

# Legislative Council

Thursday, 24 September 1987

THE PRESIDENT (Hon Clive Griffiths) took the Chair at 11.00 am, and read prayers.

## BILLS: STANDING ORDERS SUSPENSION

### *Rescission: Motion*

On motion by Hon Graham Edwards (Minister for Sport and Recreation), resolved --

That the order of the House, made on 18 June 1987, enabling Bills to be introduced and passed through all stages in one sitting be, and is hereby, rescinded.

## ACTS AMENDMENT (PREVENTION OF ACCESS TO RECORDS) BILL

### *Introduction and First Reading*

Bill introduced, on motion by Hon G.E. Masters (Leader of the Opposition), and read a first time.

## FINANCIAL INSTITUTIONS: INVESTIGATION

### *Select Committee: Motion*

HON MAX EVANS (Metropolitan) [11.07 am]: I move --

That --

#### 1. A Select Committee be appointed to inquire into and report on:

1. The role of the Government in respect of the registry of cooperative and financial institutions and its supervisory role over credit unions and building societies;

2. The functions of credit unions and building societies including an examination of the problems experienced by such bodies and particularly, with a view to advising on amending legislation:

(a) the extent of the indemnity given by the Government to the R & I Bank relating to the Teachers Credit Society and the financial impact thereof on the State;

(b) the extent of the indemnity given by the Government to the Home Building Society in respect of the Swan Building Society and the financial impact thereof on the State;

(c) the cause of the financial difficulties of the Teachers Credit Society and the supervision by the Government during a period when rumours were circulating that the society was experiencing financial problems;

(d) the cause of the financial difficulties of the Swan Building Society and the role of the Government in supervising its activities in recent years;

(e) the role of the Government relating to the takeover of the administration of the Teachers Credit Society by the R & I Bank;

(f) the role of the Government relating to the takeover of the administration of the Swan Building Society by the Home Building Society;

(g) the investment of \$4 000 000 by the Teachers Credit Society in shares in Brockley Investments Ltd;

#### 2. The committee report not later than Tuesday, 1 December 1987.

Since 18 August we have read a lot about the problems of a credit union and a building society in this State. More is at stake than just the problems of these two organisations.

What was the role of the Government until 18 August? The Government played a negative role; it had not done what it should have done in respect of the control of these organisations.

We now have the situation where the Government is talking of an indemnity to be given to the R & I Bank to cover any loss incurred by the Teachers Credit Society so that depositors suffer no loss. I am worried about the financial impact on Western Australia as a result of these losses. I am also worried about how that money will be paid across, and the form in which it will be paid to make up for the loss of interest. Will it be a direct investment into the Teachers Credit Society, which the Government has no right to make?

The Teachers Credit Society borrows money. Members can take out shares, or borrow money, or the society can borrow money from non-members. I am not sure of the form of indemnity the Government will adopt. It should be explained.

I bring to the notice of the House the fact that the Government earns interest on the short-term money market which is not shown up in the accounts. It amounts to \$150 million and it continues to earn further interest. That amount is not provided for in the Budget for 1987-88. In other words the Government has made no other mention of bringing that \$150 million into the accounts of this year. Last year it was going to receive \$92.6 million, which was budgeted for, yet it was not brought in. The Government budgeted for that but did not need to bring it in because it had a surplus of \$98 million. I worry that some of these funds could be used to prop up the Teachers Credit Society, and we would not know what was going on. The Government could loan the money to the Teachers Credit Society interest free or at a nominal interest rate to give it a chance to trade its way out of difficulty. That is all right, provided there is accountability to this Parliament as to what the Government does with the taxpayers' money. Although I am giving the Government an idea of how to deal with this, I am also putting it on notice that we want to know what is happening. Is the Government going to lend our money to the Teachers Credit Society at a low interest rate or to the R & I Bank to subsidise these losses?

I do not know how the Government will pay the money into the Teachers Credit Society to help it out of this position. The R & I Bank is only the administrator of Teachers Credit Society; I do not see how the bank could take over Teachers Credit Society, unless it was wound up and absorbed by the bank. That would be a tragedy. The teachers have enjoyed this credit society. In all fairness, I believe teachers have a squirrel mentality; they save their money. That is part of their nature as teachers because they are conservative people who take lifetime employment with the Education Department and save their funds for holidays, extra things and their retirement. They have had the facility of the Teachers Credit Society, which appeared to be going extremely well when one read the balance sheets. Alex Clark told them how lucky they were that it was going so well; that it was "getting bigger and better." Paragraph (a) of the motion refers to the financial impact on Western Australia. That is what the Parliament is all about -- protecting the funds by making the Government accountable to us in terms of what it does with the money. In 1986 the Government took \$23.6 million out of the bank on the last day of the year to balance the books. The Auditor General said to the public and the Parliament of Western Australia, "This cannot be done; you can't take money out without an Appropriation Bill or without the consent of the Governor."

I am worried what this Government might do to cover up this terrible business, which it should have controlled. Can the Government take more money out of the Consolidated Revenue Fund without an Appropriation Bill or without the Governor's consent? The Auditor General reported the matter; the Treasurer and the Minister for Budget Management both said they knew nothing about it. Who in Treasury authorised that transaction and said, "You can take money out"? It was against all the rules of the Westminster system. What will happen here? The Government will need far more than \$26 million or the interest earned on \$150 million to get out of this problem. Teachers Credit Society has borrowings of more than \$450 million, so it has problems.

The Home Building Society has taken over the Swan Building Society. That one slipped through very quietly during the fuss over the Teachers Credit Society. We know that Swan Building Society is now part of the Home Building Society. The Government has stated in the Press -- we have not seen it in writing -- that it will indemnify the Swan Building Society against any losses. That is very noble. At one stage we read in the newspapers that the Swan Building Society and the Home Building Society were going to take out insurance policies with the State Government Insurance Commission to indemnify themselves against losses.

That is like putting money on a horse after the race has been run. One knows one's horse has lost but one wants to take out an insurance policy against losing one's bets.

The Government was talking about putting the SGIC on notice to write a policy to indemnify against losses. Even then the Government was talking about \$6 million; I would not have thought that the SGIC has made \$6 million in the last three years. In 1985 it lost \$1.8 million; last year it had a profit of about \$3 million; and we do not know the figure for this year. The SGIC could not have taken that loss. The people of Western Australia who insure their cars through the SGIC would have had their premiums increased because the insurance company would have to balance its books somewhere; it does not write many types of insurance policies, mainly motor vehicle and workers' compensation, and if it had a big loss like that, that loss would be collected from Western Australians.

The Government has backed down from that. The board of SGIC would have said, "We can't do that type of business; we do not have the financial reserves." There is \$450 million on deposit with the Motor Vehicle Insurance Trust but those funds are not used to pick up a loss like this. Everything has to stand on its own.

Western Australia looks like having a loss of \$6 million on the Swan Building Society; the Government made only a \$6.7 million surplus last year on a turnover of \$3.5 billion. We are talking about wiping out that surplus simply by picking up the losses of the Swan Building Society. A building society should be controlled and regulated by a registrar who knows what type of business that society is doing. We do not know what business the Swan Building Society was doing; we understand there might be some fraud. However, why should the public of Western Australia pick up the tab? It is a large sum of money. I can see different arguments in respect of the Swan Building Society and the Teachers Credit Society -- one was a cooperative for its own members. Regardless of what happens to the Teachers Credit Society, if the R & I absorbs it, I am certain that the Teachers Credit Society will start again with a better board. A credit union is a cooperative for its members.

Under paragraph (c) of the motion I wish to look at what the registrar has not done. There are a lot of rules and regulations, some of which were changed in 1984 to make them more lax in respect of what these institutions may do. Originally their statutory reserves had to be 2.5 per cent of the mean assets, being the assets at the beginning and the end of the year. If a building society had \$100 million at the beginning of the year and at the end of the year it had \$200 million, the mean is found by adding the two together and dividing by two, which comes to \$150 million. They had to have 2.5 per cent of that, which created a difficulty because their reserves were not keeping up. They said, "How can we make it less?" and they decided to make it 2.5 per cent of the loans at the beginning of the year, which would make it \$100 million. That rule was changed in 1984 to make it easier to comply. I do not believe those regulations should have been changed because credit unions are in a position of trust; they have boards -- not well paid for the work they do -- in a semi-honorary capacity to run them at low cost to give benefits to the societies' members on a cooperative basis.

What was the Government doing about this? After all I have always understood that if I were to tell the head of a department something bad about the Government, he would tell his Minister in two minutes flat. He would get on the phone and say, "Did you know this was happening; questions will be asked about you?" I cannot believe that the registrar has not been informing the Minister of the problems in these organisations. I believe that this Government, which has given us so much rhetoric and euphoria about its good administrative management, actually hoped that the problem would go away. The Government was probably told it would go away on the basis that if one gears up one's funds and borrows more money, the margin between what one borrows and what one lends will diminish. The only way one builds up reserves in a credit union is by profit. Credit unions cannot get share capital as other organisations can.

I noticed that one credit union has taken up share capital, which is an interesting manoeuvre of which I am not critical. That was the United Credit Union Ltd which has increased share capital of \$7 million; that is a good move which will strengthen its balance sheets. Other credit unions cannot invest money in that way. One pays \$10 to become a shareholder in the Teachers Credit Society, for example, and the society can borrow money from its members and the public but can lend only to its members. The move of the United Credit Union Ltd to become a limited liability company and to take up share capital is good and will strengthen it. Credit societies need such strengthening because their statutory reserves can only be built

up out of profits, and a cooperative society tries to keep its profits down to make it easier for its members.

I come back to saving the Swan Building Society. In 1986, the balance sheet of the society did not look untoward, but from talk within the profession I understand regular supervision of that business did not take place. We find during the last four years the Swan Building Society lifted its borrowings from \$22 million to \$90 million. For a building society or credit union to put \$70 million into the market to lend to reputable businesses is not easy, as there is much competition. Balance sheets of most organisations comment on the effects of deregulation and competition for the dollar. One problem is competition getting the money out; an additional problem is getting the money back. People find money easy to borrow, but hard to pay back.

Hon P.G. Pendal: I can understand that.

Hon MAX EVANS: I am glad one member does. What has gone wrong with the Swan Building Society? The Opposition wants this inquiry through the controlling Minister, because the Government had a function to supervise these institutions. We have two large financial institutions in this State which have major problems, resulting in one being taken over by the Home Building Society and the other being administered by the R & I Bank. I believe the Government hoped the problem would go away. Murphy's law applies here: Within financial companies, if a debt is bad, it gets worse, never better.

Why did the Teachers Credit Society take up \$4 million worth of shares in Brockley Investments Ltd? I cannot see how the credit union could do that; a prudent board would never allow this to happen. The \$4 million was paid into Brockley Investments in conjunction with \$4 million by the State Superannuation Board -- there was the involvement of Martin, Brush, and Clark as directors of Brockley Investments Ltd. I also understand that Brockley Investments was to take over El Caballo Blanco, which is a financial nightmare for Mr Robert Martin. Mr Martin has borrowed \$2.5 million from Teachers Credit Society, which meant the society put up \$4 million to get \$2.5 million back.

The State Superannuation Board invested money in Brockley Investments on the understanding that it was a trust investment; and I presume the Teachers Credit Society thought the same, although a credit union should not do this because of the nature of the business. Brockley Investments is the old Lockes Furniture Limited, which had been a public listed company with capital exceeding \$2 million, paying dividends for 15 years. A definition in the Trustees Act makes it a trustee investment. I believe this investment should be seriously looked at as it has left many loopholes open for other companies to come within this category.

The State Superannuation Board, I believe, was convinced it could invest money, but it overlooked the fact that Brockley Investments was not a listed company at that stage and did not come within the definition of a trustee investment. Teachers Credit Society may have thought it was making a trustee investment; if it did, it should not have. No credit union with capital of \$8.4 million, of which \$2.5 million comes from a revaluation of assets -- the actual cash build up was only \$6 million -- should invest in shares of Brockley Investments Ltd. We will all sleep better at night knowing that the \$8 million is still invested on deposit and earning interest. The amount has not been misappropriated or lost in other investments by Mr Martin.

Every member of this House, especially those on the other side, being union members presently or in the past, has been involved with credit unions. Credit unions are important and always have been when one considers the Starr Bowkett lotteries and the low interest loans offered to members. Credit unions must be protected.

It has been mentioned that two other credit unions have been exempted from complying with the statutory reserves regulation. That is not the correct way to solve the problem of the Swan Building Society being taken over by the Home Building Society, and the Teachers Credit Society now being administered under a section of the Act.

My firm over the years has audited many financial institutions. The rule of thumb is that if a debt is a bad one the day it is made, it will never get better, only worse. That rule of thumb is obvious in the present situation, with credit unions going into debt because they were too flush with cash. The Teachers Credit Society has limited capital by the very nature of its business, although it has revalued its assets -- and there is nothing wrong with that. The auditors had carried out an audit the previous year, the exemptions to statutory reserves had

been lifted, and the society continued with small reserves. This year the audit report to the chairman of the board showed many things were wrong. The alternatives were to appoint a receiver or a liquidator. Another alternative was to appoint an administrator -- which the Government did -- and I believe it was the right thing for the Government to do. An administrator is the same as a receiver, being indemnified by the appointing person.

A problem may have occurred if no-one had indemnified the R & I Bank against any losses. I have been a receiver and manager. The appointment involves personal liability together with great worry. Receivers running large businesses, involving from \$1 million to \$10 million or even \$100 million, have personal liabilities and should be very careful. A receiver may also cancel onerous contracts. I guess that is why Ross Norgard is cancelling contracts for life memberships at Laurie Potter's Health Clubs -- they are onerous contracts. Why not? A profit cannot be made if the business is carried on in the same manner as it has been in the past. The rules have to be changed to make a profit to sell the business, because if losses continue the receiver is liable. In this case, the receiver may be indemnified by the R & I Bank, and the taxpayers will pick up any loss.

We have a receiver or administrator from the R & I Bank in the Teachers Credit Society. I believe one of the biggest mistakes the Teachers Credit Society made was to have too much money. The society has accelerated the demise of its borrowers by making things too easy for them. One of the worst things in this world is to have too much liquid money, making it too easy to borrow that money. The problem in this world is repaying money, not borrowing it. The society has been a lender of last resort, taking on more money for investment.

I see a problem in the functioning of the credit societies if the senior management does not rotate. Mr Clark was there for 10 or 12 years. When one makes bad deals and has bad debts, one is locked into the situation of covering oneself. There is a crude term for that which I will not use, but one has to do it; one has to protect oneself. We see this Government doing it the whole time with the mistakes it makes. It covers up its errors and does not tell us the facts. It does not tell the public or Parliament what it has done wrong, and a senior executive of a finance company does the same thing. He is not going to tell the board that he put out \$1 million, \$5 million, or \$10 million and he does not think he will ever get it back. Of course he will not tell them; he knows he will lose his job. It is a nice job, he likes it, he has a big interest-free loan on his house. He has status -- it is the biggest credit union in Australia. He will not tell his board he has made a mistake. The rules of credit unions say that they can delegate the responsibility of making loans to one person, and that is obviously what has happened. So what does he do? He lends more money.

