It has been said the Bill will provide something. I do not propose to spend a massive amount of time on those three areas. I shall take simple illustrations which I am prepared to admit, because of the system which is provided here, have not been checked by Price Waterhouse or any other organisation or person.

I do not really expect the Attorney to be able to answer the questions unless his adviser can provide him with a simple answer. In order to arrive at what the provisions in the Bill will cost, the only information available to members of Parliament short of being able to call on an adviser—even a financial adviser as referred to by the Hon. Phillip Pendal—is to be found in reports or other analyses which have been done within the parliamentary system.

I was glad the Hon. Lyla Elliott referred to a report which was prepared during the time of the Whitlam Government. I refer here to the Commonwealth 1975 parliamentary paper No. 138 for the establishment of the Australian Government insurance office—the interdepartmental committee report.

**Hon. Lyla Elliott:** Did I refer to that?

**Hon. P. H. WELLS:** I stand corrected. I thought the honourable member referred to it.

**Hon. Lyla Elliott:** I talked about the Royal Commission.

**Hon. P. H. WELLS:** My apologies to the Hon. Lyla Elliott for misquoting her. It simply shows that even when one is listening to the debate and a report is referred to it is possible to get the wrong idea. However, I would have thought some of the Government members would have referred to this report, because it was prepared during the Whitlam era. I gather it provides support and some authority to those on the Government side of the fence.

Initially I had some problems reading the introduction to the report because under the caption "General Approach" on page one, it said—

It is proposed that, in line with Australian Government enterprises competing with private businesses such as the Commonwealth Banking Corporation and TAA, AGIO—

That is the Australian Government Insurance Office. To continue—

—should be placed as far as possible on the same competitive footing as private and State insurers.

I found that statement confusing. It appeared to me that the people who wrote the report did not check the "competitive footing" of the SGIO in this State, because people have telephoned my

office asking, "Why cannot I have my house insured with the SGIO?" That is a reasonable request. I found that if one obtains money from the R&I Bank, one qualifies for housing insurance with the SGIO. I discovered the reason the cost of such housing insurance is so low and people become upset when they cannot get it is that if one's house is insured through the SGIO, one does not have to pay for the fire brigade levy.

Hon. J. M. Berinson: That is incorrect.

Hon. P. H. WELLS: I am glad to hear that. When did the position change? Is it a fact that in respect of all SGIO house insurance policies the same amount is paid for the fire brigade levy as is paid by people whose houses are insured with other companies?

Hon. J. M. Berinson: I understand that has been the case since three years ago.

Hon. P. H. WELLS: Well, I came into the Parliament three years ago and it might have been at that stage that I made the inquiries. I am glad to see the office was educated, and that things have changed.

Hon. J. M. Berinson: It might have been because I came into the Parliament three years ago; you know how anxious I am for competitive neutrality!

Hon. P. H. WELLS: When the Attorney sat on the Opposition benches he impressed me with his interest in insurance matters and I respected his approach. Perhaps he can put me right on the next issue. I am glad to see he has studied this Bill and is right up with it. These are minor confusions I experienced before attempting to answer the question as to what the provisions would cost. They do not relate to the actual cost.

Hon. Mark Nevill interjected.

Hon. P. H. WELLS: Here we have a member who is not even sitting in his seat interjecting on me. He has not even read the Bill and he starts questioning me.

The DEPUTY PRESIDENT (Hon. John Williams): Order! I remind the Hon. Mark Nevill that his remarks are most improper.

Hon. P. H. WELLS: Perhaps the Attorney can answer me as to whether all Government and semi-Government business goes to the SGIO and if a requirement exists that that should be the case?

Hon. J. M. Berinson: I shall deal with that in my reply.

Hon. P. H. WELLS: I thought the Attorney might deal with it quickly and straighten me out as he did in respect of my previous question.

Hon. J. M. Berinson: I can say, "The great majority", but I do not think it is correct to say, "All".

Hon. P. H. WELLS: Two aspects confuse me there. If the SGIO is on the same competitive footing as private enterprise, I gather that is an area of confusion we must remedy, because the SGIO has a monopoly in terms of that market.

Hon. J. M. Berinson: Could I make another spot comment? I indicate that that is incorrect and that, in spite of having most of the Government market, the SGIO has no financial benefit from it. I shall expand that further in my reply.

Hon. P. H. WELLS: Perhaps the Attorney will indicate whether the SGIO, in terms of being competitive, complies with the requirements of the various Acts governing this area, as do other insurance companies. Those Acts are the Trade Practices Act and the Commonwealth Insurance Act. In other words, there is a requirement on ordinary insurers to comply with those Acts. I noticed a clause which excluded some State laws, but without having the input I cannot be certain of its effect.

Hon. J. M. Berinson: In fact the SGIO complies with both.

Hon. P. H. WELLS: That is interesting; I am learning! We come now to the question I was really asking which was what it would cost. I would have thought that was a pretty basic question.

Hon. Garry Kelly: What will it cost whom?

Hon. P. H. WELLS: What will it cost to acquire a market? The Government seeks to extend the SGIO's franchise so that it can deal with life insurance. I wondered what it would cost to acquire that market. I base that question on the assumption that if one wishes to expand one's business, a given expansion may be achieved for a given return. It will cost a certain amount in terms of investment to gain a certain amount of return. I thought that was what businesses generally did when they expanded.

Hon. Garry Kelly: It is a commercial decision.

Hon. P. H. WELLS: Again it is quite obvious the member has not bothered to read or analyse the Bill. We are making a decision here and much of this information should be provided. I admire the manager of the SGIO because I assume that, in his bottom drawer, he keeps a report for the expansion of the office's franchise. I respect that man's consistency and dedication, because with every change of Minister he reaches down, takes the report from the bottom drawer, and presents it to the new Minister.

Hon. P. G. Pendal: That is the first thing they ask for.

Hon. P. H. WELLS: The manager of the SGIO deserves that job, because he is looking after the interests of the office and he is seeking to take every advantage of that area. He needs to be complimented.

Hon. J. M. Berinson: I think he deserves an extended job!

Hon. P. H. WELLS: The Government wants to extend his job. A number of other jobs are going wanting in the Attorney's area, but we shall deal with them later. The manager of the SGIO deserves to be complimented on his persistence in this area, which shows he is doing a good job. It will be interesting to see the outcome of this Bill.

Despite the fact that year after year, I gather manager after manager has been told, "No, your franchise cannot be expanded", when there is a change of jobs the first thing the old manager says to the new manager is, "This report is what you need and it should be your job to acquaint the Minister with what is in it". The only reason I say that is I notice that even when Liberal Governments are in office, each new Minister has some discussions with Cabinet on this matter.

Hon. J. M. Berinson: In this case I don't think you give the new Minister enough credit.

Hon. P. H. WELLS: I thought the manager was doing his job. Does the Attorney mean to say that, because he is not a Liberal Minister, he showed favouritism in not bringing forward the report? Is the Attorney really saying that, because it was a Labor Minister, the manager said, "No, it is no use trying under a Labor Minister"? That is the first time I have been told that sort of thing happens. I know the report was given to every Liberal Minister.

I shall return to the simple question as to what is the actual cost of the provisions. In this respect I quote from clause 6.24 on page 21 of the report to which I have referred which is the only one available to me, bearing in mind the limited ability given to me by Parliament to research the Bill—

In the case of life insurance, the Life Insurance Commissioner has made an estimate of the amount which would be required for SGIO to establish a life insurance fund to enter into life insurance business.

At last I found in my search some information. To tell members the truth, this information should have been given in support of the Bill. Projection tables could have been supplied to give us some idea of what would happen.

The quotation refers to what is required for the establishment of a life insurance fund in this State. As I understand the Bill, the franchise of the SGIO will be extended not only to life insurance, but also to all general insurance. I gather it is the life insurance business that has the greatest cash flow. An example is the New South Wales general insurance fund, which earned a profit in 1981-82 of nearly \$27 million. The exact amount was \$26 945 626. If that figure is translated into Western Australian terms, accepting that the population of Western Australia is three times less than the population of New South Wales, we can come to a comparison. Western Australia's population is 8.8 per cent of the total Australian population and the New South Wales population is 34.97 per cent of the total Australian population. In fact, on those figures New South Wales' population is more than four times the population of Western Australia. Therefore, the figure of approximately \$27 million in Western Australian terms is \$6.7 million.

If the Western Australian SGIO has the same proportion of the market in Western Australia as the New South Wales State office has of the market in New South Wales, we can make a further comparison. No doubt New South Wales would have a market four times the size of Western Australia's market because New South Wales has a population four times greater than ours. On those figures the \$27 million can be brought down to \$6.7 million to determine the figure for the SGIO in this State; so it would seem that it made \$5 million out of general insurance.

Hon. J. M. Berinson: Which year are you talking about?

Hon. P. H. WELLS: I am quoting figures for 1981-82 for New South Wales. If the Attorney wants figures for 1979-80 or any other year I may have those figures and we can talk about them. The figures I have quoted relate to insurance other than life insurance, and the figures indicate we cannot consider the raw estimates and say that the SGIO has made \$30 million or \$40 million. One must look for a figure that relates to the population of Western Australia. In my humble opinion it seems that a massive amount of money is not to be made out of general insurance, and the only area left is life insurance, which has the greatest cash flow. It seems as though the Government is interested mainly in life insurance, so why is it considering an extension of the general insurance franchise as well? Perhaps we should exclude the extension into general insurance. I continue to quote as follows—

The estimate is based on the objective of writing in Australia 1 per cent of new ordinary sums insured in the seventh year of business.