It is like going to the casino. It is why people go broke; they keep doubling their bets. One of the best things about going to the races is that one can only bet on a horse once. One has to find another horse to bet on in the next race and the race after, but at a casino one just keeps rolling it over and doubling up. Unless one has unlimited funds he will go broke, and that is what has happened here. How could anyone lend one person, Laurie Potter according to this morning's paper, \$34 million when the society's total capital is only \$8.5 million?

If one has a house worth \$100 000 one would have to borrow \$4 million to lend it to someone else. It is crazy to put oneself at risk by borrowing \$4 million to lend it to a friend or someone in the hope that one will make a little on the middle through the rates of borrowing and lending. One is only as good as the ability of that man to repay the debt. There are small margins of profit. If one borrows the money at a high rate of interest and lends it out at a slightly higher rate, and then one's banker friends around town who are short of money put up one's rate by 0.5 per cent, one may then be down \$2 million and still have \$4 million out on loan. Where does one get it from? One cannot. Money comes and goes the whole time, and that is what Teachers Credit Society's problem is. It lent \$34 million to one man when its total funds were only \$8.5 million. Anybody can read what is in the paper and it has not been denied by the company. The sum of \$32 million was lent to Robert Martin, roughly \$30 million to Peter Tilli, and \$30 million to Keith Turner. Each one of those adds up to a factor of about 350 per cent of the capital. So there are these massive loans to four persons of between 300 and 400 per cent of the society's capital in each case. It is mind boggling.

The Treasurer said, "Don't you worry about those big loans, the trouble will be the small loans." That has actually been quoted. I just cannot believe it. I think even the R & I Bank said the big loans were not a problem because it had security; the small loans were the worry. We are talking about \$120 million out of \$450 million; the difference of \$330 million is at risk. There are a lot of losses there. I cannot believe that because of the small nature of the

matter, but we do not know what else the society has done. I know some other creditors have borrowed money there. I would worry about them too. Maybe when the Treasurer talks about a small loan he is a wealthy man who thinks big so a small loan is only \$5 million. Maybe that is what he is talking about; it is the \$5 million loans we have to worry about. That is still a hell of a lot of money when the R & I Bank makes only \$30 million profit, the Teachers Credit Society made only \$1.7 million profit, and its assets are only \$8 million. If small loans are \$5 million and there are a lot of them, they have a lot of worries ahead of them.

Where did it go wrong? Somewhere along the line management ego got the better of them. Peter Drucker, one of the best writers on management, used to say years ago that management ego was the greatest problem one could have in a company. It is when management does not realise it is onto a bad product, onto a loser. There are what we call bread and butter items in management whereby one has made good profits over the years with the type of business one has been doing. It is when management ego goes into research and development or gets some new idea and the manager loses money on it and does not give up. Management ego is dangerous. It has come in here in the biggest credit union in this country -- a credit union which would not even join the association of credit unions. Why? Because it was bigger and better than the others. It did not want to mix with the minions around there. It stated publicly it was not a member and did not want to be. It did not think it could learn anything from them because it was setting the pace.

Hon S.M. Piantadosi: Is that correct; is it completely true?

Hon MAX EVANS: Yes. It is the largest building society in Australia. Teachers credit in New South Wales is only a fraction of the size.

Hon S.M. Piantadosi: Did they never participate in any negotiations with other credit unions?

Hon MAX EVANS: Teachers Credit Society talked to them, but it was not a member of the association or a group that gets together to compare notes. The bankers get together through the Australian Bankers Association. It is stated that Teachers Credit Society is not a member; I will come to it later if I can pick it up.

Hon S.M. Piantadosi: Yes, but the question is have they participated at all in any negotiations with the other credit unions?

Hon MAX EVANS: It could have participated in discussions, yes, and told the others how well it was doing! However, it is not a member of the association, and I believe it should have been. The Bankers Association gets together on those sorts of things.

Hon S.M. Piantadosi: Could it be some other reason?

Hon MAX EVANS: I am not going to worry about its reasons. I am talking about facts and what happened.

Hon S.M. Piantadosi: The facts are that they did enter into some negotiations.

Hon MAX EVANS: Good! Maybe we should have a levy. That is a good idea, Mr Piantadosi. Perhaps he might suggest to the other credit unions that they all kick in. They are talking about all the building societies contributing to a levy pro rata to cover the losses of the Swan Building Society. The funds of the other societies should be put into Swan so that the Government does not face a loss. That is a good idea. Maybe the credit unions could get together and contribute pro rata to the losses of the Teachers Credit Society to keep up the goodwill of credit unions. I think that would be a good idea.

The interest rate paid by Teachers Credit Society was too high, and I do not believe the rate it charged was high enough. We know that Mr Laurie Connell's Rothwells is a lender of last resort. Its rates are very high. If one goes to Mr Connell he wants a high rate because as a lender of last resort he is putting money out at risk. From the inquiries I have made, bankers have told me the Teachers Credit Society has been fairly reasonable in the rates it has charged to some of these large borrowers compared with what it should have charged if it was Rothwells. That is the difference between making a profit or a loss when one is looking at a small margin. It is all right when one is dealing with home loans to one's members on a cooperative basis, but it went into these commercial loans outside the normal guidelines of a cooperative business. It had to do that because of the huge flow of money coming in.

I would have thought the bad debt provision was too low. I do not know what it is this year, but last year it was very small at \$400 000 on \$350 million. However, Teachers Credit Society worked on the security and I understand -- and we cannot get the facts when one looks at this increase in money over last year of more than \$100 million -- these very big loans to four major borrowers have gone out in the last 12 months. That is what would have really affected the provision for doubtful debts this year. Basically, credit unions are not really subject to very large losses because of the nature of the business and their members who take out smaller loans. I will talk more about the teachers credit union in New South Wales in regard to that point.

On 10 December 1986 in the *Public Service Notices* we read under the heading, "The Registry of Cooperative and Financial Institutions", a statement saying that under the provisions of section 14 of the Public Service Act the Registry of Cooperative and Financial Institutions had been transferred from the State Housing Commission to the Treasury Department with effect from 24 October 1986. Section 14 of the Public Service Act says that the functions of the board are to promote and maintain effective, efficient, and economic management in the operations of the Public Service in the State. It has the exclusive authority to create, transfer, and abolish offices. I would be interested to know what case was put forward to transfer the portfolio responsibility from the Minister for Housing to the Treasurer.

In the past the main function of credit unions has been to finance housing deals and loans for their members. A large proportion of the deals have been in housing. I suppose it could be said that they are now financial institutions. My goodness, it is and it is playing with big money. The Teachers Credit Society has an investment of \$450 million which is the same as the State Superannuation Board's. We know what trouble the State Superannuation Board is in. Mr Brush, Mr Martin and Mr Clark were friends.

Hon Graham Edwards: Does that condemn them to something, does it?

Hon MAX EVANS: No.

Hon Graham Edwards: You were trying to imply it.

Hon MAX EVANS: Let me finish. I am glad that the Minister has brought up this subject. These people have the idea that because a person is making a lot of money they can do the same if they operate in the same way as he does. That is the problem. People buy property and shares today because they see other people make money and they think they are missing out. They are motivated, one to the other, and they do deals together. That is what makes the money world so vibrant.

Hon Graham Edwards: So you are not critical of Mr Brush?

Hon MAX EVANS: I am critical that the Superannuation Board and the Teachers Credit Society used trust money, and trust money must be used in a different way from shareholders' money. A director of a public company is appointed by the shareholders and they will sack him if he does not undertake his work to their satisfaction. They want a return on their money. We have seen takeovers occur when they did not get that return.

There was a lot of criticism of Rupert Murdoch when he took over the *Herald and Weekly Times*. Alan Jones said that there should have been a public inquiry into why the board let the *Herald and Weekly Times* be taken over. It was bad management. Rupert Murdoch is a strong man and many people try to emulate successful people. Some people see people make it on the equity market and they try to do the same. However, they must know something about it and have the facility to do it if they are to be successful. That is what the financial market is about. I do not believe that Teachers Credit Society, with \$500 million in assets, had those resources. The Labor Government was responsible for what happened and I cannot believe that the head of the Treasury did not tell the Treasurer what was happening.

The interest rates paid by the Teachers Credit Society were too high for the money it received and too low for the money loaned. The registrar of credit unions can control the interest rates paid and received by credit societies. The only way in which the cycle could have been reversed in relation to the Teachers Credit Society's funds was to slowly bring down the interest rates which would have stopped the flow of money into the society. There must be a cash flow in any financial institution. There is a huge cash flow in a company which has loans of \$450 million. The funds received from the members must be reduced because when the funds are pouring in there is an avalanche and an interest rate of 14 per cent or 16 per cent is paid. People cannot receive a better interest rate. A financial institution must go to the money market. While that money is with the society waiting for a

borrower, the society is losing money. It cannot afford to hang on to that money for too long or its return will be reduced.

I was given a copy of the accounts of the New South Wales Teachers Credit Union and it is interesting to compare it with the WA Teachers Credit Society. The annual report for 1986 reads as follows --

The Credit Union has not lost sight of a principle responsibility of satisfying members' personal loan requirements. The raising of the unsecured loan limit to \$15,000 saw unsecured loan balances grow to \$104,496,000 or 70.4% of the \$148,407,000 loans outstanding.

The New South Wales Teachers Credit Union loaned 70 per cent of its money to its smaller members. Most credit unions operate in this way. The report continues --

Of the remainder, \$10,313,000 is secured by second mortgage and with the deregulation of the bank home loan rate, our first mortgage secured loans have grown to 21.8% of the total or \$32,339,000.

The New South Wales Teachers Credit Union had shared capital reserves of \$12 million and it loaned an amount of \$145 million to its members. The WA Teachers Credit Society loaned \$350 million to its members in 1986. I think the New South Wales Credit Society is a well run organisation. It loaned 70 per cent of its money to its members. An organisation would not have bad debts by operating in that fashion and having amounts of less than \$15 000 secured on houses. The value of the houses increases by inflation.

The New South Wales Teachers Credit Union made a profit of \$1.8 million on its loans of \$145 million. In the Teachers Credit Society's best year it made a profit of only \$1.7 million and that is where the problem lies. Capital in a credit union will only build up by retained profits.

I do not know what the New South Wales Teachers Credit Union's formula is for statutory reserves, but its figures are stronger than those of the WA Teachers Credit Society. The New South Wales Teachers Credit Union had a provision for doubtful debts of \$730 000 on its loans of \$145 million and the WA Teachers Credit Society is showing a provision of \$400 000 on its loans of \$350 million. The New South Wales Teachers Credit Union is a fairly prudent business and that is what it is all about. Credit societies should not be in the business of being a pacesetter; they have a responsibility for what they are doing.

I explained earlier that a person does not have to be a member of Teachers Credit Society to deposit money with it, but a person must be a shareholder to borrow money. The cost of being a shareholder is \$10. The initial rule of all credit unions is that members must share a common interest. This type of self-help has been occurring for hundreds of years.

The original rule of the Teachers Credit Society was that to be eligible to become a shareholder a person must be involved in education -- a school teacher, a university lecturer, a lecturer at TAFE, or a lecturer at the Western Australian Colleges of Advanced Education. The society found that it was receiving requests from people to borrow large sums of money, but they did not fit into this category so it changed its rules. It now includes all members of the legal, accounting, and architectural professions, members of the Australian Professional Engineers Association and the next category is most important, because it puts a lot of connotations on where the society's money has been loaned. It includes all members of the horse racing and pacing fraternity -- horse trainers, jockeys, reinsmen, and strappers. They can all borrow money and it appears to be an unusual category. It would also include the Esperance Pony Club and Hon. David Wordsworth may be able to borrow money from it also. The final category includes parents, spouses, children, brothers and sisters of any of those people who fit into the other categories of membership. The society had to do this because it had money coming from everywhere and it had to lend it and, therefore, it had to alter the rules accordingly.

It is an insult that no parliamentarians can borrow money from the Teachers Credit Society -- perhaps they are a bad risk! Of course, if a politician is a relative of someone who is in the categories I have outlined to the House, he can become a borrower.

I refer now to the Swan Building Society. I read in yesterday's newspaper that the Swan Building Society takeover by the Home Building Society had been completed. The article said that the Treasurer had given official approval to the formal transfer of the Swan Building Society to the Home Building Society. What worries me is that human nature being what



it is the Home Building Society will not work too hard to recover Swan Building Society's debts. Why should it? It has been indemnified. It takes a lot of time and effort to rewrite the deals -- in some cases there are interest-free loans for two years -- just to get the capital back.

The money business is different from the equity business. If one goes into farming or into shares, one plans to make either a profit or a loss, and one would not go into such ventures if one did not think it was possible to make a profit. So one would normally make a profit out of equity, farming, real estate, etc., but when one is lending money, one never makes a profit. If one lends \$100 000, one will never get back more than \$100 000. One will get back the interest, but will never make a profit on the money. That is one of the problems with financial institutions; there are no profits to offset the losses. In real estate, for example, one can make a profit on one deal and offset it against a loss on another deal, and the two may balance out. In the share market, one hopes to make some profit to balance one's losses. However, when one lends money, all one will ever get back is the money which was loaned out; one will never receive a premium.

We now have this problem of getting the money back, and financial institutions will renegotiate loans when they lend money, or make the loan interest-free to help the person who borrowed the money to repay it, but would one make a loan interest-free when the debt is someone else's and one did not get involved in it?

Before quoting some of the other articles I have here, I would like to give credit to the financial journalists of this city. I think they have come right to the fore in recent months. There are some new names amongst them. John McGlue, from *The West Australian*, is a very good journalist, and he has worked with Mark Thornton, and they have made some very worthwhile comments. I have enjoyed talking to them on financial matters and reading their articles. Martin Saxon has come back into the field in the *Daily News*. I understand he had some problems before in getting his stories done, but he has no trouble now because the *Daily News* is a paper without fear or favour and its journalists will write what should be written. Steven Loxley of *The Financial Review* is now writing what should be written. We might not always enjoy what these journalists write, but they are writing better articles than have been written for a long time on financial matters, and I think Perth is a lot better for it. Tony Robertson backs up Steven Loxley, and he is also very good.

Hon J.M. Brown: Do these reporters have particular financial qualifications?

Hon MAX EVANS: The member can ask them afterwards. I do not know. Most parliamentarians, when they come here, do not have the qualifications to be politicians; they just come in here and grow into the job. Maybe journalists are the same; they could grow in the job. However, they do a very good job afterwards.

Hon J.M. Brown: You were praising the journalists. I asked if you knew whether they had any particular financial qualifications.

Hon Graham Edwards: Was some sort of control being placed on one or more of these journalists?

Hon MAX EVANS: No. I am saying there is a new journalist John McGlue, who has had three months here in Perth, and he is uninhibited in what he writes.

Hon Graham Edwards: What about Martin Saxon?

Hon MAX EVANS: Martin Saxon has been and gone, and come back again.

Hon Graham Edwards: Was some sort of control being placed on him before?