As I have said, our population is 8.8 per cent of the total Australian population. In round figures it is nine per cent of that total population and it seems reasonable that insurers in this State have nine per cent, or just less than that, of the insurance market. The aim of the SGIO would be to have 10 to 11 per cent of that nine per cent, which represents one per cent of the total Australian market, and this report refers to one per cent of the Australian market. To continue—

He estimates that, including development expenditure of \$500 000 over the first five years, the present value of the amount required by the life insurance fund over the first ten years of operation is \$18 million.

That is the only figure I can find to determine the cost of acquiring one per cent of the Australian insurance market. As I have said, WA has something like nine per cent of the Australian population, which would mean nine per cent of the insurance market, and the SGIO must compete for part of that nine per cent, and would hope to obtain eventually, over some seven to 10 years, 10 per cent of the market here, which would be one per cent of the Australian market. As I have quoted, in 1975 figures it would cost \$18 million for the SGIO to obtain that one per cent. I had someone do figures for me to estimate what that represents in today's figures, and it represents \$40 million. Therefore, one per cent of the Australian market will cost \$40 million to obtain.

Hon. J. M. Berinson: Are you saying that is a cost that would not be funded by the business. Are you saying that in the first seven years, on the original figures, they were estimating a loss of \$18 million? I suspect that you have misinterpreted the figures.

Hon. P. H. WELLS: I do not mind being corrected. The difficulty I have is that I have not been provided with proper information to enable me to make a decision on this matter. If I were in a boardroom and I was required to make a similar decision, I would have complete information available to me. It is possible that the SGIO will have to meet a debt.

I refer now to the Queensland situation, because the set-up in that State has been used as the soldier of the night. In 1982 the life insurance fund in that State commenced with an amount of \$199 935 319, and at the close of the year the fund had \$212 481 736. My humble understanding of those figures, which take into consideration

all the costs involved in that area, is that there was an increase in funds of \$12.5 million. If we consider that figure in terms of the population of this State, which is approximately half the population of Queensland, the figure for Western Australia would be short of \$7 million.

If we consider the \$40 million to which I have referred—the \$18 million over those seven years in today's terms—we realise that in each of the seven years it will cost \$5.7 million to be in the life insurance field to a level of one per cent of the Australian market. Even if we do not consider that figure, but consider the \$7 million, which is the amount likely to remain in the fund after the first year of operation, and accept that 50 per cent of that amount will go to the State coffers, what would be left to invest in Western Australia? We would be left with \$3.5 million in a company which writes not only new business, but also ongoing business.

All this creates the question in my mind: What is the actual cost? It is too early for us to say that we will be able to meet that cost. If the venture goes sour a real obligation will be placed on the State to pick up the loss. Therefore, it is reasonable that this House of Review give real consideration to whether the decision being made on this Bill is being made on adequate information. Can we say that the venture is sound? What has not been put before the House is a sound financial report to indicate it is right that we should extend into this business.

The figures I have quoted, apart from the figures obtained from the insurance industry, come from the only report available on this subject. If I were in any other business I would demand and I would be provided with a competent financial analysis of the predictions. It is only in regard to the State's top business that we are treated like children and are told that the information will not be available to us. Previously I told the Attorney that it is wrong for the Parliament to have to accept that type of treatment. More information should have been provided.

I represent people, and I have to talk to those people. Will my electors, the ordinary people of North Metropolitan Province, be disadvantaged by the movement of the SGIO into the area of life insurance?

I will raise another problem, although it is highly hypothetical because again information has not been provided. Life insurance companies such as the AMP Society, the National Mutual Life Association of Australasia Ltd., the Colonial Mutual Life Assurance Society Ltd., and City Mutual Life Assurance Society Ltd. return 100

per cent of their funds to their shareholders—their policyholders. All the money made by mutual life insurance companies within the country are returned one way or another to the people after costs are taken out, so 100 per cent of the surplus mutual funds benefit policyholders. An analysis I had made today indicates that including even those life insurance companies outside the mutual life insurance area, the average of surplus funds returned is 98 per cent.

It has been put to me that 75 per cent of the life insurance written in this State is written by mutual funds. If the SGIO is to obtain one per cent of the Australian market it will take 0.75 per cent of the business of mutual funds, but 100 per cent of the funds obtained by the SGIO will not be returned to its shareholders. I will stand corrected, but the Bill appears to indicate that 50 per cent of the surplus will go into Consolidated Revenue.

Hon. J. M. Berinson: It is 50 per cent of the net profit, which is quite a different matter.

Hon. P. H. WELLS: I accept the correction. My point is that nearly 100 per cent of the surplus in mutual funds goes back to the policy holders.

Three quarters of the business the SGIO will write under this Act will deprive my electors and those who may well be caught up in this matter of getting 100 per cent return of insurance funds back under their policies.

Hon. J. M. Berinson: Yes; but, Mr Wells, is not the answer that if people are likely to be disadvantaged by taking out SGIO life policies they will not take them? Therefore, in order to attract that business a private payment or potential must be offered to them.

Hon. P. H. WELLS: I want to believe that.

Hon. J. M. Berinson: How do you think that 25 per cent of non-mutual life business is written?

Hon. P. H. WELLS: When put with those paying 100 per cent of surplus funds to policyholders, the 25 per cent figure represents a total return of 78 per cent on funds. There may be some truth in that, but because the Government has not provided me with a financial analysis I do not know what effect taking 50 per cent of the profits will have on the policyholders. That information has not been provided to me so I can only draw inferences from the information I do have. The Attorney General may well be correct. In any society lack of information is often the cause of a lot of trouble. In that case we have to work on assumptions from information that is provided to us.

It seems to be a reasonable case that four of the major companies which have this large amount receive 100 per cent of it. I cannot imagine, in the situation of one company paying 100 per cent of its money to its policyholders and the other company, as a service to the Government, paying money to the Government, how they could return the same amount of money to their policyholders? It seems the policyholders will be deprived.

It appears that the SGIO was excluded from investigation by the Department of Consumer Affairs in regard to whether its policies are fair. I assume that like other companies—

Hon. J. M. Berinson: Mr Wells, even now the SGIO is subject to investigation by the Ombudsman.

Hon. J. M. Brown: It always has been.

Hon. P. H. WELLS: I do not deny it. I did not talk about the Ombudsman.

Hon. J. M. Brown: You said "investigation".

Hon. P. H. WELLS: I just mentioned the Department of Consumer Affairs. I am quite happy for the Hon. Jim Brown to give a talk on this Bill because he has done some research and has obtained some figures on it. I am asking questions.

Hon. S. M. Piantadosi: You are not getting any answers.

Hon. P. H. WELLS: I was getting some answers, but I have not been provided with adequate information so I can make a just decision on this Bill.

Hon. J. M. Brown: It will be "just a decision".

Hon. P. H. WELLS: If one of my electors wanted to take out an SGIO policy, I suppose the only thing I could say to him would be, "Invest in SGIO because your money is in the West". That is not a bad catchcry. It could probably be used for advertising purposes. It will just be a question of whether they will get the best value for their money. I could well argue that it seems that the market is already saturated. That really interests me. If we extend the franchise in a saturated market we will just shift around that market. That is not a bad idea.

Hon. G. E. Masters: Competition.

Hon. P. H. WELLS: I am a great believer in competition. There has been some argument about the SGIO competing on the same basis as every other company. For instance, when saturation occurred in the hotel industry we thought perhaps we should have a moratorium for the new hotel development. It is suggested that we should have a moratorium on the terms and extension of existing and new companies coming into the

insurance business. I gather Herbie Graham helped to create the situation by the extension of tavern licences. Then along comes the Labor Party—the saviour of the industry—and puts a moratorium on new licences.

Hon. H. W. Gayfer: You are not unlike Herbie Graham in your philosophy.

Hon. P. H. WELLS: Thanks very much! Here we have the same situation where the industry has reached saturation point and we are working out which road we should take. I have heard members of the Labor Party talk about the problem involving petrol stations and I have some sympathy with them. However, it appears we are perpetuating this sort of monopoly situation.

The last point I want to raise is: What will be provided to us by way of additional income? That is a very interesting point. I am not certain of the amount of money we expect to acquire. I mentioned the Queensland situation. We could have taken the situation in other States and translated that into the Western Australian situation, remembering that it will take a number years before we start getting similar amounts of money to invest in Western Australia. How much would it be? I think the legislation has been presented as a carrot. The Government has said, "You have to invest in the West. We are being deprived".

I am not sure of the Government's attitude with respect to this Bill. Speeches have been made without any factual information on loan investments and the situation of other States to back them up, and the Bill is high on the Notice Paper. It makes me wonder; it seems that the Government is playing politics with this Bill.

Hon. J. M. Berinson: That is the most shocking thing you have said all night.

Hon. G. C. MacKinnon: What a terrible accusation.