Hon MAX EVANS: He has had his problems. I am glad the Minister brought that up; it reminds me of London. The English system is marvellous. If one does not like somebody in the English parliamentary system, that person is put into the House of Lords. Here we will soon find that if all these journalists keep writing well enough, they will all get a job in the Department of Premier and Cabinet at twice the salary they are getting now. We have seen that happen before; journalists who are critical of the Government get a job. These guys will be lining up for a bigger and better job in the near future; it will not be long now because they are all doing a good job.

John McGlue wrote in *The West Australian* on 25 August that Mr Dolin said that an indemnity from the Government was in the process of being formulated to protect the Home Building Society against any losses. He said that Home Building Society did not yet know the extent

of the problems with loans but the society was calling in a few which do not look too promising. John McGlue said that --

CORPORATE Affairs investigators have moved into the Swan Building Society to try to unravel the tangled web of losses which led to its forced takeover by Home Building Society last month.

I am sorry the Attorney General is not here. I made inquiries of him last week regarding the new Commissioner of Corporate Affairs. We talk about the Commissioner of Police being responsible to his Minister for crime in this State. The Commissioner of Corporate Affairs is the policeman in charge of white collar crime, which can run into millions and millions of dollars. If the wrong man were appointed to the position of Commissioner of Corporate Affairs, there is no guarantee that the investigations which should be made into certain companies in this city would occur if to do so would embarrass the Government.

It has been mentioned that a particular person may be taking up this job. The Attorney General, through the Executive Council, should look closely at this situation because the Attorney General will ultimately be responsible for what happens in the Corporate Affairs Commission. The Public Service Board makes a recommendation to the Governor, which will go through the Executive Council. The Attorney General needs to look at this situation carefully. I am pleased that the Auditor General is the former Commissioner of Corporate Affairs. He is a man of great integrity, and not one who thinks in political terms, because we as members of Parliament must be assured that the State's assets are protected.

So an investigation is taking place into Swan, and we do not know much more about it because it has taken a low profile. We do know that Mr Bert Dolin said in *The West Australian* on 25 August that --

A LOAN by Swan to Jayand Pty Ltd, the company behind the Factors WA finance business, is the biggest worry to Home Building Society.

The article said that the troubled Swan Building Society advanced \$5.8 million on security of just \$80 000. From what I understand, the registrar used to keep in contact with these people so that he would know the type of business they were doing. We do not know whether this has been happening, but we should know because it is a Government department and the Government is ultimately responsible because members of the public can lose their money. The Government will increase taxes and charges to recover these losses; it will have to make up the losses.

The *Daily News* of 2 September had an article entitled "\$1m missing in new Swan probe", and says a secret commission of \$10 000 was paid to a senior member of the Swan staff. I believe this allegation must be investigated, and I hope the Corporate Affairs Commission will do this. I must say that the Corporate Affairs Commission is understaffed. We talk about the Police Force wanting more staff, but the Corporate Affairs Commission definitely requires more staff in order to handle its job. Its job may not be as colourful as that of the Police Force because white collar crime is not a colourful event, but too many people are getting away with big crimes.

The funds of shareholders in the Swan Building Society are about \$39 million, so writing off \$5.8 million to one person is not of the same magnitude as what is happening in the Teachers Credit Society. As I said, the May 1986 balance sheet did not look bad; there was nothing untoward. There was obviously a problem which happened last year, and a problem of identification. If one has real fraud, it sometimes takes a while to come out because people borrow more money so they can keep paying interest on the old debts. However, rumours go around; the money stops coming in; interest rates go up. Perth is a small city, not like Melbourne or Sydney, and if any building society or bank puts its rates up, everybody starts talking about it. They say, "They must have a cash flow shortfall", and they probably have. I was talking to someone the other day who said that last year Lloyds Bank came out and offered an interest rate of 17 per cent for three months. It was a special offer -- the bank had to balance its books and wanted some money coming in.

[Resolved: That business be continued.]

Hon MAX EVANS: Lloyds Bank was offering the highest rate of interest in town -- 17 per cent for three months. I guarantee it took away funds from Teachers Credit Society, naturally. People are not loyal when it comes to what they do with their money. Immediately Lloyds Bank made that offer, Teachers Credit Society came back with an offer of a 17.25 per cent interest rate. I presume Lloyds Bank knew what it was doing. They were locked into

that interest rate for three months, and were saying that people should take the offer while it was going because the rate would go down in three months' time. But Teachers Credit Society had a different type of cash flow coming through and therefore had real problems. Money started flowing in, and then suddenly dropped away when people wanted to take it out. That is the problem when one has the highest interest rate -- people expect them all the time.

In 1983 the Chairman of Teachers Credit Society, Mr B.W. Flemming -- and I understand he is still the chairman today -- said in the society's annual report for 1982-83, under the heading "Credit Union Association" --

The Society withdrew from the Credit Union Association of W.A. this year because of their decision taken to affiliate with the Australian Federation of Credit Unions.

The decision was consistent with our stated public policy that we would not be a party to a national affiliation.

The report continued, under the heading "Whole of Pay", to indicate that the society had the approval of the State Government for authorities to direct the whole of the pay of employees of the State into the Teachers Credit Society. In other words, the Teachers Credit Society or statutory authorities could get an authority for the total pay of a person to go straight to the Teachers Credit Society. We have our pay going into our own respective bank accounts, and there is nothing abnormal about that. The report continues --

At the date of this report 1017 authorities are in force.

That is a lot of money to come in, because one did not have to be a member of the Teachers Credit Society to have one's money going in there. If a person thought his money was going to be secure and earn a high rate of interest, I would not blame him for depositing his money to get a high interest rate. Someone should have asked the questions: How long can this go on? Why is the Teachers Credit Society so good -- better than anyone else? The society could do it in the early days with very low overheads but eventually, with this huge amount of \$450 million, it got out of control. The report continued, under the heading "Loan Limits" --

Loan limits were increased on several occasions throughout the year and it is indeed pleasing to report that we now make Housing Loans to a maximum of \$50,000.

Our normal Personal Loan limit is now \$8,000 unsecured and in circumstances where members hold substantial equity in real estate the limit is \$10,000.

Those rules were made in 1983, so things must have changed since then.

Mr A.J. Clark said in the general manager's report included in the Teachers Credit Society's annual report for 1982-83 --

The members of the Board of Management have accepted the responsibilities of their position and have not been afraid to make the difficult and unpleasant decisions as well as those decisions they know will bring praise from the membership.

They are unusual words for a general manager to use -- that the board of management "made difficult and unpleasant decisions". If that were said at an annual general meeting of a public company the shareholders would ask, "What decisions? What is going on?" I know that if directors of public companies saw those decisions being made and did not like them they would resign, because they have liability; they can be held accountable for their losses. I assume the same does not apply to a credit union.

At this stage, 1983, we are talking about smaller loans, the limit of which had been lifted to \$50 000 in that year. That is even higher than was the case in New South Wales. The loans to members amounted to \$56 million in 1983, so in four years we have gone to the massive figure of \$450 million. I would say that in 1983 Alex Clark was running a stable business. The ratios were not too bad, the statutory reserves were okay, they were making a profit, and I think they even paid out a small bonus to their members.

Another weakness of credit unions and building societies is competing in the marketplace for money by saying they will pick up the cost of financial institutions duty and bank accounts debit tax. In 1983, those taxes amounted to \$80 000 for Teachers Credit Society, and the figure went to \$250 000 in 1986. That \$250 000 benefit the society gave to its members was before a profit of \$1.7 million. That is a material amount and I believe it is overgenerous,

but it is what the society did to keep the money coming in, to protect its cash flow because of the rate at which money was going out.

There must have been a Press conference on 17 August, and all the newspapers started the story. On 18 August there was a headline "State's bank takes over credit group". The article read in part --

THE WA Government-owned R and I Bank has taken over management of the troubled WA Teachers' Credit Society . . .

Its problems had been exacerbated by rumours undermining public confidence in it.

It did not need rumours. Earlier this year, in late January or early February, a number of representatives of financial institutions and banks said to me, "Max, what is happening to Teachers Credit?" I said, "Why?" They said that clients of theirs had debts with their institutions and they did not know what would happen, but then those debts were taken over by the Teachers Credit Society. The bankers concerned felt they were lucky because they made no loss. They said they thought they may have lost a few million dollars. Bankers have been laughing about it and talking about it in club. Should they have refused to take the money? They are in the business of making a profit, they had the debt, but the debts had been taken over from them.

It is well known that Rob Martin was looking for money in different places. He got it from Teachers Credit Society. Members may ask how people knew. If he gets a cheque from the society and pays it to a finance company, the banks know where the money comes from. It is not a secret. It is on the documents that come in when the securities are transferred across. The banks do not say to Teachers Credit Society, "Do you know what you are doing?"

Hon D.J. Wordsworth: You do not have to be in the club; all the farmers knew about it too.

Hon MAX EVANS: That is right, it has been talked about all over the place. The bankers have been saying it. One did not have to be a Rhodes Scholar or a genius to know the institution paying the highest interest rates would end up with problems.

So the amount of money borrowed rose from \$56 million in 1983 to \$450 million in 1987, which represents an increase of roughly \$400 million taken out in the market. To earn a very high interest rate -- and they were already paying the highest interest in town -- they had to get out in the market and obtain a better rate than they were paying. It is very hard to put out \$100 million, or \$2 million a week on average, over four years. So when people asked Teachers Credit Society if they could borrow \$5 million or \$10 million the society said, "Yes, you can have it." I will refer to that point again later.

Andrew Gordon of the R & I Bank said that the problems of Teachers Credit Society arose from a lack of management capacity to cope with the society's exceedingly high growth rate. Also, the society had been unable to raise sufficient capital to provide the financial backing for its growth.

The only capital a credit union can get is from profits. The amount of \$10 from each member was not enough. Rob Martin had to pay only \$10 in order to borrow \$30 million, so the capital equity base is just ridiculous. On that basis in 1983 \$56 million was out and it had \$5 million capital. They saw no risk at all. In *The Australian Financial Review* of 18 August we find --

Burke mounts rescue for WA credit society.

. . . Australia's biggest credit union . . . has been taken over by the State-backed Rural and Industries Bank.

It has not been taken over by the R & I; the R & I is to administer it. The Treasurer went on to say that --

. . . the society had had difficulties meeting its liquidity requirements and was undercapitalised.

The word "undercapitalised" comes up over and over again. Surely the registrar had told his Minister that the largest credit union in this country was undercapitalised. The Treasurer, who has responsibility for our finances, should have been told. He should know. This capital and reserves are fixed; one looks at the balance sheets and sees that the society can bring in funds. The Minister must have said to the registrar, "What have you done about it?" It would have been before 24 October. In June 1986 the rules for statutory reserves of 2.5

per cent were waived. The amount of reserves the society had to have were altered because it could not comply with that requirement. Instead of the situation being rectified, it was allowed to get worse.

Mr Burke is reported to have said the whole matter had been exacerbated by rumours that were undermining public confidence in the society. How can the Government keep hanging on to that idea when the trouble was known for so long by so many. The article talks about the credit union's having \$550 million in loans; so it has gone up to \$550 million in four years, which is \$125 million a year. That would involve a lot of writing out of documentation by the executive staff. The article indicates there was \$480 million out in loans to members of the society, business people and teachers. The society's loans portfolio had nearly doubled in the past two years. At that stage the registrar, or someone, must have misled the Premier by saying that it was mostly loans, because that is not right.

It was only as days went on that we got all the facts and we were told that the R & I Bank had taken over the day to day operations of the society, and this was described as a friendly measure. I heard that the casualty ward of the Royal Perth Hospital was full of board members of the R & I Bank, who had gone there with broken arms, having had their arms twisted by the Treasurer to take over the operations of the society. Because who would have wanted to take it over, with the sheer size of its problems? I cannot see that they would have gone along willingly with this "friendly merger". Not people as tough as Andrew Gordon, Mr Fischer and Mr Phillips. That same group -- the R & I Bank -- owns Perpetual Finance, which did a financial deal worth \$2 million with Acremaster Marketing Pty Ltd, an offshoot of Exim. They were told Exim would guarantee the debt and when they came to call up the guarantee they were told, "We don't recognise that we have a guarantee." It is strange that Perpetual Finance did not sue Exim for that debt, when we have Perpetual Finance wholly owned by the R & I Bank.

I refer now to a Press article dated 19 August and quote as follows --

Troubled credit society's reserves queried.

The financially-troubled WA Teacher's Credit Society was given official permission to accelerate its growth more than a year ago, despite the absence of adequate capital backing.

In June 1986, the society successfully applied to the Registrar of Credit Unions for an exemption from the laws governing minimum capital reserves.

I refer to that as the statutory reserves because that is the terminology in the Act. To continue --

The minimum reserve to asset ratio of 2.5 per cent stipulated in the Credit Unions Act was waived, allowing the society scope to achieve dramatic growth without adequate backing.

In June 1985 the society showed in its balance sheets that commitments for loans totalled \$25 million, on the last day of the financial year. It then had to find on 1 July a sum of \$25 million, and that makes the ratio even worse. To get the mean asset, the value of the loans at the beginning and at the end of the financial year should be added together and divided by two. That was the formula in 1984, when it was changed and it backfired. In June 1986, \$360 million-worth of debts needed another \$40 million next year, which gives \$400 million out in loans. One takes the balance at the beginning of the year, and using the 2.5 per cent which is the statutory reserve ratio, one sees that the society needed \$10 million at that time. It knew in June that 1 July would be the starting point for the new statutory reserve ratio, and with a figure of \$360 million the amount required is \$9 million. But what did the society have? It had \$3.5 million, a shortfall of \$5.5 million of statutory reserves once it started doing business in July 1986. No wonder it went to the registrar and said, "Please will you change this?"

Why did the registrar not say, "What's going on? I can see what will happen next month; your ratio will be a mile out." It already had a ratio of 2.5 per cent of \$250 million, which is around \$6 million, but as it went up it got worse. Now it is \$560 million which, when divided by forty for 21 per cent, means that the statutory ratio now would have to be \$14 million. But the reserve was lifted; the society was given a licence to print money. This Government did nothing about it. I cannot believe that the registrar did not tell his Minister that he had lifted this reserve ratio. We believe the registrar would tell his Minister everything that happened. I continue quoting from this 19 August article --

The exemption was provided by former Registrar Bruce Brotherson, and his successor John Metaxas called in the Government earlier this month.

However, Mr Metaxas said the financial position at the time did not justify any action by Mr Brotherson, who last night confirmed the exemption.

It worries me. The total reservoir of financial brains of this Government were available to this department. It seems they could not say, "Have a look at this. What do you think? Do you think we should do this, because the Government is responsible for what they are doing?" The Treasury should have called on someone, someone such as Tony Lloyd, perhaps, an expert in financial matters. Did the Government do this? Did it hope that the problem would go away? Was it thought that if the society got more money the problem would go away?

The article goes on to indicate that Mr Metaxas said that --

On July 1 this year, the operations of the Registrar of Credit Unions was switched to the Treasury from the Department of Housing.