Hon. P. H. WELLS: The Government is in the game of playing politics. I do not mind as long as the Attorney General has a little more honesty than his colleagues, and says that he has scoured all the Bills and has established a list of the ones we are most likely to oppose, and has presented them to the Parliament so the Government can go to the public and say "Look, they knocked them all back". The Hon. Lyla Elliott commented on this. I can just imagine the Attorney saying, "Mr Dowding, here is a good one. Take this down to the Council; they will soon knock this one back".

Hon. Robert Hetherington: You are talking disgraceful nonsense.

Hon. P. G. Pandal: I think you are getting pretty close to the truth.

Hon. P. H. WELLS: That is the first I have heard from the honourable Robert Hetherington and he usually starts to comment when the pinpricks get pretty deep. It seems to be just "one of those Bills". Despite the fact that the electoral reform Bill was squeezed down a bit—

Hon. Robert Hetherington: You are not correct at all. You are just playing politics. You are always doing what you accuse others of doing.

Hon. P. H. WELLS: The Hon. Robert Hetherington cannot say I am playing politics. I am asking the question: Why does it find the decision, despite the fact that the electoral reform Bill came in earlier—

Hon. Graham Edwards: Do you want to manage the Government's business? You are playing politics, as the Hon. Robert Hetherington suggests.

The PRESIDENT: Order!

Hon. P. H. WELLS: I am glad to see there are others. I could well have attacked this Bill on philosophical grounds. I hope the Attorney will consider providing the information to us so that we can make our decision based on more than just a hunch or on information we obtained from the library or from what people have told us. Will he consider suggesting that the SGIO does the exercise I suspect has already been provided to Cabinet, and provide Parliament with a complete financial analysis of the expected prediction in terms of costs and returns so that we are in a position of being able to make a decision on this Bill, as I hope is the Attorney in his capacity as Minister responsible for this Bill? In the event that Cabinet has not seen such a financial analysis, I ask the Attorney to let me know whether such an analysis is available. If it is not, the Government stands condemned for not obtaining the facts. If we are to start running this State's business without any proper analysis, I do not think the Bill should have our support.

Many questions remain unanswered. I will not go into them all tonight because I think the Attorney might take up my suggestion and provide us with the financial analysis we seek. If we could have that financial analysis tomorrow—I assume copies are available, or I could ask the SGIO to run off 32 copies to ensure every member is aware of the facts—we would be in a better position to make a decision on this matter.

If the Attorney is not prepared to do that, the result of this Bill is on his head. In order to make a decision on a matter as important as this one, we are entitled to have proper and full information.

Opposition members: Hear, hear!

**HON. W. N. STRETCH** (Lower Central) [10.12 p.m.]: I will not delay the Chamber for very long. I want to emphasise several points about this Bill which affect me and the way I feel about it. I recognise that the ALP won the election in March.

Hon. Graham Edwards: I am glad somebody in this House does.

Hon. G. C. MacKinnon: You also tried to win one last Saturday.

Hon. J. M. Brown: You didn't do very well either, did you?

Hon. Graham Edwards: The exercise of the party in Queensland!

The PRESIDENT: Order!

Hon. W. N. STRETCH: It has already been recognised that the ALP is a socialist party so this sort of legislation causes no surprises.

Hon. Lyla Elliott: Do you support the R&I Bank, Mr Stretch?

Hon. W. N. STRETCH: That is a horse of a different colour.

The PRESIDENT: Order!

Hon. W. M. STRETCH: With "private enterprise-type" expertise the R&I Bank has certainly improved its performance. We will come to this later in looking at the SGIO as a State-owned package.

The Attorney General's second reading speech put the case very well from his point of view but there remains an area of weakness in regard to fair and equitable competition in the marketplace with private companies. The amendments foreshadowed by the Hon. Gordon Masters will go a long way towards removing these oversights or at least making them more palatable from my point of view. I hope the Government recognises the commonsense in these amendments and accepts them.

On that understanding I would be prepared to accept the Bill. I do understand that the Government sees a fully competitive SGIO as being of great financial benefit to Western Australia and I certainly would not oppose it on that score. I just hope the Government is correct in this case.

Like the old saying, there are more ways of killing a cat than choking it with cream, and that is how I see this Bill. That saying has a certain bizarre relevance because when this newly constituted SGIO goes out into the market place, it will do either one of two things, as all business operations do: It will either succeed or it will go to the wall. If it succeeds, that is fine, but if it does not, it will become a burden on the taxpayer, and the

organisation as such will definitely demand the closest scrutiny by the Liberal Government when we next get into power, as the Hon. Norman Moore foreshadowed. As a result of that scrutiny it could possibly even be wound up. On the other hand, if the organisation can compete profitably without bleeding the taxpayers of this State dry, it could be of considerable benefit to the community. On that basis, I support the Bill.

I believe that it is not good sense to tear down edifices or even ivory towers without first looking at areas of repair. I believe we should give the SGIO every chance of succeeding as a truly competitive business and if it does not do its job, it should get the chop like other businesses which attempt to compete and fail. The most important thing is that it must be looked at rationally after a trial period in the marketplace and be judged on its performance.

I support the second reading of this Bill.

**HON. J. M. BERINSON** (North Central Metropolitan—Attorney General) [10.16 p.m.]: This is an important Bill, if only because it seeks to implement a very important and fundamental election commitment. I guess that in most of the 12 previous debates of this nature to which the Hon. Lyla Elliott referred, this would have been the first argument put and with the same strength.

The second argument I suspect would have been in favour of wider public choice. The third, perhaps on more ideological grounds, is the desirability of private enterprise, either for its own sake or I suppose in more recent times as an element in the mixed economy. Fourthly, I would think the strongest argument would have related to the potential profits which might be made by an expanded Government office, the contribution thereby to State funds, and conversely the relief to State taxpayers who would otherwise have to find that money. Those would have been the four traditional arguments and I think also, as the Hon. Sandy Lewis said, they would have been put with some heat, if not passion.

One of our honourable members not only has a very long memory, but is also, if I may say so, very perceptive; and I refer to the Hon. Graham MacKinnon. He pointed out quite correctly that the grounds of discussion on this Bill seem to be quite different from those that occurred on the other 12 occasions a similar Bill has been in this House. Of course, he is right. Without having gone to the records I cannot be sure that the question of contribution to State investment has been stressed before, but I doubt whether it has had much attention at all. I am quite confident

that if it had received attention before it certainly did not have the pride of place which it has had in the debate which we are now concluding.

Hon. G. C. MacKinnon: The Loan Council arrangements have been changed in the meantime. The situation is now quite different. Borrowing capacity has been extended very widely.

Hon. J. M. BERINSON: That is true and is part of the point I am about to make. In the Premier's speech in the other place the question of availability of funds for State investment had first place and was stressed most strongly, and it was also the matter of greatest emphasis in my own introductory comments. I do not want to go over the whole of that ground again, but I do want to put some of the earlier figures into perhaps a slightly different perspective by reminding the House, with the AMP aside, that all private insurance companies together last year invested less than \$8 million in semi-Government and local government loans in this State. As against that the SGIO alone invested \$11.9 million in those loans. That is, the SGIO alone invested 50 per cent more than all private companies together, the AMP excepted, and it did that on the basis of a restricted franchise and on the basis of the limited share of the market which it had even in those areas where it has been entitled to operate.

That has special significance, given the increasing difficulty in recent years which State Governments have faced—Ministers of the previous Government will be aware of this—in getting adequate provisions for their loan programmes and on the other hand getting the funds to match the programmes when they have been provided. Every State has had to resort to the so-called "off balance sheet" transactions in order to try to overcome the immense difficulties which this presents to the States.

I am not saying anything new when I refer to our limited sources of funds. It is something we all know and it is something we have to try to meet and this represents an important element in our effort to do that.

How absurd it is that two of the recent prisons constructed in this State could not be funded out of State loan funds. There was no money available from the General Loan Fund and two shire councils raised the money and built the prisons. We will pay them back and end up with the prisons. That absurd situation is a reflection of the difficulties the previous Government had. It was a very good scheme and I am not condemning it, but it is a problem that is encroaching on this State's ability to look after itself.

It might help to put this into perspective and I think it will answer questions by members including the Hon. Peter Wells who is looking for actual figures in relation to the benefit to be derived from the extended franchise if I provide some detail of the funds involved. I have to say in part that we cannot give the projections for which he has called because the projections will follow the provisions to extend the franchise and the expansion will be matched by the capacity of the market to meet the opportunities the SGIO takes. With an extended franchise the SGIO will go headfirst into an extension of business which it cannot accommodate. It will measure its expansion in line with what it can meet out of its resources and available facilities.

To give Mr Wells a measure of the sort of benefit which the extended franchise might offer I suggest to him firstly that he really must discard the type of analogies he is trying to draw from available figures.

Hon. P. H. Wells: That is because of the lack of information you provided.

Hon. J. M. BERINSON: I know the difficulties of obtaining better figures, but it does not help to talk in terms of one State making \$5 million and we are making 10 per cent of that so we can look at \$500 000.

The speakers who have doubted the capacity of this measure to assist this State have, I believe, lost sight of its main justification. It is not profits, but cash flow and investable funds. I think members may be interested to observe the pattern of funds made available by the SGIO in the past three years. In the year ended 30 June 1981 employed funds—that is, in fixed assets and investments—amounted to \$108 million. At 30 June 1982 it was \$130 million and at 30 June this year it amounted to \$146 million.