He was not told that it had been done on 24 October last year. A Public Service notice tells us that. I do not know when he came in, but no-one said that because they did not physically move from one department to the other, the position was under the control of the Treasury as of 24 October last year. Perhaps he was not told on 10 December that the public service had backdated it to 24 October. Why did the Public Service Board say, "From that day we are transferring it over." Did Brian Burke know something? In Parliament the Treasurer told everyone that the Liberal Party knew about it in April and that no-one else knew about it -- it was a conspiracy. Someone must have known something to move the position from one department to another. The article continues --

He first became concerned about the operations of the society when he assumed office in April this year.

The "he" is Mr Metaxas. Did he tell his Minister? The Treasurer says that the Liberals were the only ones who knew about it. The article continues --

He approached the managers of the society with a list of internal corrections and it was accepted.

But the auditors' report, obtained at the beginning of this month, sealed the fate of the society.

The month was August. The auditors looked at the value of the outstanding debts and said, "This is not too good." They went to the society's chairman, Mr Flemming, and he went to Mr Metaxas a few days later, and then Mr Metaxas went to the Treasurer. The article continued --

The Registrar confirmed that two other societies -- United Credit Union and Fremantle Credit Union -- had also been granted exemptions to the reserve ratio ruling for the 1986-87 financial year.

I give credit to the board of United Credit Union Ltd which has raised further capital of \$7 million to back up its ratios. On August 19, the *Daily News* stated --

Mr Morrissey said the financial position of the society had yet to be finalised, in consultation with the society's auditors.

He said the last time he saw the WATCS accounts, submitted monthly by credit unions and building societies, was two months ago.

"To my knowledge, when I last saw some accounts -- but they were not audited -- they were in the black," he told the *Daily News*.

Under the legislation credit unions should provide accounts to the registrar monthly. The statutory reserves must be less than 2.5 per cent of the value of the debts outstanding at the beginning of the year. The problems with the Teachers Credit Society were known for months. The article referred to a period of two months which would take that knowledge back to June. Maybe the Government was hoping the problem would go away. In fact, Teachers Credit Society was in the black, but it was probably hoping it would show a profit. It is very easy to lend money, but hard to get it back.

I repeat that the registrar was receiving information every month from these bodies about what they are doing. The registrar had only one job to do and that was to supervise and

inspect. The credit union has rules and regulations with which it should abide. I do not believe those regulations should be changed. They need to be policed and enforced, but they need only say what the Reserve Bank requires of financial institutions. The Reserve Bank stipulates that banks shall not lend more than 17.5 times their capital reserves. Surely the Treasury Department officials should know what bank rules they work to. I believe the R & I Bank lends roughly 17.5 times its capital reserves and that is a good, safe ratio. The teachers credit union in New South Wales has limited its ratio and is not in trouble. The Teachers Credit Society in this State would not be in trouble either had it limited its loans to \$50 000. A finance company should not lend more than 10 per cent of its capital reserves to any one customer. We all know that the Teachers Credit Society loaned huge sums of money. Trading banks must advise the Reserve Bank if they lend more than 10 per cent of their capital reserves. They operate on a scale increasing to 25 per cent of their capital reserves to \$2 million. The Reserve Bank also has inspectors and investigators to investigate any breaking of the rules. The Teachers Credit Society has inspectors too, and I am aware that they are a couple short at the moment. The question of why the society was understaffed should be answered by the Government.

As I said, the Government knew the problem existed. I cannot believe that the network in this city had not informed the registrar or the Premier or that the Treasury Department did not know what was going on. An article in *The Australian Financial Review* on 20 August, stated --

"They have been very kind to us," Mr Potter said. "They have grown very quickly -- and so have we."

It is very sad because in theory they both should have gone the same way. I am not saying that it was not right and proper to bring in an administrator as receiver and manager into the Teachers Credit Society. Normally, though, a receiver could not be brought into a credit society because it does not have funds secured. However, it was possible because it is being funded by the R & I Bank. It may be possible to give the Teachers Credit Society back to the teachers with balanced books. The article continued --

The biggest loan would have been for the \$9 million redevelopment of the Trade Winds Hotel in Fremantle.

The loan totalled \$9 million, or 100 per cent of the capital reserves. That should have started bells ringing in the registrar's office. The article continued --

Mr Potter said that rather than trouble his group, the takeover of the credit union would strengthen it because under the old arrangement it was unlikely that the union would have been able to fund all of Potter's corporate growth.

Mr Potter was going on to greater things. His companies are now in the hands of a receiver and manager. It should be a lesson to us all. Many companies have collapsed over recent years because management has not stuck to its "last" or "knitting". Laurie Potter had a good reputation in health studios. We all know that he had problems when he first set them up because he lived above his means. He had life membership fees coming in which gave him a good cash flow and which, in turn, were helping him to further develop his health studios. I believe his troubles started when he entered the hotel field. He did not understand what hotels are about. He bought the Trade Winds to cash in on the America's Cup. I helped Jack Sheedy in his early days. He was a brilliant businessman in that field, but I believe he was glad to sell the Plympton Hotel. I know it was a good drinking hole for the people in the area, but he sold out to a man who had no expertise in that field but who thought he would cash in on the America's Cup. The owner of the Captain Fremantle across the road was glad to sell out before the America's Cup. Those businessmen knew that their turnover would drop when the America's Cup came to Fremantle. The new owner of the Captain Fremantle has since been offered the hotel back because they are losing money. Those guys have been in the hotel game for a long time. The article continued --

"I see the R & I Bank move as a plus for us," he said. They gave us our first loan to go into business 19 years ago. I think the R and I and ourselves can see the advantages of doing business together."

The R & I Bank is locked in, it has its own loans and it now has the Teachers Credit Society's loans of \$34 million. I feel sorry for the R & I Bank.

The health club business is an unhealthy business. Health studios are good for only one thing and they have no residual value. Ross Norgaard has no other option than to cancel the life

contracts and introduce a pay-as-you-use system. It can be advertised and built up, and I think he will run a good business which someone will take over. It will probably be necessary to write off half the debt. If a person picked up those health studios for half their worth, he would do well. The Trade Winds could probably be picked up for a quarter of what it cost and it might still be difficult to make money from it. It all comes back to the fact that the value of anything is dependent on its potential return.

On 21 August, three days after the takeover, Mr Joe Bodlovich claimed that there were no bad loans in the society's portfolios. Mr Andrew Gordon told *The West Australian* on Tuesday that he was worried about some of the loan accounts operated by the society. It is understood that Mr Clark and Mr Bodlovich went on leave after receipt of the auditor's report on the society's operation and before the Government's rescue of the society later that week.

The No 2 person in that society claimed there were no bad loans, although he knew that the auditors had submitted a report to the board which had gone to the registrar and the Government. I believe a lot of the trouble lies in that area; the management have been inept, they have closed their eyes, kept blinkers on, and have not faced up to the real problems of the society. It is unfortunate that people can take up these positions without any depth of knowledge or experience in the financial world. They think it is good business to write business; getting money back is good business.

On 21 August Martin Saxon wrote the following in the *Daily News* --

The financially-troubled WA Teachers Credit Society has provided loans, overdrafts and other financial support totalling about \$30 million to Perth businessman Robert Martin and his associates.

We knew about this a while ago in connection with the Brush affair. These loans have gone on and on, he is involved with many different companies which have borrowed money from Teachers Credit Society. He has also been involved in an investment from the State Superannuation Board. Clark, Brush and Martin have had common directorships. The article mentions the investment in Brockley Investments, which I consider was a bad investment for everybody because the money is still locked in there only earning interest. It is a very sad tale that all this money has gone the wrong way. Other documents show that the Teachers Credit Society also gave a night club proprietor and mining entrepreneur a 100 per cent housing loan when he bought his luxury \$650 000 Applecross home. Nobody can borrow that amount of money on his home. We are all aware that the Taxation Office catches up eventually. There is no tax deduction for the interest paid on a housing loan, although perhaps if he manipulates funds he will get a tax deduction. He will be borrowing at 20 per cent interest which means it will cost him \$130 000 a year to live in that house. That is expensive living.

Hon D.J. Wordsworth: That's what you call negative gearing.

Hon MAX EVANS: That is very negative gearing, so negative it will not last long. Early this year we saw Robert Martin on television and with his lovely home, Rolls Royce and Merc, everybody must have thought he was a great achiever. I have to declare my interest in this matter; I had to keep suing Mr Martin for rent that he never paid. I am a little biased in that respect. I cannot blame people for being caught up by such a person -- he had a fabulous house, big cars, etc, and people must have thought he was a real achiever. He must be an achiever if he is able to borrow \$650 000, the total value of his house. This is where this business went wrong, they kept lending more and more money to a bad risk. If managers in business are not changed around as they are in the banking world, problems will arise.

Hon D.J. Wordsworth interjected.

Hon MAX EVANS: It has not been mentioned before but I would have thought so. It is like the cobbler getting away from his last -- Laurie Potter going into an airline business involving \$2 million with an equity of \$140 000. This is minuscule and obviously he has had troubles. He would have been better off to have kept out of that business but he thought he was getting big assets on a very low equity.

In this whole situation one of the most amazing statements was "Burke to the Rescue", in the *Sunday Times*. Anne Merkel must have got a lot of handouts for that wonderful headline.

Hon Graham Edwards: What sort of handouts?

Hon MAX EVANS: Press releases about what is going on in Government, the Ian Laurance



story and things like that. Where do they come from? I do not know. Government members can tell me, it is their business. It is rather like a carnival at Rockingham with televisions at the jetty. Situations are set up so that there is plenty of time before the deadline to reach the evening news; for example, an important person is pushed off the end of the jetty, people run around shouting "Man overboard", someone jumps in and rescues that person, and gets headlines in the media. Yet the rescuer has caused the initial problem by pushing that person in the water. The article said that Burke came to the rescue but it did not state that he did nothing about the situation beforehand. His department did nothing during those months from 24 October when he assumed responsibility for this portfolio.

Several members interjected.

Hon MAX EVANS: That same newspaper also stated that in April there was concern about the Teachers Credit Society, there had been large withdrawals and the R & I Bank had extended further assistance to it. In the account it will be seen that the R & I Bank had guaranteed bridging finance of \$20 million and a \$5 million overdraft. I might add that during 1986 the overdraft was \$7.5 million on a \$5 million limit which was secured on its building which is worth about \$4 million. No-one has explained how the overdraft can be \$7.5 million with a \$5 million limit. I presume, therefore, that it went over the \$20 million and we have heard that it could be as high as \$50 million.

On 3 August the society's auditor telephoned the State Government Registrar of Cooperative and Financial Institutions saying he was having difficulty completing the audit. On 5 August some of the society's board members approached the senior officer of the Department of the Premier and Cabinet about their concern. It has been going on for a long time, too long, with these people handling other people's money. This is a sad state of affairs.

On 3 September it was announced that a limit had been imposed by the credit society with the effect that no more than 33 per cent of its capital could be loaned to any one client. Therefore, the Teachers Credit Society will be able to loan only \$3 million to an individual member in future. I believe that limit is too high bearing in mind the type of business in which credit unions are involved. If the Government wants to keep credit unions honest it should keep them regulated so that they do the job they were set up to do. This will avoid some of the problems that have arisen. They should not be allowed to lend as much as 33 per cent of their capital to one person. The Government should make sure that these societies keep to simple rules and small amounts of money. I believe this new rule could be dangerous.

We have reached the stage at which I believe we must have some control and investigation; a Select Committee should be set up to ascertain what has gone wrong and to recommend improvements to the legislation. If the present legislation had been properly administered it could have solved most of these problems but it is quite obvious that changes must be made. Why are exemptions given in respect of statutory reserves? Why was this not remedied by forcing them to reduce their interest rates slowly to stop the cash flow to start balancing the books? That is the only way to get capital ratios back into position; it cannot be done by borrowing more money.

Hon Tom Helm: What about nationalising it?

Hon MAX EVANS: I do not think that would be a good idea at all. It is set up in the straight business of self-help among members of certain societies or unions.

The R & I Bank has a lot of work ahead of it and I feel sorry for it. It will take a lot of manpower from the bank -- which will not affect its financial position -- to provide the expertise necessary to ensure the proper running of the credit union for the benefit of the people. That manpower is needed in the bank. Of course, it will charge an administration fee, as is permitted under the provisions of the Act. The R & I Bank can charge interest on the money it lends to the Teachers Credit Society, because it will need money. The Teachers Credit Society will have to slowly reduce those loans to its members, and it will take a long time to haul back those loans, but I believe it can be done. However, I am worried about who is going to pick up this loss, because the loss may affect the profits of the R & I Bank, and half of its profits come back to the State of Western Australia under the present arrangements.

So we have a very sad tale of the Swan Building Society and the Teachers Credit Society, and both societies collapsed in different ways: The Swan Building Society is now the Home Building Society; and the Teachers Credit Society is administered by the R & I Bank. Both

societies were in deep financial trouble, and they were both under the same registrar, who should have controlled the situation. It is quite obvious that has not been done.

I believe every member of this House should support the motion to investigate the system. The Government, more than members on this side of the Chamber, is involved through its friends and associates in many of these credit unions. I must be honest and say that I have not done any audits of credit unions. I had not read the Credit Unions Act before, but I find it interesting. I say to the Government that it ought to support us in this motion because the public of Western Australia will pay, and we cannot afford that. The Government had a surplus last year of only \$6.7 million. It could have made that about \$98 million if it had brought in all the interest.

The loss is still a material amount: \$6 million for the Swan Building Society. It has been said that small debts of Teachers Credit Society are worse than big debts, and if that is the case, we must wonder how terrible can it be -- and we could be looking at about a \$50 million loss for the Teachers Credit Society. Such big losses will be picked up by the State of Western Australia and, because of this, an Appropriation (Consolidated Revenue Fund) Bill, or another Bill, will be required to fund those losses -- and I have not worked out how that will be done yet, although the money earned on the short-term money market is one way, and I expect the Government will account to us for that. I urge members to support this motion to appoint a Select Committee.

Debate adjourned, on motion by Hon Fred McKenzie.

*Sitting suspended from 12.45 to 2.30 pm*

### GAMING COMMISSION BILL

*In Committee*

The Chairman of Committees (Hon D.J. Wordsworth) in the Chair; Hon Graham Edwards (Minister for Sport and Recreation) in charge of the Bill.

Clause 1: Short title --

Hon GRAHAM EDWARDS: Hon John Williams raised a number of queries regarding what he saw as inconsistencies. The first query related to clauses 1 and 2 and the use of the word "shall". The use of the word "shall" places responsibility for the Act with the commission. The use of the word "may" in a later clause allows the Minister to give directions of a general nature. I do not see that there is any inconsistency here.

Hon John Williams: Thank you.

Clause put and passed.

Clauses 2 to 17 put and passed.

Clause 18: Staff, etc. --

Hon GRAHAM EDWARDS: The use of the word "may" where subclause (1) reads that the commission may request certain things is included to protect the independence of the Commissioner of Police, who is not subject to direction in the performance of his duties.

Hon John Williams: Thank you.

Clause put and passed.

Clauses 19 to 32 put and passed.

Clause 33: Prosecution of offenders --

Hon GRAHAM EDWARDS: I indicate to Hon John Williams that this clause is similar in wording to the relevant provision in the existing Casino Control Act. The commission is responsible for the control of gaming and therefore should be aware of what is taking place. I see no difficulty with this.

Hon JOHN WILLIAMS: My query related to subclause 33(3) which indicates that the proceedings for an offence under the Act or any other written law relating to gaming shall not be instituted without the consent of the commission. I wanted to know whether the Police Force will have to seek consent before prosecuting an offence. Under the Charitable Collections Act and the Liquor Act, the police do not have to seek consent and can proceed by summons. Will that apply here as well?

Hon GRAHAM EDWARDS: As I understand it, the Police Force does need a consent to

prosecute. But this is not new and this provision is a direct copy of the existing provision in the Casino Control Act.

Hon JOHN WILLIAMS: Clause 18 provides that the Commissioner of Police "may" do certain things. It was brought to my attention that this clause is similar to the Casino Control Act --

Hon Graham Edwards: It is a direct lift from that Act.

Hon JOHN WILLIAMS: So the Government is clarifying the point that for the police to precede to prosecute an offence, they will need the consent of the commission?

Hon Graham Edwards: Yes.

Hon JOHN WILLIAMS: Fine. Thank you.

Clause put and passed.

Clauses 34 to 43 put and passed.

Clause 44: Cheating --

Hon GRAHAM EDWARDS: I was asked whether the penalty under this clause was a maximum penalty. The Parliamentary Draftsman has advised that it is and is covered in the Interpretation Act.

Hon JOHN WILLIAMS: In other words, it is not mandatory. The judiciary will still have its flexibility in administering that penalty.

Hon Graham Edwards: But some people will argue for someone found to be cheating.

Hon JOHN WILLIAMS: I appreciate that. However, I was concerned about the flexibility of the judiciary in the different circumstances.

Clause put and passed.

Clauses 45 to 54 put and passed.

Clause 55: Approved premises --

Hon GRAHAM EDWARDS: The query on this clause was whether the Fire Brigades Board should be involved in approvals for a building to operate. I understand an approval must be obtained already at an earlier stage. If there is any doubt whatsoever by the commission about that, it is at liberty to approach the Fire Brigades Board for advice.

Clause put and passed.

Clauses 56 to 63 put and passed.

Clause 64: Social gambling, generally --

Hon JOHN WILLIAMS: A query has been raised with me about the limitation of members of a licensed club betting, for example, on a yacht race. How much money can they bet? I believe that there is no limitation on the amount of wagers and that there would be no objections, provided that profits from the betting go to the participants in the race. As far as I understand the situation, the club committee and no-one else can take any profits from that sort of activity.

Hon GRAHAM EDWARDS: That understanding is correct. Betting can take place provided it is not for any one person's benefit. The thing to remember is that if someone wanted to wager \$1 million, he would have to find someone else to accept the bet.

Hon John Williams: It is self-regulatory.

Hon GRAHAM EDWARDS: Yes.

Hon G.E. MASTERS: I have been a member of the Kalamunda Club for many years. I wonder what restrictions there are on members, on a Friday evening, sitting around betting on a game of cards if the club is not making a financial gain and no outside person is gaining financially. Is there any limit on the amount of money that can be bet even though, in most cases, the bets would total only a few dollars?

Hon GRAHAM EDWARDS: There is no limitation at all. However, I repeat, that someone wanting to make a bet would have to find another person to accept it before he had a game.

Hon G.E. MASTERS: I certainly do not oppose this part of the legislation. I am just a little concerned about someone administering the law becoming a little overzealous about a form of betting that may be going on.

Hon John Williams raised the circumstance of a few members of a club betting on a fictitious race. I understand that, provided a bookmaker was not involved, the game could go on if approved by the club. I believe that clause 64(2)(a) could be open to interpretation at some future time and I wanted the Minister's comments recorded in *Hansard*. Is the Minister saying that a licensed club could organise a fictitious race or some kind of competition every Friday, provided everything was aboveboard and perfectly fair, and members of the club could have a little bet so long as the proceeds went to the persons involved? If there is no problem there, perhaps that answers most of the major difficulties.

Hon GRAHAM EDWARDS: There is no problem whatsoever. One would have to take into account the social atmosphere of the club, and the fact that those games are being played for the benefit of the people participating, not for the club involved. The social nature of the club would be the determining factor. Different clubs have different social levels. I belong to a bowling club where I am sure cards will be played for perhaps \$1 a throw. Other clubs may want to play for \$10 a throw. In each instance it would not change the social nature of the club involved. It can still be seen to be spontaneous, even if it is held on a regular basis.

Hon G.E. MASTERS: The Minister spoke about a fictitious race being organised on a regular basis by a licensed club. Provided the proceeds were to go to the people involved in that race it would be all right, but if they were used for fundraising on a regular basis by the club it would not be acceptable?

Hon GRAHAM EDWARDS: The club would then need to obtain a permit, because that would be moving away from the social game.

Hon G.E. MASTERS: If the licensed club was running this sort of thing on a regular basis and the proceeds went to bolster the club's funds, the club would need a permit?

Hon Graham Edwards: That does not come under the description of social gambling.

Hon G.E. MASTERS: So a permit would be required?

Hon Graham Edwards: Yes.

Hon G.E. MASTERS: The other situation we talked about would be acceptable?

Hon Graham Edwards: It would be acceptable.

Clause put and passed.

Clauses 65 to 117 put and passed.

Title --

Hon JOHN WILLIAMS: I was presented yesterday with a unique opportunity to pay tribute to Mr Parker from the Crown Law Department for the work he did in the cross-vesting for courts. We are lucky this afternoon to have assisting the Minister at the Table the part author, if not the total author, with the help of Parliamentary Draftsmen, of this Bill. I refer to Mr Rod Chapman. I wish to pay tribute to Mr Chapman, because he and his staff have encapsulated in this Bill what was first mooted in 1974.

I put on record the fact that Mr Chapman, his staff and the Parliamentary Draftsmen -- but mainly Mr Chapman -- have brought this Bill together. It will provide, as Hon Sam Piantadosi pointed out yesterday, a great deal of pleasure to the poorer sections of the community; those persons who do not wish to go to glittering casinos but who wish to play their social games. We on this side of the Chamber congratulate Mr Chapman and his staff. They have done a magnificent job. It is another step in the right direction for regulation.

Title put and passed.

### *Report*

Bill reported, without amendment, and the report adopted.

### *Third Reading*

Bill read a third time, on motion by Hon Graham Edwards (Minister for Sport and Recreation), and passed.

## **MOTOR VEHICLE DRIVERS INSTRUCTORS AMENDMENT BILL**

### *Second Reading*

Debate resumed from 15 September.

**HON G.E. MASTERS** (West -- Leader of the Opposition) [2.58 pm]: The Opposition supports this Bill. The two amendments it contains are basically administrative. Section 5 of the Act says that driving instructors must be licensed. A driving instructor must pass certain examinations, and he must be capable of carrying out the duties of an instructor. A person who instructs and is not licensed is presently liable for a penalty of up to \$200. The Government proposes to increase this penalty to \$1 000. In the circumstances, and with the problems on our roads today, that is an appropriate figure to set. I am sure the Minister will indicate that figure of \$1 000 is a maximum, and it is up to the courts to make some sort of decision.

More and more vehicles with learner plates are appearing on our roads these days. There must be a great increase, therefore, in the number of driver instructors. It is imperative that these instructors are properly trained and capable of giving instructions to learner drivers. Over the last few years there have been constant calls for improved driving instruction and safety measures on our roads. In all the arguments the educational theme has been the key. In the next few weeks we will be dealing with a piece of legislation governing action to be taken with regard to people who drive under the influence of alcohol. In all those arguments the educational direction is being stressed.

Part of the educational programme for drivers is the way in which they are instructed in their early days as regards what is required of them if they are to be competent drivers for the safety of those who drive on the roads, and for the safety of pedestrians who walk on the side of the road or cross the roads and who often suffer as a result of bad driving. I think it is appropriate that those unlicensed driving instructors, who obviously take a fee unfairly, should be heavily penalised when they are caught; and a penalty of \$1 000 is the very least that can be applied when people constantly break the rules.

Another part of the Bill deals with section 14 of the Act and seeks to amend the penalties for those people who are in breach of the regulations. As is required in many of the Bills that we deal with, regulations are needed to make legislation work; and that has never been more apparent than over the last day or so with a certain piece of legislation in the Federal field that will rely for its success on regulations being applied. In this case, at the moment a penalty of \$100 can be imposed for breach of the regulations, but it is now proposed that \$500 will be the maximum penalty, by decision of the courts.

The Opposition supports the Bill as one that will be more positive in dealing with some of the safety problems on the roads and hopefully will save some serious accidents from happening.

**HON GRAHAM EDWARDS** (North Metropolitan -- Minister for Sport and Recreation) [3.02 pm]: I thank the member for indicating the Opposition's support. I confirm that those penalties are maximum penalties. I agree that proper driving instruction is important and that driving instructors should be adequately trained. These amendments to the penalties will ensure that people who offend against the Act are treated in a manner which is appropriately more severe. I commend the Bill to the House.

Question put and passed.

Bill read a second time.

*In Committee, etc*

Bill passed through Committee without debate, reported without amendment, and the report adopted.

*Third Reading*

Bill read a third time, on motion by Hon Graham Edwards (Minister for Sport and Recreation), and passed.

## APPROPRIATION (CONSOLIDATED REVENUE FUND) BILL

### *Consideration of Tabled Paper*

Debate resumed from 23 September.

**HON N.F. MOORE** (Lower North) [3.05 pm]: I wish to take the opportunity that this debate affords me to make a few comments about the State's Budget and also to make some

comments about a few matters of concern to me, particularly in my capacity as shadow Minister for Education.

I want to begin by making some remarks about the education section of the Budget, and to indicate some areas of concern. If we look at the capital works programme, which is part of the Budget papers, and we look at the expenditure proposed during this 12-month period for school buildings, we see an interesting set of figures emerge. The actual amount of money spent in 1986-87 on primary and secondary school buildings was \$47.6 million; and the proposal for 1987-88 is \$41.9 million. That is a reduction of about \$6 million, or in fact a decrease in actual dollars of 12 per cent; but of course in real terms a decrease of more than that if one takes into account the inflationary effect.

Like every member of Parliament, I receive stacks of letters from various P & C associations and schools, complaining about the lack of facilities at their schools. As Hon Tom Stephens would be aware, the Tom Price High School wants shower and change room facilities, which have not been available and which I know, having taught there, ought to be made available. The Mt Magnet School in my electorate is seeking funds to put all the school buildings on one campus, which is a move which is badly needed. However, funds are not available in the budget for these two very worthwhile projects.

At the same time we have a reduction in the amount of funds that are being made available. Every member knows if they look at their correspondence that there are stacks of schools which want additional support, such as for additional covered areas. The Newman Primary School wants a covered outdoor area so children can play somewhere during the summer. All sorts of worthwhile proposals are put to the Government from time to time; yet what we see in this Budget is a reduction of 12 per cent in actual dollar terms of the amount of money that is being made available for primary and secondary education buildings.

A glance at the way in which this Government has allocated its funds for school buildings over the period of time that it has been in Government will indicate that during the periods prior to elections, the amount of money made available for capital works in schools increases quite significantly, and then during the periods after elections, it decreases. We have seen an increase in the second two years of the Burke Government, followed by a reduction after its last electoral victory. If one looks at the figures in relation to technical education and other capital works programmes, one finds this has followed through to those areas.

I add for the information of the President, particularly, that there are no funds in the capital works budget for a replacement school for Canning Vale, an issue that the President is very familiar with. The Minister for Education promised that a new school would be built to house the children who currently attend the Canning Vale Primary School. The funds are not available for that project, and what will happen, as I understand it, is that at the end of the year when the Canning Vale school is closed, those children will be split up and sent off to surrounding, existing primary schools. That is regrettable because of the way the people at Canning Vale have stood very solidly behind the school, and they will be very disappointed that the Minister has failed to keep his promise, as will be certain Labor members of Parliament, who have had a similar view to the President's and to other members of Parliament in that district.

I am a bit concerned that at a time when there is a significant demand for additional funding for capital works in schools there is this reduction in funding to primary and secondary schools. If we look at the Consolidated Revenue Fund Budget for education we notice that there are some quite significant increases in certain areas. When one looks back through the debate that took place following the restructuring of the head office of the Education Department it is rather interesting to see the rationale put forward by the Minister to support those changes. As members would be aware, when the Minister set up the Education Ministry, which replaced the Education Department, he in effect sacked everybody in the place and told them to reapply for their jobs, saying he was doing that for one reason and one reason alone -- that is, to provide more efficiency and to save funds.

What do we find, however, when we look at the Consolidated Revenue Fund in respect of the administration in the Education Ministry? We find the following figures apply: Under the policy and resources division and under the heading "Central Administration and Operations", the amount of funding for 1986-87 was \$2.5 million; the amount for 1987-88 is \$3.6 million. That is an increase of 40 per cent on administration. We were told by Mr Pearce that was to be the area in which funds would be saved by the reorganisation of the head

office and the administration of the education system. In reality there has been a significant increase of 40 per cent for administration of the policy and resources division.

If one looks at the schools division, which is the central administration of head office, one sees that in 1986-87 \$13.2 million was spent while in 1987-88 the proposed figure is \$17.5 million -- an increase of 32.5 per cent. I do not think that increases of the magnitude of 40 and 32.5 per cent represent belt tightening or an increase in efficiency, nor do they reflect the proposition put up by the Minister that his "packet of salts" treatment of head office was necessary to reduce the cost of running the department.

I would be interested to know why it is necessary for those sorts of increases to be budgeted for in that area of education. I draw the House's attention to the fact that at the same time these increases are being made in administration, a significant number of special interest support units within the department are being cut out. The assistance being provided in those areas to schools is being dramatically reduced. There is an increase in spending on administration in the Education Ministry while at the same time there is a significant reduction in the assistance being provided to schools. I would have thought it should be the other way round because the Education Ministry is there to help in the provision of education at the school level. As one goes through the Budget, one finds those sorts of anomalies and examples of spending which do not correlate with the comments that have been made from time to time by Government Ministers.

There is a new provision in the Budget in relation to the funding of private schools. Members will be aware that over the years the State has not provided significant funds to private schools for capital works. Most capital funding for private schools is provided by the Commonwealth, or the State has provided an interest subsidy on loans that are arranged privately by non-Government schools. The situation prior to this Budget was roughly as follows: For any borrowings made by a private school the State Government would provide a subsidy of 7.5 per cent on the interest rates that were paid. This scheme was introduced in 1974 by the Court Government to assist the building programmes of private schools. At that time the ruling bond rate was 9 per cent, so the subsidy was set at 7.5 per cent, or 1.5 per cent below the ruling bond rate.