Hon. A. A. Lewis: You cannot give us any estimate of the figures for profits and losses for this year.

Hon. J. M. BERINSON: I have yet to provide members with the estimate of loss for this year. But the matter of significance apart from the sheer size of these increasing investment pools is that they have continued to grow over a period which, as the Hon. Philip Pandal has explained, has actually involved years of loss. We have had two years to 30 June 1982 in which the SGIO experienced a loss. The year to 30 June 1983 will record another loss. In a moment I will indicate the extent of that loss and the reason for it. The significant thing is that even over these periods when the SGIO, in common with all insurance companies, has been going through difficult times,

nonetheless its ability to invest in Western Australia, the only place where its funds are invested, increased by \$38 million.

Having dealt with those preliminary general matters, I want to confess in advance that I do find some difficulty in adequately dealing with the debate which has been held on this Bill. A number of technical questions have been involved which go beyond the sort of generalities on which I have so far commented. I have said previously that these are not easy questions to come to grips with and explain to others. Nonetheless, I do want to spend some time dealing with particular questions and responding to them to the best of my ability.

Mr Masters, who led for the Opposition, started with the comment that the Bill does not do what the Government says it is to do. His main complaint was that it does not ensure that the SGIO will be fully competitive in a neutral, ordinary, commercial way. To that comment I can say only that the Government rests its position on the combination of the provisions of the Bill—some of which I will proceed to deal with—and the clearest undertaking which has been given to ensure competitive neutrality.

Among other things, Mr Masters asked a very important question: I ask members opposite to try to follow the answer because it will go very far towards explaining why at least one of the proposed amendments is undesirable and unacceptable to the Government. The Hon. Gordon Masters asked how public sector insurance operates. In other words, how is the insurance of public property, Government property, and State Government risks covered? The particular examples on which he sought explanation were hospitals, schools and Government employees.

This business goes into a separate fund under existing arrangements, just as it is proposed it will go into a separate fund under the Bill. The most important point to understand about Government insurance, however, is that it is not placed with the SGIO on an ordinary insurance basis. It is placed with the SGIO solely on the basis that the SGIO's experience will be used to manage what is in effect a system of Government self-insurance. As members will know, many other large institutions in this country manage their affairs by self-insurance; the Workers' Compensation Act specifically permits that, although it is probably one of the riskiest areas of insurance. There are large companies which undertake self-insurance.

The Government, taking in all of its departments and instrumentalities, conducts its

insurance on a self-insurance basis and it uses the SGIO to manage that. An attempt is made each year to determine an appropriate premium that will near enough meet the requirements. If a profit is made in that year it does not go to the SGIO; it remains in that fund and is available to the Government for any larger demands in other years. Similarly, if in any given year the Government insurance fund runs at a deficit, either that is met out of reserves which have accumulated or premiums for subsequent years are adjusted to make sure that deficit is met. Alternatively, the position would arise that the Government must come in with straightforward funding to meet its own cost. As I understand the position—and I may be corrected on this—the Government has never yet been called upon to do that, but I must stress, at the risk of repetition, if the Government were called on to contribute to a deficit experienced by that fund, it would not constitute a subsidy of the SGIO by the Government. It would constitute a payment required from the Government in order to balance its own fund, working on the self-insurance system.

Hon. G. E. Masters: Are you saying all Government insurance is done under the self-insurance system?

Hon. J. M. BERINSON: No. The great majority of Government insurance is done through that system; but I must elaborate on that. Some risks by the departments and instrumentalities, for whatever reason, have not been drawn into that central fund. At the moment, because of a directive given by the Liberal Government in 1976, they are insured or should be insured with SGIO. However, that leaves a pool of business which is not in what I have referred to as the Government self-insurance pool, and it is that business which would be available, in terms of the Premier's assurances in the Assembly, for competitive tendering by the private insurance companies against the SGIO.

I should offer a refinement of that general explanation. It relates to the fact that the Government fund is simply not large enough to carry all the risks inherent in the Government's substantial property holdings. The gas pipeline currently under construction involves over \$600 million, and an office of this kind obviously cannot cope with that. In these cases, the SGIO is the primary insurer for this self-insurance business, but it takes out reinsurance above a level which the Government regards as the level beyond which it should have outside support.

Hon. A. A. Lewis: That would be with another Government insurance office, of course.

Hon. J. M. BERINSON: No Government insurance company is capable of handling reinsurance of that order.

In response to one of the questions from a member, the Australian market and the private Australian companies are not capable of handling this sort of business. I am advised that much of the business is placed in Australia, but in fact the companies either reinsure overseas or arrange reinsurance with their own overseas principals. In some cases, reinsurance is not available in this country, and in that case the SGIO makes its arrangements overseas.

I hope that fairly lengthy answer met the point raised by the Hon. Gordon Masters about the nature of Government insurance. It is fundamental to an understanding of how the insurance office operates and, to anticipate some comments I will make in reply to the Hon. Phillip Pental, it is also fundamental to an understanding of how the financial accounts each year are to be understood.

The Hon. Gordon Masters asked how the SGIO will meet its losses; the answer is that it will meet them in the way that all commercially stable companies do—out of its reserves or out of increased premiums.

The Hon. Gordon Masters asked for the trading position in the year ended 30 June 1983. I have only today received accounts for that period, and I am not in a position to say whether they are the final audited accounts. Nonetheless, for current purposes, we can safely say that they are near enough. Honourable members will recall the Hon. Phillip Pental's comments that losses were experienced in the year ended 1980-81 and 1981-82. The position to 30 June 1983 is estimated to show a loss of \$5.99 million. Since the Hon. Sandy Lewis is good enough to roll his eyes and raise his eyebrows, let me say at once that this represents a marked and very important improvement in the financial position of the SGIO. In fact, taking account of one very important new item which led to large-scale payouts this year, it has virtually brought the SGIO in the year ended 30 June 1983 to a balancing of its books.

Hon. P. G. Pental: In that year?

Hon. J. M. BERINSON: In the year to June 1983.

Hon. P. G. Pental: But cumulatively for three years, it is \$25 million; is that right?

Hon. J. M. BERINSON: No, that is incorrect. I will deal with that later.

The reason I suggest that this marks a significant improvement in the financial position of the SGIO is that the loss of \$5.99 million is almost wholly accounted for by an extraordinary payment of \$5.322 million representing special payments on industrial disease claims.

Hon. P. H. Wells: That leaves the \$17 million contingent liability currently?

Hon. J. M. BERINSON: I have enough problems with these figures without going off at a tangent, if Mr Wells will excuse me for the moment.

In the last amendment to the workers' compensation legislation, which I think was in 1981, a provision was included which allowed the early redemption of industrial disease claims. That provision did not previously exist. It had the effect of accelerating payments, which would otherwise have been spread over many years, into the financial year just completed. That was understood and accepted by this House as being in the interests of people entitled to workers' compensation for industrial diseases. In the long run, it does not mean the SGIO's paying out more than it otherwise would have had to pay; but it has meant that an amount of \$5 million has been accelerated and concentrated in the year ended 30 June 1983 which would not otherwise have had to be paid in that year.

Taking that special factor into account, the general position of the SGIO is it has arrived at a rough balance of its books and that represents an important improvement from its net loss.

Hon. P. H. Wells: I should like to get one point clear on that figure of \$17 million for contingent liability: Does the \$5 million come off the \$17 million?

Hon. J. M. BERINSON: Yes.

Hon. P. H. Wells: So now we have \$12 million.

Hon. J. M. BERINSON: Well, it depends on the additional claims that have come in since. I have to put to the member that one cannot treat figures in isolation in that way.

Hon. P. G. Pental: Everyone refers to the "Barrel" case. Is that what you are talking about where the contingent liability comes down by \$5 million?

Hon. J. M. BERINSON: Unfortunately no-one has referred me to the "Barrel" case, so I am not with the member on that inquiry.

I was asked by the Hon. Gordon Masters whether the SGIO meets the solvency test. The answer is that it does meet that test and it always has. The Hon. Gordon Masters was good enough to give me a copy of a report from which he

quoted and it seemed to indicate an extraordinary ratio of administrative expenses to business. He was referring to the Government fire, marine, and general insurance fund in the year ended 1981-82. He asked why administration expenses should amount to \$1.3 million in a premium year of only \$3 million. Indeed, on the face of it, that is a remarkable proportion. The answer to that is that the item of \$3 million—I am rounding out all these figures—does not represent premiums but, as is indicated in the financial statement, premiums less reinsurance.

The position is that the cost of reinsurance is far more than the amount of premium retained, because of the size of the risks which the SGIO has to lay off with reinsurers. I am unable to give the member an accurate figure of what the total premiums in this account would have started at, but the nearest I can come to is in the order of \$8 million to \$10 million. We are looking then not at a cost ratio of, say, 40 per cent, but perhaps something closer to 13 to 16 or 17 per cent. Given the amount of work involved in the processing of claims, I would expect that that would not be at all extraordinary compared to the private insurance experience.

Mr Masters asked why the SGIO did not pay 4.65 per cent of its premiums to the Commonwealth Government as did Lloyd's Insurance.

Hon. G. E. Masters: Or a figure.

Hon. J. M. BERINSON: I think my interjection indicated the nature of my reply. My interjection was to the effect, "Which other insurers pay that?" I believe the Hon. Gordon Masters said that he was not sure or perhaps there were no others.

The position here is that this is a special arrangement by the Commonwealth for payment of a percentage of premium in lieu of company tax by insurers who take premiums in Australia, but do not pay income tax or company tax in Australia. That is, therefore, a very exceptional case. It is not an obligation to which the scores of other companies resident in Australia are subject and, in the ordinary course of events, neither is the SGIO.

Hon. G. E. Masters: The Campbell report made reference to that matter and made some recommendations on it.

Hon. J. M. BERINSON: Nonetheless, I think the member will agree that the situation is not comparable, given that the arrangements with the SGIO are in line with those of other companies.

All members were obviously intrigued, fascinated, and even excited by the recital of figures and events by the Hon. Phillip Pental. His contri-

bution to the debate was a very positive one and the way in which he threw up various questions was really very helpful by way of focusing on doubts which other members may well have had, but without expressing them.

Mr Pental gave us an important, if elementary, lesson in the basics of insurance when he referred to what he called the "cardinal rule of insurance" and that is one's premium income should always aim at being more than one's claims pay out. That is sound enough and no-one would doubt it. However, Mr Pental then went on to express concern at the recent experience of the SGIO in respect of its underwriting account. He pointed out correctly that from a \$6 million surplus in 1979-80, the office had dropped to a deficit of \$7.8 million on underwriting account in 1980-81, and even worse to a \$12 million deficit in 1981-82.

The first matter I should point out to the member is that the underwriting deficit does not tell the whole of the story by any means since it does not take into account the very substantial investment income of the office which goes a very long way towards meeting those losses; but that is not really the point that he emphasised.

The point Mr Pental made, and a very legitimate point at that, was that insurance companies simply cannot go on in a position of incurring underwriting losses. He said two things: Firstly, that the results over the recent period were incomprehensible and, secondly, he suggested this demonstrated that the SGIO was not in fair competition with its private competitors.

Hon. P. G. Pental: I am asking how long could you continue to sustain that, given that you confirmed those figures to which I referred showed a deficit. I asked how long a commercial or Government institution could sustain it.

Hon. J. M. BERINSON: Even accepting those losses, I remind the member, firstly, that underwriting losses do not take account of investment and I shall provide him later, though not in this debate, with final figures which are much healthier.

Secondly, for the reasons I have indicated, the office has virtually come down to a position of balance this year. Therefore, we are not looking at a long-term continuing drain, but one which has been grasped and which we hope can be reversed. Of course, the SGIO is operating particularly in the area of workers' compensation—in a very difficult area—and I do not intend to make any confident predictions about the results for the year ended 30 June 1984 other than to say that the return last year indicates that the tide has been

turned, so to speak, and it is not just a question of losses mounting up indefinitely.

Having responded to the member on that, I want to respond in a different way. There is a question as to whether losses of this kind might not demonstrate that the SGIO has been competing unfairly by unduly cutting its rates in order to attract business. It is most instructive in this context to look at the experience of the private insurance industry as emerges from the annual reports of the insurance commissioner. I preface my comments by saying the figures I am about to give relate to results on the underwriting account alone. In the year 1979-80 when the SGIO turned in a \$6 million surplus, the private insurance industry of Australia, in the same areas of general business, turned in a loss of \$150 million. In the year 1980-81, when the SGIO—adopting Mr Pental's figures—turned in a loss of \$7.8 million, the private insurance industry of Australia turned in a loss of \$352 million. In the year 1981-82, when the SGIO experienced a deficit on underwriting account of \$12 million, the private insurance industry of Australia suffered a loss of \$467 million.

Hon. P. G. Pental: How do you draw the parallel?

Hon. J. M. BERINSON: I would have thought the parallel to be drawn was simple enough. Firstly, the experience of the SGIO is in line with the experience of the general insurance industry. It may be not largely better, but it certainly is no worse. Secondly, in response to the suggestion that the loss somehow indicates an unfair dealing, a deliberate undercutting of premiums for example, the evidence simply is not there. The SGIO has always operated in a normal commercial, competitive spirit, and I put it to the House that these figures confirm that.

Hon. P. G. Pental: You talk about \$400 million lost across Australia, but you are giving us nothing with which to compare it. There may be 400 companies involved, in which case, averaged out, they may have a \$1 million loss each in the very year the SGIO lost \$12 million. I am probably wrong, but you have no right to use figures like that when you don't tell us the number of companies involved.

Hon. J. M. BERINSON: All of that can be analysed from these figures, and I am perfectly happy to make them available, although I understand they are available in the library. It will be found that these figures are in line when all these factors are taken into account.

The Hon. Phil Pental asked another question which leads me into a discussion on another fairly

difficult area, but one where members need to understand the facts. He pointed out that in the year 1980-81, the SGIO's financial statement showed a liability for tax of \$56 000. On the advice he had received privately, he suggested the liability, given the stated profit figure, should have been about \$603 000. I understand the suggestion is that the shortfall represented a special advantage to the SGIO and indicated that our assurances that the office always paid the equivalent of company tax were not being matched in reality.

The explanation for this can be approached in two ways. Firstly, it should be understood that the SGIO does not make its own taxation assessment. Naturally enough, when it comes to present its balance sheet it has an estimate there in the same way as all companies do, but the assessment itself in terms of the present Act is calculated by the State Treasurer. That is analogous to the assessment of liability which the income tax commissioner would engage in. This is a figure which has the appearance of a problem.

In the financial statement ended 30 June 1981 a figure of \$2 774 591 is shown. That was eliminated by the Treasurer for the purposes of making his taxation-equivalent assessment, and the reason for that is to be found in yet another special fund which the SGIO conducts. This is not a fund which the SGIO chooses to conduct; it is a fund which it has no option but to conduct because there is no commercial insurer which would accept it. This is the fund to meet the requirements of industrial disease claims.

Over the years it has proved impossible to treat claims for industrial disease on a normal commercial basis—it is uninsurable. The SGIO maintains this cover because the legislation and Governments over many years have insisted that it should do so. What happens with this fund is that it is not a funded account at all; that is, the premiums are not imposed in order to build up a fund which will meet potential claims. What happens, contrary to that, is that claims are estimated and then premiums are imposed on all mining companies active at the time. Cases are still emerging where claims for asbestosis are being met out of this industrial disease fund at a time when CSR and its subsidiaries are not operating in the mining business in this State.

Hon. P. G. Pental: I am not disputing that fund; I think you have misunderstood what I said.

Hon. J. M. BERINSON: I will nevertheless carry on and indicate that this is the reason that what appears as a \$2.77 million profit is not taxable. The reason is somewhat analogous to the

Government's self-insurance system. Whatever money is there will certainly be needed—very much more in future years—and it is therefore treated by the Treasurer on a special basis. That \$2.77 million accounts for more than the difference of \$500 000-odd to which the member referred.

Hon. P. G. Pendal: You have misunderstood me. I was not querying the \$2.77 million. The people who gave me my advice said that that should not be taken as part of the taxable profit. For that reason they took off \$2.7 million from the \$4 million profit and this gave the result of a profit of \$1.3 million on which it should have paid \$500 000 company tax.

Hon. J. M. BERINSON: As I did misunderstand the point of that question I cannot give a more detailed reply at this stage.

I have dealt already with the question of industrial disease. I need not deal with it further other than to refer to the comment that it is being treated in splendid isolation in the financial accounts. The reason I gave indicated why the funds of that account are always recorded separately.

I am not sure I have covered all the matters members raised, and I would suspect that even those—

Hon. P. H. Wells: You haven't mentioned the financial report yet.

Hon. J. M. BERINSON: Which financial report?

Hon. P. H. Wells: The predictions.

Hon. J. M. BERINSON: I have dealt with that. I have said it cannot be done, and it will all depend on the rate at which expansion is planned and the rate at which the office succeeds in attracting new business. One simply cannot go beyond that point. Until we are in a position to plan more certainly for the future we cannot give projections of the sort required.

I said at the outset this was a difficult matter to handle satisfactorily, and I guess if I have not persuaded members of anything else, I have persuaded them of that much. I think it is important, however, at least to try to come to grips with some of the more detailed questions raised in this debate. In most respects I am simply obliged to leave it at that point. I can go from there to say little more, but one thing I must say is that the very sort of complexity which emerges from the explanations I have given to this stage indicates the inherent difficulties and pitfalls in trying to adopt the circulated amendments, which may on the face of them appear reasonable enough, but which in fact do not mirror reality at all.

The most important of these is the amendment related to how Government business should be treated, because the proposed amendment as drafted simply does not reflect the fact that the great majority of Government business is not business suitable to tender, since it is not insurance business in the ordinary sense of the word. It is self-insurance, which represents quite a different matter, and one on which the Opposition could not expect us to move.

Certainly on a matter like this which deals with a large and important office, which handles tens of millions of dollars in and out each year, we cannot afford the introduction of concepts which do not reflect reality.

I conclude on this point: The Government confirms, and stresses again, that it is interested only in competitive neutrality. We are not interested in giving the SGIO special advantages. Our move to put the SGIO in line with the R&I under a liability to pay 50 per cent of profits as opposed to current company tax of about 46 or 47 per cent, is one measure of our interest to ensure neutrality.