Over the years there has been an assumption that the decision was to provide a 7.5 per cent subsidy rather than to provide a subsidy which was 1.5 per cent below the ruling bond rate. As the interest rates have gone up progressively the value of the subsidy has been reduced; it has remained at 7.5 and if the interest rates were 17.5 per cent, the private schools would be liable for the extra 10 per cent. It is argued by the private sector that the original proposal -- that is, that the State would provide an interest subsidy which was 1.5 per cent below the bond rate -- should continue to apply. In other words, if the ruling bond rate were 17.5 per cent, the private schools should be subsidised 16 per cent.

That is their argument; I do not know what the truth of it is because I was not involved in the decision made at the time. The Government has saved a considerable sum of money since 1974. The private schools, particularly the Catholic Education Commission and the Parents and Friends Federation, have argued very strongly in a submission to the Premier for this year's Budget, for a return to the situation where the subsidy was to be 1.5 per cent, or in this case, they argue 2 per cent less than the ruling interest rate. The Government has brought in a new arrangement in this Budget which is a bit like the curate's egg. It is good in parts and bad in others, and until we get the answers to the questions that arise as a result of this new programme, we will not know just how much of the egg is good and how much of it is bad.

The new proposal is as follows: The Government will make available the actual loan money to the private schools rather than the private schools having to borrow the money in the private money market. The Government will charge 4.5 per cent over the first 10 years and 6.5 per cent thereafter for the loan to build new schools. These loans will be payable over 15 years; that is, 15 equal instalments over 15 years. Loans for building extensions will be charged at a rate of 7.5 per cent. Certain conditions attach, and they are that there shall be a maximum of \$3 million available for each school. In the Budget \$5 million has been allocated to be lent out in 1987-88. Since this new scheme does not commence until the beginning of 1988, one can assume that the \$5 million allocated will apply for the first six months of next year and that we could in effect be looking at an approximate amount of about \$10 million being made available under this scheme.

This new scheme is an improvement on the existing scheme for those schools which at the present time have a loan for a new school which they are paying off at a rate above 12 per

cent, that is for the first 10 years; and if they are paying more than 14 per cent over the last five years of the loan. It is also an improvement for those schools which are currently borrowing funds for building extensions and are paying above 15 per cent. There are some advantages because the interest rates payable have been reduced. That is fine except that the advantages that they have over the old scheme will reduce as the interest rate reduces. That is something we need to bear in mind because the Government keeps telling us that one of the great virtues of its economic policy is that interest rates will be reduced. As interest rates reduce so too will the benefits to be derived from this new interest rate scheme.

Certain problems arise and I would appreciate getting the answers from the Government when it has an opportunity to respond in this debate. The first problem is the amount of money available, which is \$5 million in the present Budget for the first six months of 1988. What will happen if the amount available -- that is, \$5 million -- is less than the amount required by the private schools for their building programmes? If, for example, in the first half of next year the private sector wants \$7 million, what will happen in respect of the \$2 million above the \$5 million that has been allocated? Does this mean that the private sector will have to wait and hope it can get an allocation in the following year?

Does it mean it will have to go to the private money markets and borrow at the ruling rate of interest? I am told that \$5 million is seen by the Government as being pretty close to its estimate of what will be required in the first half of next year. However, because the Government has got rid of the old interest subsidy scheme it means that if the private sector needs more money than the Government is prepared to lend, it has to borrow it at ruling interest rates. That means some schools which desperately want to build a new room or extensions or build a new school and cannot get the money out of the \$5 million will have to go to private markets and borrow money at 20 per cent or whatever it is they are paying at present.

It is my argument, and I will be happy to be proved wrong, that the schools which are lucky enough to get the money from the Government will find things are better than they used to be, and the schools which do not fall within the \$5 million will be paying a much higher rate of interest than now. There is also the problem of a maximum of \$3 million for each school. I looked through the Budget papers, and I am told the Government is building three or four new high schools. One at Coodanup is estimated to cost \$5 million, the one at Leeming is estimated to cost \$4.135 million, and that at Padbury is estimated to cost \$4.48 million. If the Catholic Education Commission or one of the independent schools wanted to build a new high school, one could expect the cost to be about the same as that of a Government senior high school. Yet we are told a maximum of \$3 million will be made available to a private school under this new scheme. If they want to build a \$5 million school, it stands to reason they may get \$3 million from the Government -- bearing in mind that is out of a total of \$5 million -- and it will represent 60 per cent of the total cost of the school, so they will have to borrow \$2 million at the ruling interest rates in the money markets. If one puts the two together they may be considerably worse off than they are now. If the scheme is to be useful to the private sector, there must be considerable flexibility in the amount of funds available.

I commend the Government on what it has done in Karratha in making funds available to the Catholic Education Commission to build a new high school. The funds were made available at a considerably reduced interest rate, and it has enabled a new school to be built considerably earlier than would otherwise have been the case, and taken enormous pressure off the Karratha Senior High School. That was a very successful proposal, and I commend the Government for it. However, if it does not provide flexibility with respect to the total funds available under the new scheme, it may disadvantage many schools in the private sector. I hope the Minister for Budget Management will be able to tell me that flexibility is built in and if the private sector needs \$15 million in one year it will be available, and if only \$5 million is required the following year that flexibility will apply. If that does not happen there will be problems.

I also have a fear in the back of my mind because I know the philosophical views of the Government with respect to private education. Many members of the Labor Party, the Teachers Union, and other lobby groups such as the Australian Teachers Federation, in particular, argue strongly about State assistance to private schools. They believe that every dollar spent on a private school is a dollar taken away from the public sector. My argument is quite different. It is that every dollar we spend on private schools saves the State about 25 per cent of the cost of educating a child.



Hon John Halden interjected.

Hon N.F. MOORE: I know there are members of the Government who support the Australian Teachers Federation, and members of the Labor Party who support the view that the private education system ought not to be allowed to continue to exist, and that every dollar spent on that sector is a dollar taken from the public sector. That is put by some lobby groups and members of the Labor Party; I am not saying Mr Halden puts that view.

Because I have that fear about the motivation of some people involved in this debate, I worry about this scheme. It means that if private schools have their borrowings determined by the amount of money made available each year by the Government, the Government has control over the building programme of the private school sector. If the Government says it will allocate \$10 million this year for the private school sector and then allocates the money on a basis which it decides, it can decide where the money will be spent. It will be saying to the schools which do not get the money, "If you want to do something different from what we have in mind you can borrow money privately", knowing full well that they have to pay high interest rates for those funds and that they cannot afford it. The Government of the day will in effect control the building programmes of the private school sector. It concerns me greatly because I do not believe that is how it should operate.

Instead of adopting this scheme, the Government should be providing further interest rate subsidies to the private sector and perhaps return to that percentage below the ruling bond rate of, say, 1.5 per cent to 2 per cent, and allow the private sector to borrow the money it wishes from outside the Government so it can determine its own building programmes. The Government would provide assistance by way of interest rate subsidies. I do not think it would cost much more to do that than this new scheme, and it would allow the private sector to do what it thought best to do.

Hon Tom Helm: The private sector has access to more funds than the taxpayer's funds. They do dry up eventually. The rich places will get more schools and the poor will get fewer.

Hon N.F. MOORE: I do not think that is going to happen. The biggest demand for assistance from the Government is coming from the Catholic Education Commission. Most of the wealthy schools are already there. There are the Scotch Colleges and Wesley Colleges and so on already in place and perhaps seeking funds to build a new hall or classrooms. But the real money is required by the Catholic Education Commission which represents, in the main, people of middle to low income, and which wants to build schools in areas where they do not presently exist. We should allow them to make the decisions about where to build their schools and provide assistance to do it. My argument is perfectly logical and would be supported by the Catholic Education Commission, which represents the people Hon Tom Helm claims will be disadvantaged.

Hon Tom Helm: The richer schools can do without, and the poor Catholic schools can get more.

Hon N.F. MOORE: I also argue that everybody who is a taxpayer pays for the education of their children. If one sends one's child to a private school, one is just as entitled to Government funds to educate that child as if one sends the child to a Government school.

Hon Tom Helm interjected.

Hon N.F. MOORE: I do not argue that, but some people might think that was the case and that the people who send their children to wealthy schools and who are themselves wealthy would find more money coming through their schools than would go into poorer schools. I do not argue that. I argue that everyone should get the same deal from the Government.

Hon John Halden: Schools like Scotch College have an ability to raise more money from within their own ranks, and therefore they have far more facilities for their students.

Hon N.F. MOORE: The honourable member misunderstands. Anybody can borrow money provided he can pay it back. If the Government says to Scotch College it can borrow \$5 million and the Government will subsidise the interest rate to a certain extent, the same will apply to the Catholic Education Commission. If the interest subsidy is the same it makes no difference. The capacity to pay is built into how much one borrows. If the Government subsidy is considerable, the scheme I am proposing will advantage the poorer schools rather than the richer schools. The amount of interest which each school pays will be reduced. When I argue that the difference between the subsidy and the amount of interest

that would be paid should be two per cent, it would help the poorer schools. I will explain it to the member later because it will take a long time for me to do that now.

I realise there is a time constraint on my speech and I would like to argue about this matter, but I will do it at another time. I simply express again my fear that the new scheme with respect to the funding of private education may not do what it is intended it should do. I urge the Government that if it is dinkum about this proposal it should be flexible in the amount of money that would be lent out so it will not restrict schools from being built and it will not restrict the building programmes and initiatives of the private school sector.

The Budget contains a variety of other information which I find interesting. Over a period of time I have taken an interest in the expansion of the Department of the Premier and Cabinet. One of my very few claims to fame is that I spent a few years in that department as Parliamentary Secretary of the Cabinet. I remember that at that time my staff consisted of a private secretary and a typist. That was the Cabinet secretariat, and there was no policy secretariat. Members will find that that department now not only has a Cabinet secretariat but also it has a policy secretariat with considerably more staff. Because of my interest in the role of Cabinet secretary, I have maintained an interest in how the system works.

I have investigated the way in which the funds for the Department of the Premier and Cabinet have changed over the years. In 1983-84, \$5.6 million was allocated to the department, and in 1987-88 it is proposed that that department be allocated \$10.9 million -- an increase in that period of time of 94.6 per cent. It is an enormous increase, and it is only for the Department of the Premier and Cabinet and not the Premier's total budget, which is covered by "Premier and Treasurer". This increase has been during the life of this Government. It is not a comparison between this Government and the previous Liberal Party Government, but it is an increase between the Burke Government's first Budget and the current Budget.

If members look at the employees in the Department of the Premier and Cabinet, in 1971-72, during the Tonkin Government, the Premier's Department had 38 employees. In 1982-83, which was the last year of the last Liberal Government, there were 68 employees. In the first year of the Burke Government the number of employees increased from 68 to 194, and in 1987-88 it is proposed that there will be 213 employees. The increase from 1971-72 -- the Tonkin period -- to this financial year is a staggering 460 per cent.

Hon Tom Helm: Money well spent.

Hon N.F. MOORE: It is an absolutely scandalous waste of money. The department is chock a block full of political advisors -- "would-be's who could-be's" in the Labor Party -- all giving advice to Ministers, most of which is driving them to all sorts of problems. Mr Kevin Edwards would be one of the greatest liabilities the Government has, especially when one considers his involvement in credit societies. He is on the payroll, and I think he is head of the policy secretariat and is being paid about \$80 000 a year to run around the place carrying out the Premier's activities. What has occurred from the time of the Tonkin Government to the current Burke Government is an increase in staff of 460 per cent.

If we look at the number of employees from the last Liberal Government of Ray O'Connor in 1982-83 to this year, we find it has increased from 68 employees to 213 employees, an increase of over 200 per cent.

Hon B.L. Jones: Look how much more we do.

Hon N.F. MOORE: That is probably right. This Government does much more and has its fingers in more pies than it should. It has people running around telling credit societies how to operate their affairs. The member should not interject from another member's seat.

Hon Tom Helm interjected.

Hon N.F. MOORE: The Government has won two elections, and I would suggest to Hon Tom Helm that the Government's days are numbered because it has put political functionaries into Government and the public has had enough of it. The Public Service, as members know, comprises people who are in the middle ground of politics. They change their vote from election to election, and they have had enough of this Government. As the Government has done in the Education Department, the Public Service sees the Government preaching efficiency and cost cutting, but at the same time it sees the Government sacking people who are not political functionaries. They hear the Government talking about three per cent cuts across the board, and, at the same time, it sees it employing people like those in the policy secretariat who they know are there because of their political allegiances.

Hon Fred McKenzie: You said that in 1984-85; and what happened in 1986?

Hon N.F. MOORE: The Government fell over the line for many reasons which had nothing to do with Hon Fred McKenzie. The point is that people have had enough of the Government and its nonsense in respect of public servants. They have also had enough of the Government's nonsense in regard to education, and I will come to that subject in a few minutes.

Hon Fred McKenzie: If you look at history and you keep on saying it, sooner or later you will have to be right.

Hon N.F. MOORE: If I read Hon Fred McKenzie's speeches, I could say the same about him. I have no doubt that the writing is on the wall.

Hon D.K. Dans: On the new or the old boundaries?

Hon N.F. MOORE: I have not seen the new boundaries. Has Hon Des Dans?

Hon D.K. Dans: No, but I can anticipate a few things.

Hon N.F. MOORE: The electorate of Murchison-Eyre, which is part of my province, has been severely neglected by this Government. I refer members to what the Government has spent in the Capital Works Budget in Murchison-Eyre in the last year, and what it proposes to spend this year.

In 1986-87, a grand total of \$753 000 out of a Capital Works Budget of \$1 billion was spent in the electorate of Murchison-Eyre, which covers almost half of the area of Western Australia. This year it is proposed to spend in the area \$1.5 million out of a Capital Works Budget of \$1 billion. It is scandalous, and if one looks at where the money is proposed to be spent this financial year, it will be \$200 000 on the Wiluna Primary School, \$336 000 on the central reserve schools, and \$200 000 on the Leonora Police Station. The first two figures relate entirely to Aborigines, and half of the last figure relates to Aborigines. All but \$7 000 will be spent on Aboriginal related expenditure.

The actual expenditure in the last 12 months was \$48 000 on the Wiluna primary school, \$1.2 million on the central reserve schools, and \$112 000 on the Mt Magnet Police Station. Money was also spent on the fire stations in Leonora and Mt Magnet. About \$1.4 million out of \$1.5 million has been for Aboriginal-related expenditure.

I remind the Government that white people also live in the electorate of Murchison-Eyre, and their needs are other than those of Aborigines. It is time the Government looked beyond the rose-coloured glasses when looking at the electorate of Murchison-Eyre and realised that the area is expanding dramatically. Anyone who drives through that area and sees the new goldmines which are opening day after day will realise that an enormous amount of the current wealth of this State is coming out of the electorate of Murchison-Eyre and very little is going back, unless one happens to be an Aboriginal.

Hon John Halden: It is disgraceful.

Hon N.F. MOORE: It is not disgraceful. In fact, the way in which discrimination is going on in reverse in some of the remote areas of Western Australia is a disgrace. It is a disgrace that the Federal Government spends \$600 million a year on Aboriginal programmes, most of which goes to white advisors and their cronies. That is where the disgrace lies and it is time that someone did something about it.