It has been said in the course of debate that the SGIO does not pay many of the fees and charges paid by private insurers. That is simply incorrect, and the only example that has been brought forward which is correct is that of sales tax on cars. I have made the position clear enough on that point on several occasions. It is the position of the Government that every single such example brought to light will be matched by a liability on the SGIO to pay into Consolidated Revenue the equivalent of what it saves otherwise.

The SGIO has always paid and certainly will continue to pay the other costs and charges referred to, such as rates, payroll tax and stamp duties. I think all of these were mentioned by one speaker or another as liabilities which did not attach themselves to the SGIO. They do.

This question of the fire brigades levy on houses was referred to. I was able to correct the suggestion that the levy is not paid by the SGIO. It has paid the levy for about three years.

We are not looking for any radical change in the position which presently exists. We are not looking for any advantage which any other Government insurance office in Australia does not enjoy. Not one Government insurance office in Australia operates under a system other than that of competitive neutrality. That is in spite of the fact that those other Government offices also have their charter in the general terms of our Act as it is proposed to be amended by this Bill. This is an important policy issue; an important economic

issue not just for the Government, but also for the State. I urge the House to support it.

Question put and a division taken with the following result—

**Ayes 23**

Hon. W. G. Atkinson	Hon. Tom Knight
Hon. C. J. Bell	Hon. G. C. MacKinnon
Hon. J. M. Berinson	Hon. G. E. Masters
Hon. J. M. Brown	Hon. Margaret McAleer
Hon. D. K. Dans	Hon. Tom McNeil
Hon. Peter Dowding	Hon. Mark Nevill
Hon. Graham Edwards	Hon. S. M. Piantadosi
Hon. Lyla Elliott	Hon. I. G. Pratt
Hon. H. W. Gayfer	Hon. Tom Stephens
Hon. Kay Hallahan	Hon. W. N. Stretch
Hon. Robert Hetherington	Hon. Fred McKenzie
Hon. Garry Kelly	(Teller)

**Noes 10**

Hon. V. J. Ferry	Hon. Neil Oliver
Hon. A. A. Lewis	Hon. P. G. Pandal
Hon. P. H. Lockyer	Hon. P. H. Wells
Hon. I. G. Medcalf	Hon. John Williams
Hon. N. F. Moore	Hon. D. J. Wordsworth
	(Teller)

Question thus passed.

Bill read a second time.

*In Committee*

The Deputy Chairman of Committees (the Hon. John Williams) in the Chair; the Hon. J. M. Berinson (Attorney General) in charge of the Bill.

Clause 1: Short title and citation—

Hon. G. E. MASTERS: I appreciate the answers the Attorney gave to some of my questions, but some areas of concern should still be considered. I am still most concerned with his answers dealing with the losses incurred by the SGIO over past years and the strong possibility that losses could continue to be incurred in future years. The figure of approximately \$6 million was mentioned in regard to the loss the SGIO incurred this year; however, the Attorney General said that occurred because of a special reason, and that there could also be special circumstances this year and the following year.

It is fine for the Minister to say that the SGIO will meet its losses from resources, as any other company does. Private companies are not underwritten by the Treasury. I still suggest there must be a real reason for the SGIO continually attempting to buy business and incur these losses. Private companies with a responsibility to their shareholders cannot continue on that course, and must recoup their losses. I thought it was unfair and so unlike Mr Berinson to throw in some of the figures he did when he suggested that insurance companies across Australia had lost approximately \$460 million. He then made a comparison

in one way or another with the SGIO, which lost \$12 million in the same year.

I do not think those figures were properly used. If they were not intended to mislead the House, certainly they gave a wrong slant on things, because the SGIO's turnover was compared with all the other companies in Australia. The Attorney should have taken the time to find similar organisations or insurance companies with the same sort of turnover as the SGIO and then compared their losses. It may well be, as the Hon. Phil Pandal said, that a company with a turnover similar to that of the SGIO incurred only a \$1 million or \$2 million loss, and the SGIO may, in fact, have a bad record. I do not know.

Hon. J. M. Berinson: No private company would have a mix of business similar to the SGIO.

Hon. G. E. MASTERS: That sort of figure was thrown around during this debate, when we were genuinely trying to come to grips with the problem areas.

Hon. A. A. Lewis: Totally misleading.

Hon. G. E. MASTERS: A little misleading. A greater effort could have been made to get a proper comparison so we could really understand the situation with the SGIO. We are gravely concerned that the SGIO could continue to take losses and, if the time comes when they cannot be met by reserves, those losses will have to be met by the Treasury. Perhaps the SGIO should be encouraged to make greater attempts to deal with and buy new business.

The other matters raised by the Attorney General will be dealt with when I put my amendment, which I will vigorously support.

Hon. A. A. LEWIS: I did not expect the Attorney to answer any questions, because I knew he could not do so. He has obtained advice; he has time on his side, yet he took absolutely no notice of questions asked in the House. I repeat for his benefit the sorts of things I tried to do to speed up the passage of this Bill. I received few answers to my questions, and those I did receive were totally misleading.

I will continue the theme used by the Hon. Gordon Masters of the SGIO incurring X million dollars loss, whereas the rest of Australia incurred X + Y million dollars loss. That would show the percentage of the market the SGIO had. If the Minister, his adviser or the Government cannot tie it to a base, the Attorney has no right to bring up these figures. What he said was complete and utter hogwash and waffle. It is all very well for the Attorney to stand up and shout figures at us and not attempt to answer our questions, while deliberately trying to mislead the Chamber.

Not once in his answer did the Attorney mention jobs. It appears he is not interested in them. The Government has conducted no studies to ascertain to what jobs will be lost. This worries me. The Government is so keen to get this legislation through that it has not conducted any inquiries in regard to the loss of jobs which will result from the passing of this legislation. Mark my words, Mr Attorney, we will see the loss of many jobs. Many people have rung to assure me that we will see the loss of jobs if the SGIO has a wider franchise.

Hon. J. M. Berinson: Surely the SGIO will then have increased job opportunities.

Hon. A. A. LEWIS: Yes, that is another question the Attorney did not answer. In the Press, Mr Burke and Mr Dans have given two different answers about whether those people would be picked up by the SGIO. Mr Dans said "No" and Mr Burke said "Yes".

It is all very well for him to come back with the same answer, but when we discover that the Treasurer and Premier has given one answer and the Minister for Industrial Relations has given another, how does the Government think members of the Opposition feel?

It is disgraceful that the Government has not done its homework on this Bill before bringing it to the Chamber. The Government will certainly not have much fun during the Committee stage unless we receive better answers. Again and again the Attorney mentions the question of semi-Government and local government loans, exempting the AMP. The AMP is, of course, a large company. The figure of \$8 million was mentioned. The Minister is using the figures to suit himself and not to instruct the Chamber—he does not give us the proper figures.

Hon. J. M. Berinson: Are you aware that AMP's investment in Western Australia is declining as an appreciation of its income?

Hon. A. A. LEWIS: I am sure that the Attorney is right. I am trying to point out to him that he has selected sections and has said "In this area..." I am asking him to give an overview of investment in this State.

He has talked about the employment of funds and Government self-insurance, but I believe this should have been explained fully in the second reading speech and not left to the explanation stage.

Hon. J. M. Berinson: I only realised the explanation was necessary because of the questions which were raised.

Hon. A. A. LEWIS: If the Attorney is to bring a Bill to this Chamber he cannot expect us to accept that Cabinet had not given some minor consideration as to what would happen when it is implemented.

I would have thought the Attorney was talking about premiums and claims and that the investment amounts which have been helping to balance the books would have been there as a reserve. As I understand insurance, investments are made so that there is an asset backing and the companies know they can build up their reserves with investments.

The Attorney said that was why they invested this money in some local government loans. Surely that money is there as a reserve or backing against a draw on the insurance company, is it not? I wonder how they have any money to invest at all, if it is not to build up reserves; yet, the Attorney blithely says that only a part of it has been used to offset premiums against claims.

The Attorney General has talked about competitive neutrality. If he is dinkum about that, why not cut off the SGIO altogether and divorce it from the Government completely? Let it compete and let the Government compete. Let the Government be a shareholder and let the Government get dividends, like a shareholder of any company.

Hon. J. M. Berinson: Are you talking about something like the R & I Bank set-up?

Hon. A. A. LEWIS: To a degree, but I do not call commissioners directors because their charters are totally different. I would have thought the Attorney would have understood that.

I hate to be fierce with the Attorney; but, really, unless he can come up with some better argument with which to tie the figures together and explain the situation better, I must wonder what the blazes is going on within the Treasury and the Government.

The Attorney has an assistant to help him provide answers. I think it is a disgrace and an insult to this Chamber that the Attorney should not be able to tie the figures together better.

I have asked him how many jobs will be lost and the percentage of business the SGIO will obtain. It is no good trying to snow us because he will not get away with it. He may appear to have had the numbers earlier, but he will not have the numbers in the Committee.

It worries me that a responsible Minister should come here and throw figures around which tie up with nothing, especially when he has advice. The Attorney should report progress and

come back to this place tomorrow with the figures I have requested.

Let us consider predictions. The Attorney says he cannot make predictions. He cannot tell me that the Government has bought into an enterprise and wishes to give it further franchise without predicting where it is going. Why has the Cabinet not predicted the extra moneys the SGIO will receive? The Attorney cannot tell me that the Government is going into this major franchise like buying a pig in a poke. The Attorney nods to indicate that is how the Government bought into this.

Hon. J. M. Berinson: I claim to be misrepresented. I was not nodding at you.

Hon. A. A. LEWIS: This is the great financial management Government, the Government that knows so much about finance. This Government has raised taxes more than any Government in the history of Western Australia but we are supposed to trust its financial wisdom. We have a couple more Bills coming into this place later, so God help us! I will have a few words to say about that legislation also.

Surely someone told the Attorney something about this legislation and how much would go into the coffers of the Government in the future. I am not allowed to discuss some other legislation at this stage but predictions have been made to the year 2007 for another project. Who is fooling whom with this legislation? The same financial geniuses cannot make predictions on insurance when that is reasonably easy to predict when compared with diamonds—it is a cinch.

I do not think the Chamber will let the Attorney go on any further, so he should report progress and not try to talk his way out of it.

Hon. P. H. WELLS: I ask the Attorney whether he might indicate to me how he arrived at the figure of \$460 million. I have a copy of the insurance commissioner's report of 30 June 1982 and the figure I found on the table in this publication is \$325 million. This is in the selection of statistics of the general insurance industry for the year ended 30 June 1982.

Hon. J. M. Berinson: What amount?

Hon. P. H. WELLS: In table No. 6 reference is made to the public sector.

Hon. J. M. Berinson: Private sector.

Hon. P. H. WELLS: The Attorney gave a figure of \$460 million. This was for the whole of Australia and I am assuming that Western Australia has the same proportion of insurance as the population of the State is to the Australian population. Without any factual information that is the only conclusion I can draw. One would as-

sume, if the figures are correct, that insurance companies in Western Australia faced a \$40 million loss. The figure quoted by the SGIO is \$12 million, and one would assume from that figure that the SGIO has roughly one-third of the State's business, which is questionable.

Hon. J. M. Berinson: I am sorry, but you are using incorrect figures. For each year there is one table for the private sector and one for the public sector. Therefore, \$467 million is not the total.

Hon. P. H. WELLS: I will accept the explanation but I point out that this sort of problem arises when one does not have the correct information.

Another point I draw to the attention of the Attorney is that it is a reasonably normal business practice when moving into new business to make an analysis. Even in the community such analyses are made in regard to new development. In most businesses projections are made; they do not wait until after the business has commenced to make such projections.

I wonder how the Commonwealth Government was able to make a projection when it predicted that the Insurance Council of Australia would be looking at a figure of \$18.75 million in 1975. I can hardly believe that the SGIO is so far behind that it would not have provided some sort of analysis to the Government on its likely projections after it had expanded its franchise. We have not been provided with the correct information, and this has resulted in wrong figures being quoted.

Hon. J. M. BERINSON: I am always happy to obtain information, and if that means reporting progress I am prepared to move for that as well. The real problem is that to undertake seriously to obtain information the inquiry must be in a form which allows that information to be gathered. I have been asked to provide an analysis of certain figures, which I suppose would be possible overnight. It would be possible overnight to extract some percentages representing the total percentage of SGIO premiums as against total premiums and then try to ascertain whether the percentage represented by the SGIO's losses relates in some way to the total losses. That sort of exercise can be put through a calculator.

Hon. P. H. Wells: I was looking for a more definite thing.

Hon. J. M. BERINSON: It was one of the points that the Hon. Sandy Lewis asked me. To give an example of the complexity of the subject with which we are dealing, I refer again to \$460 million as the total private sector loss in the year 1981-82. Of that, \$256 million is on account of

the losses on employers' liability. One has to recognise that before one can use a figure like that one must consider that a proportion of the SGIO's business is workers' compensation. From this proportion one can obtain the serious element in the total loss that workers' compensation presents, but we cannot ascertain the percentage of business for any particular company. Those figures will not lead members anywhere.

Similarly, these requests for projections of future business, future losses and future job prospects involving calculations cannot be made until the office develops a plan for the extension of its services in line with its franchise. If members asked the office now what are its plans for the next year or two years in terms of extended business on its current franchise, the SGIO could respond. It has had experience in that and no doubt it could produce some sort of projection. However, members are asking the SGIO to project its likely business before it has set its targets.

It is not a position where we extend the franchise today, tomorrow, or next Monday and of the SGIO immediately sending a score of salesmen into the field to attract business. What will happen tomorrow or Monday if this Bill is passed in its present form is that the SGIO will sit down and set out its targets and marketing strategy and development plans; that would not take a matter of days. It would be more likely a matter of months or years. One does not buy into the big league of insurance on the basis of a couple of days' reflection. Neither does one set out a whole programme of projected development on the basis of a Bill coming up for the thirteenth time, knowing full well it has been rejected the first 12 times. Life does not work like that.

I can assure members that the office will operate in keeping with its responsible approach to its business affairs throughout its history—a history in which it has never once looked to the State for support by way of capital or injection of funds, and a history during which it has never reasonably been argued that it operates unfairly in practice. All that we have heard are the possibilities of future unfairness, but so far the SGIO has been operating for 50 years without any evidence that it has operated unfairly. That is the sort of background in which the SGIO functions, and there has to be some sort of realism in the questions put for information.

The figures I gave were not suggested as conclusive. They were provided to the Chamber to indicate a pattern. The bad years for the SGIO were bad years for the entire insurance industry. In the years when the SGIO deficit increased, so the total insurance industry increased. The figures

were put on that basis, and I never sought to extract any more from them than that.

The Hon. Sandy Lewis is disturbed that we are concentrating on local government and semi-Government loans and asks why we limit ourselves to consideration of those matters.

Hon. A. A. Lewis: I did not say that at all; you are misquoting me.

Hon. J. M. BERINSON: I think when Mr Lewis looks at his *Hansard* report he will see I am not misquoting him because several times tonight he put to me that the Government is looking at the question too narrowly when we quote figures for contributions to local funds for semi-Government and local government bodies. On at least one or two occasions the Hon. Sandy Lewis asked me to give the full picture by reference to the total investment of insurance companies in this State. I respond to that by saying all insurance investment in this State is valuable in the way that any investment is, but no evidence has been offered that the investment of insurance companies does not result in a net loss to this State in terms of premiums paid.

As well as that, one has to acknowledge certain differences of quality when one is dealing with companies which will contribute to yet another shopping centre somewhere as opposed to a company which will put its funds into a water board loan or an SEC loan or into a local government body loan, and contribute in that way to the infrastructure of the State.

I ask members to remember that money has not always been as readily available for those loans as it is today. We have some fairly loose money floating around and the loans are being filled fairly readily. That was not always the case and we cannot risk the assumption that current availability of funds will continue. That is the reason the last of our central authority bonds had to be issued at a 14 per cent rate. One does not put 14 per cent on when one is confident that there is plenty of money about.

To the best of my ability I have answered the questions raised. Those I have not answered are those I believe cannot be answered, certainly not in the form they have been put. If members want to insist on projections which do not exist, much as I would like to accommodate them, we will not be able to do that tonight, or tomorrow, or any other time. Those are not questions which sensibly lend themselves to projections in advance of the SGIO's knowledge that it can in fact engage in those activities.

Hon. P. G. PENDAL: It became clear from the Attorney General's response to the second reading

debate that on at least one set of figures I put to the House he has misunderstood the point I was making and obviously the answers I was seeking from him.

Hon. J. M. Berinson: Is this the \$1.3 million?

Hon. P. G. PENDAL: Yes.

Hon. J. M. BERINSON: I indicated in the course of the earlier debate I had apparently misunderstood the nature of the questions Mr Pendal was asking about the \$1.3 million and I indicated I would make inquiries to obtain a better response. That comes within the category of questions which are capable of being answered, given the time. We do not have the time tonight and it would be appropriate, given that inquiry and that it should be answered, for me to move that progress be reported.

#### *Progress*

Progress reported and leave given to sit again, on motion by the Hon. J. M. Berinson (Attorney General).

### **TOTALISATOR AGENCY BOARD BETTING TAX AMENDMENT BILL**

#### *Receipt and First Reading*

Bill received from the Assembly; and, on motion by the Hon. J. M. Berinson (Attorney General), read a first time.

#### *Second Reading*

HON. J. M. BERINSON (North Central Metropolitan—Attorney General) [11.52 p.m.]: I move—

That the Bill be now read a second time.

The purpose of this Bill is to increase the betting tax imposed on the turnover of the Totalisator Agency Board from six per cent to seven per cent as from 1 November 1983. The one per cent increase is expected to produce an additional amount of \$1.7 million for the Government this financial year, and \$2.9 million in the next full year. Distributions to the racing industry will be kept above the previous year's level by increasing the commission deduction on novelty betting.

The Totalisator Agency Board has estimated that, provided the economic factors which prevailed during the last financial year are similar in 1983-84, the distribution to racing, trotting, and greyhound bodies could be expected to increase by \$500 000.

I commend the Bill to the House.

Debate adjourned, on motion by the Hon. G. E. Masters.

### **LIQUOR AMENDMENT BILL**

#### *Receipt and First Reading*

Bill received from the Assembly; and, on motion by the Hon. Peter Dowding (Minister for Mines), read a first time.