I refer now to the argument which is taking place in the newspaper about unit curriculum which is being brought into our secondary schools next year. I make a prediction now that in February-March next year there will be absolute chaos in a considerable number of secondary schools, because a programme which is considered by many people to be a good one is being implemented at a rate which the system cannot cope with. It will mean a dramatic change in the structure of our secondary education system, and schools will be unable to cope. At the beginning of the next school year there will be absolute chaos.

This will not apply to every school, but it will apply in the vast majority. For members who do not know what unit curriculum is, on the surface it is a very sensible programme. It seeks to increase the number of courses and choices available to secondary school students. Courses are to be relevant to the capability and capacity of each individual student. There will be an enormous increase in the number of courses being provided by schools to cover the wide range of abilities and capabilities of students in each school.

The Government decided to go down this path, following the recommendations of the Beazely report. It set up a series of pilot programmes in pilot schools this year. It then made the decision that in 1988 every Government school would go onto the unit curriculum programme, but it did not leave any time for the pilot programmes to be evaluated and for the shortcomings and positive aspects of the pilot programme to be taken into account in determining what will happen next year. To my knowledge, virtually no assessment has taken place in the pilot schools. There is one in my electorate at Meekatharra. Hardly a soul has set foot in Meekatharra District High School, and very serious problems are emerging there.

Serious problems are emerging not only in Meekatharra; but articles are appearing in the newspapers with monotonous regularity. The problem is becoming widespread. An article in *The West Australian* on 14 September 1987 was headed, "Show us how, say teachers", and it states --

Teachers at the Eastern Hills Senior High School in Mt Helena have challenged the Minister for Education, Mr Pearce, to "come and show us how it should be done".

And he has said he would be glad to do so.

I am sure they did not expect that response. It was probably a rhetorical question. They were saying, "Come and show us, Mr Pearce, how to do our school programme because we cannot. With all our expertise and all our capabilities we cannot work out how to get this right; it is too hard. What you want from us it is not possible to deliver." They said rhetorically, "Come and show us how to do it." Little did they realise that Mr Pearce would wander up with his little expertise in respect of timetables in secondary schools and tell them how to do it. If he meddles in their timetables as he did in the department with the education system they would not achieve unit curriculum this century. Getting his nose into things which are none of his business has resulted in tremendous problems.

Several members interjected.

Hon N.F. MOORE: Not everybody would agree with the principal that things at Safety Bay are going the way he says they are. I do not wish to pursue that any longer, because it will become a question of personalities. Mr Detuik's views are not those of everybody on the staff at Safety Bay Senior High School. I have no doubt that one or two people at Eastern Hills Senior High School think everything there is going all right too. But 46 teachers wrote a letter to *The West Australian* saying that they were having serious trouble. I have a letter which was sent to Mr MacKinnon, the Leader of the Opposition, from North Lake Senior High School, signed by 42 out of 52 teaching staff at the school. The letter reads --

We, the undersigned teachers at North Lake Senior High School, support the 46 staff at Eastern Hills Senior High School in their public statement of the difficulties they face timetabling for the introduction of the unit curriculum at their school in 1988.

Then we have another letter in *The West Australian* on Monday of this week.

*Sitting suspended from 3.45 to 4.00 pm*

[Questions taken.]

Hon N.F. MOORE: Interestingly, this letter was from the unit curriculum coordinator of the Governor Stirling Senior High School. Students of recent history will know that the current Minister for Education was a former student at the Governor Stirling Senior High School. I am sure he would be interested to know why the unit curriculum coordinator at that school is also concerned about the problem of unitisation. The final two paragraphs of his letter read as follows --

If we are staffed according to the 1987 formula we cannot allow students the choices they have made for 1988.

Somehow the information being gathered by the schools is not reaching the Minister.

It is interesting to hear the response of the Minister to these sorts of problems. Instead of taking the view that there may in fact be a problem, the Minister is saying there are no problems and that all is going well, that all is right with the world of secondary education. But I quote from an article in *The West Australian* on 14 September 1987 regarding a letter written to that newspaper by the Eastern Hills Senior High School teachers. The article read in part --

They said Mr Pearce's suggestion that most of the needed preparation work had been done for next year's unit curriculum "could not be further from the truth".

"Administrators and teachers in schools have been at their wits' end to try to implement the unit curriculum and still cater for present students," they said.

That is the general view of many schools throughout Western Australia. A dramatic change is taking place in our secondary education system at the present time, and if members do not believe it is dramatic they really ought to sit down and have a look at what unit curriculum really means and then compare that to what we have in place now, which is the Achievement Certificate.

When I was teaching, which seems like a long time ago now, we brought in the Achievement Certificate. I was told, as was every other teacher, by educators and experts in the field of education that the Achievement Certificate was the greatest thing since sliced bread. It was a fantastic new education system, it would be welcomed by everybody, and every child would benefit dramatically by the new system. It was tried in pilot schools for three years, it was brought in in about the early 1970s, and now we are told it is no good. It has been totally discredited by the selfsame educators who told us it would be wonderful, and it is being replaced by the unit curriculum programme which we are now being told is the next version of the greatest thing in education since sliced bread.

All teachers are asking is that the Minister slow down, back off, and give them a chance to make the changes -- a chance to make sure that when the changes are being made they are being made properly, a chance to cope with the changes being brought about by the variety of inquiries instigated by this Minister, a chance to take on board the Better Schools proposals, a chance to take on the changes in discipline that have been brought about by this Minister, and a chance to take on board all these things at the same time as they are trying to teach children in schools. But no, the Minister says everything is substantially in place and that we are going ahead with the unit curriculum next year, come what may.

If we can believe *The Western Teacher*, the newspaper of the State School Teachers Union the Minister himself commissioned his own report into unit curriculum. I will quote from the front page of *The Western Teacher* dated 11 September, where it says --

A Ministry-commissioned report on unit-curriculum implementation in the pilot schools has confirmed the Union's view that while the concept is educationally sound, the method by which it is being implemented has created many problems.

The report by a firm of research consultants said there was widespread feeling that the whole project and the process involved in implementing Unit Curriculum was far too rushed . . .

Teachers in the Pilot Schools were critical of the lack of support coming from the Education Department.

So it is not only the view of the staff of some schools who have written to newspapers and the Leader of the Opposition; but also it is the view of the Teachers Union -- an organisation which I do not always agree with. On this occasion, however, I find their wisdom impeccable.

The difficulty in the secondary education system -- and the President of the Teachers Union agrees with me -- is that chaos will prevail next year in many schools. Chaos will prevail because students will not know what they are doing; nor will some of the teachers because the unit curriculum programme requires the writing of an enormous amount of new curriculum material. Teachers do not have the time to do that writing, and the schools have not the time to put into place school-based curriculum development which is part of the unit curriculum programme. The situation will arise in many schools where students will not know what subjects they will be doing next.

A problem arises when educational change is brought in too quickly; it affects the very clients for whom the system operates. If a Minister, or a Government, or the Education Department, makes a mess of a person's education, introducing changes which are wrong, that person does not get a second chance.

Hon Tom Helm: That's the reason for the fast change.

Hon N.F. MOORE: That is not a reason for fast change; it is a reason for not changing. If the changes are too sudden the chance of making mistakes is much greater. A whole generation of children suffer as a consequence of wrong and sudden changes.

Hon Garry Kelly: This could happen if the changes are not made quickly enough.

Hon N.F. MOORE: Does the member say that if we do not change the system by February 1988 all those children currently in schools will be disadvantaged?

Hon Garry Kelly: No.

Hon N.F. MOORE: That is what the member says; he should not argue. The changes are being put into place, and the member -- as a former teacher -- should know the changes will cause enormous problems. I received a phone call from Applecross High School recently regarding teachers trying to work out a timetable. The difficulty was that music could not be included -- I believe they have a specialist music class at that high school -- because the timetable does not work. The timetable is computerised; the system is complicated; and timetables are complex documents which take months to set up. Schools are finding it very difficult now to create a timetable where all subjects fit in.

Hon Tom Helm: Have these schools written to the Minister for Education, or just to you?

Hon N.F. MOORE: Yes, they have written to the Minister. I am sure the Minister has rooms full of letters from teachers and schools. I am sure he has file after file of letters from the Teachers Union asking him to slow down.

The private sector generally is not going on to the unit curriculum programme next year; they will wait to see if it works. Private sector education will be in even greater demand after the new system develops because parents will realise the confusion for children in going to Government schools; not knowing which room they should be in; and the teachers not knowing what they are supposed to be teaching. Parents will realise the children down the road who attend a private school under the old system have the advantage. The demand for private school teaching will increase.

I am as concerned as those many teachers who would not generally put their name to this type of correspondence but are doing it now. What has the Minister done? Yesterday, he brought out another glossy document entitled "Unit Curriculum -- Improving Secondary Schools", on the cover of which is a rainbow above the logo for the Ministry of Education. Does this mean the Ministry of Education represents a pot of gold? It is the opposite to a pot of gold, except when we consider the amount allocated for administration -- a 30 to 40 per cent increase.

Inside the front page of this glossy production about unit curriculum -- again, as with all Government glossies -- is a photo of the grinning Minister for Education, above a letter which reads --

Dear Parent

As part of the Government's programme to improve education in Western Australia, the Unit Curriculum is being introduced into secondary schools.

That is it! The system is being introduced whether it is good, bad or indifferent.

I am not an expert on education, but I know how the system works. However, on reading this glossy I find the questions and answers are a bit beyond my comprehension. Many of the pages in this glossy have a notation at the bottom which reads, "If you have doubts about this, contact your school." The result will be many parents will go to schools for information when they realise the chaos within their children's education system.

At the same time, parents will try to work out what courses their children will take next year. With the greater variety of subjects available each child will need to be counselled -- and by whom? Who will sit down and suggest courses to the children? Who will suggest whether maths 3.11, 3.12 or 3.13 is suitable? Someone will have to sit down with most children, not only to work out the subjects to take, but also to work out how those subjects slip into the pathway for the rest of each child's schooling in the lower secondary school. An enormous amount of thought and consideration is required, yet while the Minister expects teachers to be counselling students in this way, at the same time he expects teachers to be writing the curriculum and organising a timetable -- a timetable which is virtually impossible to operate.

In the face of all this, the Minister says everything is okay. This glossy reminds me very much of the "Programme for Improvement" -- the Better Schools document. I suggest if members, and parents, wish to know what is happening in Western Australia they read the Better Schools document. Ten of the 25 pages in this document are full-page colour photographs. Why do we need that sort of propaganda? Perhaps the Minister for Education is trying to convince the public that everything in education is wonderful; when in fact, the teachers who work in our schools know many things are wrong within that system.

I said earlier that most educators agree with the concept and the principles behind the unit curriculum system. I do not necessarily agree with that at all. I am not sure we need more choices in education, and I wonder whether in fact we should have less cause for temptation. The temptation for 12-year-olds when choosing between four or five types of maths, or four or five social studies subjects, is that they tend to choose the easy course. Unless counselling is carried out properly, the children will not only choose the easy course in the fundamental core subjects but also choose the easy subjects within the optional areas. This happened with the Achievement Certificate, as Hon Garry Kelly will agree. Many children chose outdoor education because it meant sitting under a tree instead of undertaking some form of science or some other useful option.

Hon Garry Kelly: Science is not an option.

Hon N.F. MOORE: Well, let us say photography, which leads to a good occupation. Hon Garry Kelly should not argue with me because he knows as well as I do there are fewer and fewer science graduates coming through the system, and within the community we have a grave shortage of science-trained graduates, particularly in the mining industry -- as Hon Jim Brown will know, representing the mining area.

Unless students begin to realise a certain body of knowledge is required for success, and as long as we continue to offer easy options, we will continue to have an undereducated work force. I went on the trip mentioned by Hon Tom Helm and witnessed what happens in other countries; there the students gain a certain amount of knowledge, so that when they leave the school system they are competent, well educated, efficient, useful members of the work force. I saw what happened in Sweden, and I have sympathy for the Swedish education system; although not much sympathy for their economy or the corporatism which goes with it. However, I see the virtues in a system where the aim of the exercise is to turn out young workers who are capable and competent.

What worries me is that if we continue to make what goes on in schools easier for children, we will not get the sort of quality graduates that this country has to have. Much of that was written in *Australia Reconstruct* and was said by Laurie Carmichael about Australia getting into a manufacturing mode. However, we cannot do that unless we train people in the schooling system.

[Leave granted for the member's time to be extended.]

Yesterday, I was provoked by Hon Tom Helm in a sense when he referred to my overseas trip. He made the point, quite rightly, that I was complimentary of the Minister for Labour, Productivity and Employment for his having the political courage to organise the tour. I have to say that if I were the Minister, I would find that a bit hard to get away with, but he did. I commend him on having the courage to do it.

As one of the people on that trip, he showed me what goes on in three other countries in respect of training systems. It brought home to me very clearly that there is a lot of room for improvement in what we do in Australia. We have to improve our education system. We have to make a decision about technical and further education fitting in with the secondary school system. I believe they should be meshed together so that children go through a schooling system and can choose at a certain stage of their careers whether they will take academic courses, vocational courses, or whatever. I would like to know what TAFE thinks about its being transferred into the secondary school system and both systems being on the one campus. TAFE could carry on with its adult education in whatever way it thinks fit.

There is no question in my mind that if we do not learn from the experience of overseas countries, and particularly from Sweden and West Germany, we will never turn this economy around to become competitive and involved in the manufacturing sector. We have to become involved if we are not to go down that banana-republic road mentioned by the Federal Treasurer.

I was also interested when Hon Tom Helm complimented the British system. I was impressed at the way the youth training schemes in Britain are going to provide worthwhile training for young people. Those schemes will make them employable and, once they become employable the industries in which they become employed will be able to become competitive internationally. That is the bottom line. If a company is not competitive internationally it has had it.

I am pleased also that Hon Tom Helm said that the unions are coming to the party and that they have stopped this nonsense of hitting people over the head with a baseball bat whenever

they disagree with the unions. He said, in fact, that the unions were seeking consensus. He mentioned the Swedish system involving the Government and the unions, which are the same thing, and big business. The only difference between what I propose and what Hon Tom Helm supports is that I do not believe that unions should be involved in Government, which is what happens in Sweden and is happening here. I believe the Government should have a place, the unions should have a place, and business should have a place and that they should not be all joined together in a corporate conglomerate, which is what occurs in Sweden. Sweetheart deals are being done at the top and the whole system just falls into place. At the same time, however, in Sweden, small business disintegrates, individual freedoms diminish, and people literally commit suicide through boredom. If they ever lose their competitive edge in terms of technology, even its very successful manufacturing industry will go down the gurgler.