#### *Second Reading*

HON. PETER DOWDING (North—Minister for Mines) [11.54 p.m.]: I move—

That the Bill be now read a second time.

This Bill seeks to amend section 36 of the Liquor Act to allow licensed stores to trade to 9.00 p.m. on those evenings when other stores may remain open under section 84 of the Factories and Shops Act. An amendment to the Liquor Act in 1981 permitted licensed stores to trade until 9.00 p.m. on evenings when late night trading was approved for stores generally.

The amendment did not provide for those occasions during the Easter and Christmas trading periods when other stores may open either in substitution for or in addition to the normal Thursday evening late trading.

The Western Australian Consultative Council of Retail Associations and the Licensed Stores' Association of Western Australia have requested that this anomaly be corrected.

I commend the Bill to the House.

Debate adjourned, on motion by the Hon. G. E. Masters.

### **ACTS AMENDMENT (TRADE PROMOTION LOTTERIES) BILL**

#### *Receipt and First Reading*

Bill received from the Assembly; and, on motion by the Hon. Peter Dowding (Minister for Mines), read a first time.

#### *Second Reading*

HON. PETER DOWDING (North—Minister for Mines) [11.55 p.m.]: I move—

That the Bill be now read a second time.

This Bill amends three Acts—the Criminal Code, the Police Act and the Lotteries (Control) Act—for the purpose of removing any doubt concerning the legality of schemes to promote the sales of goods or services.

Recently the number of schemes promoting the sale of goods or services by inviting the public to participate in gratuitous trade lotteries has increased sharply. While there is no risk to participants in these schemes because there is no direct cost of entry, they are by definition a lottery and

therefore may be illegal where a permit is not issued.

Many well-known and reputable promotions could be caught by this interpretation. The recent prominence given to the Woolworth's "scratch & match" scheme can be mentioned in this regard, as can be the *Daily News* "bingo" games, many television promotions, and virtually every promotion run by traders associations in most shopping centres.

The Lotteries Commission does not wish to issue permits to commercial organisations to conduct gratuitous trade lotteries where no financial

accountability is required. The Bill amends the definition of "lottery" in the Criminal Code to exclude trade promotion lotteries from the definition and inserts a separate definition for such schemes. Other amendments exclude trade lotteries from the definition of "gaming" in the Police Act and from the definition of "lottery" in the Lotteries (Control) Act.

I commend the Bill to the House.

Debate adjourned, on motion by the Hon. Tom Knight.

*House adjourned at 11.57 p.m.*

## QUESTIONS ON NOTICE

### MARINE STORES ACT

#### *Amendment*

574. Hon. W. N. STRETCH, to the Minister for Mines representing the Minister for Police and Emergency Services:

- (1) When was the Marine Stores Act last reviewed?
- (2) Is it this Government's intention to update the aforesaid Act in the near future?
- (3) Is it acceptable for a collector, licensed under this Act, to work part-time as a collector, where such activity complements his major occupation?
- (4) If not, why is it not acceptable?

Hon. PETER DOWDING replied:

- (1) No major amendments since proclamation.
- (2) Yes.
- (3) Licences are issued at the discretion of the Commissioner of Police who informs me that his policy is not to grant licences in such circumstances in the metropolitan area. In small country centres licences are issued in these circumstances where there is no full-time collector.
- (4) To avoid inefficiency in the industry.

### EDUCATION

#### *Primary School: Beldon*

593. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$20 000 Budget allocation for the new primary school at Beldon will be spent?

Hon. J. M. BERINSON replied:

Please refer to the answer to question 585.

### HOSPITAL

#### *Osborne Park: Outpatient Clinic*

599. Hon. P. H. WELLS, to the Attorney General representing the Minister for Health:

Will the Minister provide a detailed break-down on how the \$634 000 Budget allocation for the Osborne Park outpatient clinic will be spent?

Hon. J. M. BERINSON replied:

	\$
Building	537 000
Furniture and equipment	46 000
Land and reticulation	32 000
Architects and consultants' fees	19 000

### RAILWAYS

#### *Esperance-Kalgoorlie*

601. Hon. N. F. MOORE, to the Minister for Mines representing the Minister for Transport:

- (1) Is it the Government's intention to provide a passenger rail service between Kalgoorlie and Esperance?
- (2) If so, when will this service commence?

Hon. PETER DOWDING replied:

- (1) and (2) There have been requests to provide a passenger rail service and these are being examined by Westrail.

### TRANSPORT

#### *Kalgoorlie-Leinster and Laverton-Leonora*

602. Hon. N. F. MOORE, to the Minister for Mines representing the Minister for Transport:

- (1) Is it the Government's intention to honour its election promise by providing a public transport service between Kalgoorlie and Leinster, Laverton and Leonora?
- (2) If so, will the Minister advise whether the service will be a rail service or a bus service, and when the service will commence?

Hon. PETER DOWDING replied:

- (1) and (2) The Minister is not aware of any commitment in the form suggested by the member. It would seem that the member's information relates to a public meeting held at Leonora, in which a pensioner questioned whether a passenger service could be provided between Kalgoorlie and Leinster, Laverton, and Leonora. It had been suggested that the service could either be provided by a mini bus or by adding a passenger car to the existing goods rail service.

The Government members present at the meeting acknowledged the proposal, but made no commitment that such a service could be provided. However, a person based in Boulder has proposed operating a mini bus service between

Kalgoorlie and Leinster and Leonora, and is currently examining the feasibility and viability of the project.

At the present time passenger services between Kalgoorlie and Laverton and Leonora are provided by Goldfields Air Services. There are four flights per week to Laverton, and two per week to Leonora. A 50 per cent fare concession is available to pensioners.

## TRANSPORT: AIR

### *Skywest Airlines Pty. Ltd.*

603. Hon. P. H. LOCKYER, to the Minister for Mines representing the Minister for Transport:

With the advent of Skywest being awarded rights to operate in competition with Airlines of Western Australia, will the Minister give an undertaking that Carnarvon and Learmonth will not have any fewer jet services than are now provided?

Hon. PETER DOWDING replied:

While it is not anticipated that services will deteriorate in any way, no such specific undertaking can be given by the Minister.

It is presently the case that service levels vary from time to time in response to changes in the volume of traffic.

It is to be expected that in the future, the level of passenger demand will continue to affect the level of service provided. The Commissioner of Transport will, however, monitor the level of service to all non-competitive centres, to ensure that unjustified reductions in service levels do not take place.

## EDUCATION

### *Primary School: Bambara-Padbury*

604. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$39 000 Budget allocation for additions at the Bambara-Padbury Primary School will be spent?

Hon. J. M. BERINSON replied:

Relevant information will be provided by letter.

## HEALTH

### *Nursing Post: Cue*

605. Hon N. F. MOORE, to the Attorney General representing the Minister for Health:

With regard to the Cue nursing post, will the Minister advise—

- (1) When was the decision taken to build the nursing post?
- (2) When was building commenced?
- (3) When was the building completed?

Hon. J. M. BERINSON replied:

- (1) Early 1982 in the framing of the capital works programme for 1982-83.
- (2) March 1983.
- (3) September 1983.

## EDUCATION

### *Primary School: Kingsley-Goollelal*

606. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$31 000 Budget allocation for additions at the Kingsley-Goollelal Primary School will be spent?

Hon. J. M. BERINSON replied:

Please refer to the answer to question 604.

## PASTORAL INDUSTRY

### *Leases: Kimberley*

607. Hon. N. F. MOORE, to the Leader of the House representing the Minister for Lands and Surveys:

Further to the Minister's answer to my question 561 of Wednesday, 19 October 1983, will he—

- (a) list the names of the pastoral leases referred to in part (2) of his answer;
- (b) indicate the area of land, in hectares, relating to each application; and
- (c) advise the name of the Aboriginal group seeking each excision?

Hon. D. K. DANS replied:

- (a) to (c) The applications referred to in part (2) of the reply to question 561 are still under investigation. It would be inappropriate to list the names of pastoral leases which might be affected by

excisions until such time as the investigations confirm the specific areas sought and it is definite that negotiations with pastoral lessees will be necessary.

#### EDUCATION

##### *Primary School: Mullaloo Heights*

608. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$32 000 Budget allocation for additions at the Mullaloo Heights Primary School will be spent?

Hon. J. M. BERINSON replied:

Please refer to the answer to question 604.

#### EDUCATION

##### *Primary School: Springfield-Kallaroo*

609. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$146 000 Budget allocation for additions at the Springfield-Kallaroo Primary School will be spent?

Hon. J. M. BERINSON replied:

Please refer to the answer to question 604.

#### EDUCATION

##### *Primary School: Heathridge*

610. Hon. P. H. WELLS, to the Attorney General representing the Minister for Education:

Will the Minister provide a detailed break-down on how and when the \$52 000 for Heathridge Primary School additions in the Budget allocation will be spent?

Hon. J. M. BERINSON replied:

Please refer to the answer to question 604.

#### TRAFFIC

##### *Pedestrian Crossings: Attendants*

611. Hon. P. G. PENDAL, to the Minister for Mines representing the Minister for Police and Emergency Services.

Can the Minister give an assurance that the number of crosswalk attendants is not going to be reduced in 1983-84?

Hon. J. M. BERINSON replied:

There is no current plan to reduce the number of crosswalk attendants in 1983-84.