Finally, Hon Tom Helm also told us yesterday that nobody had complained about the Federal Budget. I interjected and said that Senator Walsh had complained. While this complaint will be expected by members opposite, I want to read Bob Santamaria's report in *News Weekly*. The figures are undeniable and it does not matter who said them; they illustrate the deception of the Federal Budget. Bob Santamaria said --

With more and more wage-earners earning higher nominal wages (but lower real wages), a million extra taxpayers have moved or are moving into the 41.25 per cent tax bracket and another half-million into the 50.25 per cent. As a result P.A.Y.E. tax receipts, which in 1985-6 were \$26.5 billion, in the present financial year are estimated to rise to \$32.1 billion, an increase of \$5.6 billion in a mere two years. Add to this the \$1.5 billion transferred to the government by the Reserve Bank as a result of its successful currency dealings, together with \$1 billion in asset sales, and only an economic dunce or an utterly profligate big spender could have failed to have balanced the budget.

That has been borne out by Senator Peter Walsh, the Finance Minister, who has been sent to Coventry by his colleagues for telling the truth about the Federal Budget. I hope Hon Tom Helm realises the truth about the Federal Budget and will not, like a large number of journalists in our community, swallow what pours out of the mouths of the Federal Treasurer and the Prime Minister as absolute truths.

I support the Budget.

Debate adjourned, on motion by Hon D.K. Dans.

## ELECTORAL (PROCEDURES) AMENDMENT BILL

### *Second Reading*

**HON GRAHAM EDWARDS** (North Metropolitan -- Minister for Sport and Recreation) [4.26 pm]: I move --

That the Bill be now read a second time.

Within the requirement that changes to the electoral system should maintain or enhance its security and our faith in the results, four broad objectives are addressed in this Bill. The first is to provide a better service to electors; the second to introduce some new initiatives into the State electoral system; the third to align, as far as practicable, certain State procedures with those of the Commonwealth; and the fourth to streamline or modernise various administrative areas of the Act.

It is not my intention to mention every proposal contained in 80 or so clauses as some cannot be said to be of any great significance. However, a set of explanatory notes will soon be forwarded to members in which every proposed amendment will be described and this may prove to be helpful. This Bill is drafted to commence after the commencement of the Acts Amendment (Electoral Reform) Act 1987.

Of the four more significant groups of proposals, I turn to the objective of providing a better service to electors. The Government is firm in its commitment to encourage people to enrol and to vote effectively and wishes this Act to assist electors wherever possible.

Two important proposals are made to assist voters in Legislative Assembly elections. In June this year, the Parliament incorporated the option of a simplified method of voting, or "ticket" voting as it is called, on Legislative Council ballot papers together with the printing of party names adjacent to the groups and the names of candidates.



It is now proposed that these two provisions be extended to the ballot paper for Legislative Assembly elections. The proposal means that, on ballot papers for elections in both Houses, candidates will have the option of lodging a voting ticket and of having the name of a political party or Independent printed adjacent to their names. Voters are offered a choice of voting in either the ordinary manner or by marking a ticket voting square to cast a full preferential vote.

The Government believes it is important that voters be asked to carry out a very similar task to vote for elections to each House. Ballot papers for both Houses should offer the same options and information to voters and should be set out in a similar way to minimise the possibility of confusion.

Experience in two Commonwealth elections has demonstrated that when the task of voting for an election in one House is less straightforward than the task in the other, the informal vote can be expected to rise dramatically. Ticket voting has lowered the informal vote in Western Australian elections for the Senate to just 3.3 per cent from a previous level of approximately 9.4 per cent. The unacceptable consequence of having two different ballot papers in Commonwealth elections is that the informal vote in House of Representatives elections has blown out from approximately 2.56 per cent to 6.55 per cent. The increase represents the addition of something like 34 000 votes wasted through being informal. Pushing the informal vote up by four per cent is enough to influence the outcome in quite a few marginal districts. Expenditure by the Australian Electoral Commission to reduce the informal vote problem on House of Representatives ballot papers was in the vicinity of \$4 million. This huge national expenditure reduced the informal vote in this State by only 0.53 per cent.

Consideration has been given to a format of the ballot papers which could apply equally well to elections for both Houses and which would be easy to use. A vertical ballot paper format is proposed for the following reasons --

1. Economy of effort to scan the content.
2. Less effort to complete the required task.
3. Easier to number and check the ordinary vote.
4. Enhances the power of the either/or instruction and the vote marking instructions by placing these at the top of the ballot paper.
5. Ease of scrutiny.
6. Most ballot papers are vertically arranged.

New schedules to the Act are proposed for the ballot papers. To make things a little easier for the electors attending at a polling place, it is intended to remove the present provisions of section 119 that give the right to scrutineers to demand additional questions of electors. I believe that section 118, together with the amended section 119, will afford ample opportunity for the identity of the elector to be determined and sufficient remedy to a scrutineer in whose mind doubt remains. The proposals would leave State procedures similar to those of the Commonwealth but would permit greater assistance to State electors. We certainly agree that scrutineers have an important role to play but they do not have a right in our opinion to decide what questions will be asked of electors who are entitled to vote.

The Bill proposes that how-to-vote cards may form an adequate indication of voting intention by an elector seeking assistance. In polling and counting places scrutineers and electoral officials may be required to wear identification provided by the returning officer. It is intended to give electors increased and better facilities in the matter of postal voting. Proposals include that grounds for eligibility for a postal vote be extended to those electors on emergency duty or committed to employment during polling hours.

Electors who by reason of permanent disablement or religious belief are unable to attend at a polling place will be entitled to be registered as general postal voters and would thus automatically receive postal ballot papers before an election. Instead of all electors in remote areas being entitled to be registered as general postal voters the Bill proposes that people who live more than 20 kilometres from a polling place will in future be eligible for this special status.

Additional issuing officers are proposed to be appointed by the Electoral Commissioner. It is envisaged that such appointees would be persons of such experience and skill that their

services would be of benefit to electors generally. Provided satisfactory working arrangements could be settled Australian electoral returning officers could well be appointed as issuing officers under these proposals. As a consequence of the proposed new time schedule for the conduct of elections, applications for postal votes may be made from the time the Government publicly announces the date of the election.

By the proposed rearrangement of certain of the provisions of section 90 electors may apply orally in person for postal votes with fewer formalities to complete than at present. This would be a welcome relief to those who do not like completing unnecessary forms, and would in fact be little different from voting on election day.

The Bill contains the concept that postal votes received by the Electoral Commissioner up to 9.00 am on the Tuesday following polling day are admissible provided they are completed and posted prior to close of the poll. The purpose of this amendment is to take into account the many votes being disregarded simply because of changes in Australia Post sorting schedules that prevent votes posted well prior to poll closure from being sorted and collected in time for admission. In addition, issuing officers will not have to engage in the futility of mailing out postal voting papers to electors after the Thursday before polling day.

The final significant factor in elector service relating to postal voting is the proposal to allow issuing officers to issue duplicate ballot papers in the event of loss or destruction. The present provisions can cause unnecessary distress to people who are disfranchised because the original ballot paper is irreplaceable. Those people unable to make any mark will be able to receive assistance to enrol and vote. These proposals make clear that assistance to handicapped people should be extended to enrolment or any electoral duty in the same way as assistance is already possible in voting.

The second objective of the Bill is to introduce new initiatives. A group of these initiatives relate to information and services to members of Parliament and candidates. This Bill proposes that the Electoral Commissioner will provide copies of the latest printed rolls to members and political parties. Rolls in order of addresses are also to be provided to political parties once during each Parliament.

Although of no significance in determining who wins an election, it is proposed that returning officers be required to allocate preferences until only two candidates remain notwithstanding that a candidate has been elected on a earlier count. This count will assist in the interpretation of election results.

It is also proposed that returning officers be given the option of recounting all primary votes prior to distributing preferences. The Court of Disputed Returns for the Mundaring District made clear that such a practice was not in accordance with the Electoral Act. I believe that most members who have been involved in close elections would prefer a recheck of primaries prior to distribution of preferences rather than after it.

Further miscellaneous initiatives are proposed and I shall outline them briefly. The Bill contains several clauses which streamline the schedule of events for State elections. There are alterations to both sequences of events and the times involved which result in a reduction of 21 days and corrects what is an excessively long period by comparison with other States. People do not wish election campaigns to drag on for the length of time unnecessarily forced on us by this Act. In view of the success of the present Commonwealth/State cooperative enrolment procedure, and the more accurate rolls which have resulted from that, the seven days notice of roll closure proposed will give electors adequate time to check their enrolments or to enrol. A further proposal designed to encourage enrolment copies the Commonwealth provision that no proceedings will be instituted against a person lodging a late enrolment.

To give adequate notice to electors of the closure of the rolls, that event will occur at 6.00 pm on the eighth day after the writ. The hour of nomination will be 6.00 pm on the day of nominations. Members will note the similarity with the Commonwealth where experience shows that this schedule is practicable and acceptable to electors and to all parties. It is proposed that polls close at 6.00 pm instead of the present 8.00 pm. The polls have closed at 6.00 pm in elections in other States and in the Commonwealth for some time now. There has been little evidence that earlier closure has caused problems for electors. The present 8.00 pm close of polls means a very long day for electoral officials. On election night in future we should have much earlier results.

The Bill proposes the introduction of the offence of misleading and deceptive publication

and has been drafted along the lines of the equivalent section of the Commonwealth Act. The provision relates to the publication or distribution of material likely to mislead or deceive an elector in the casting of his or her vote, or that is likely to induce an elector to complete a ballot paper contrary to the directions on the ballot paper.

Further proposals are that the sex and occupation of electors should be omitted from electoral rolls, that there be no special enrolment privileges for members and their spouses, that votes issued following declarations under sections 119 and 122 of eligibility to vote be placed in envelopes for subsequent checking, and that power be given to adjourn polling for up to 21 days at declared special institutes, hospitals and remote polling stations, as applies in the case of ordinary polling places.

The third objective of the Bill is to align State and Commonwealth enrolment provisions as far as is practicable. It is particularly important that this be achieved because of the current operation of the cooperative enrolment procedure. I believe it is simpler and more logical to draw the State and Commonwealth enrolment qualifications as close together as is consistent with our own sense of what is fair and right.

The Bill addresses four such areas. One intention is to repeal the section 17 requirement that to be eligible for enrolment a person must have lived in Australia for six months. The importance of this qualification in any event has diminished since Australian citizenship became, to all intents and purposes, a prerequisite to enrolment.

Another proposal seeks to confer upon 17-year-olds entitlement to claim enrolment. Such enrolment would not be compulsory and would be provisional insofar as the right to vote and to be enrolled for an election is extended only to those who will have attained 18 years of age by polling day. This will secure voting rights for all those who enrol provisionally and who are 18 between the close of the rolls and polling day.

A third proposal is designed to enable people without a permanent residence within the State to enrol. Such persons are termed itinerant electors. Alternatives will be made available to such electors who may enrol for district of birth, last place of entitlement to enrol, closest connection, or electorate in which next of kin is enrolled.

Continued enrolment is also proposed for those electors temporarily leaving the State. There is a practical difference here between State and Commonwealth as for obvious reasons the Commonwealth Act refers to overseas electors whereas ours will refer to electors absent from the State. Otherwise the provisions will be substantially the same. In the proposals relating to both itinerant electors and those temporarily absent from the State there will be safeguards against such arrangements being indeterminate without review. For instance, the elector's name would be removed from the roll by reason of failure to vote or apply for a postal vote at a general election.

Commonwealth legislation which provided a model for the above two proposals concerning the enrolment and voting rights of people absent from the State and itinerant persons is lengthy and complex. The Government proposes in this Bill that State legislation should be simplified by transferring the details of these provisions to the regulations. It is planned to model the regulations on the provisions of the Commonwealth Electoral Act.

The final objective of this Bill is to tidy up some areas of general administration that tend to have fallen into disuse or impracticality due to changing facilities, techniques, and times. The term "christian name" appearing throughout the Act is to be changed to the less culturally specific "given name". Assumptions about what women should do about their names on marriage are presently a part of the Act. In this Bill the term "maiden name" is replaced by "name prior to marriage" and it is made clear that married women have a choice about which surname shall appear on the roll after marriage.

It is proposed that appeals against registrar's objections to claims and enrolments, the procedures for which are set out in sections 47 and 48, are dealt with by the registrar in the first instance. At present the registrar has no statutory alternative to placing such appeals before the Electoral Commissioner even though the registrar is fully satisfied that the appeal is well-founded. The proposal simply allows the registrar to discontinue the objection in those circumstances. Of course, if the grounds are not so accepted by the registrar the appeal will be referred to the Electoral Commissioner as at present. With the reduction in the time to run an election a further change was made to this section. Between the close of the rolls and the close of polling, no names are to be removed from the roll as a result of objections to enrol-

ments. This change is in line with Commonwealth procedures as is the increase from 25c to \$2 in the fee necessary for an elector to lodge an objection.

There are proposals in many places by which modern technology may be applied in the construction and maintenance of electoral rolls. The Act in its present form requires some unnecessary administrative procedures to be performed and these can be safely terminated. The provisions for non-voter follow-up are somewhat elderly and were well suited to those days when the numbers of electors per district were in the hundreds or low thousands. To allow sensible administration of the compulsory voting provisions the following proposals are made --

The requirement for the unified roll of voters to be prepared in duplicate would be removed because a single roll is all that is required in practical terms.

Certain time-consuming and excessive administrative formalities in the maintenance of records would be removed, without loss of completeness or accuracy.

At present people may be fined for giving inadequate reasons for failing to vote. It is proposed these fines and those for failure to enrol be brought into alignment with the higher fines in Commonwealth law and that people may also be fined for failing to reply or properly fill out the "please explain" form.

The Electoral Commissioner may at present only launch a prosecution against such people when they may prefer the option now proposed of paying the fine rather than going to court. Electors retain the right to take the matter to court if they wish.

This Bill is an important part of the Government's electoral reform programme. Promises made to Western Australian electors are contained in many clauses and the proposals follow on from the start made in 1983 when a single card witnessed by any citizen became all that was required for enrolment for both State and Commonwealth elections. Apart from making enrolment easier that legislation added something like 100 000 names to our rolls, or a 13 per cent increase. Our legislation should assist electors to enrol and to vote effectively and make these two processes as easy and straightforward as is possible.

State and Commonwealth electoral arrangements should, where possible, be similar. The experience of the people in the State Electoral Department has identified many improvements to assist electors and to make the 1907 Act more efficient. I pay tribute to the Chief Electoral Officer, Mr Ray Shaw, and his staff for many of the proposals that have come forward.

The goal of these proposals is to reform the Act so that it may better assist voters, candidates, members, and political parties. The Bill achieves these goals and is consistent with maintaining fairness and complete faith in the electoral process.

I commend the Bill to the House.

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

#### ADJOURNMENT OF THE HOUSE: SPECIAL

HON GRAHAM EDWARDS (North Metropolitan -- Minister for Sport and Recreation)  
[4.45 pm]: I move --

That the House at its rising adjourn until Tuesday, 13 October 1987.

Question put and passed.

*House adjourned at 4.46 pm*

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## QUESTIONS ON NOTICE

### COMMUNITY SERVICES

#### *Community Grants Assistance Scheme: Applicants*

301. Hon P.G. PENDAL, to the Minister for Community Services:

I refer to the community grants assistance scheme.

- (1) What are the names of the groups or organisations that applied for funding under the scheme for 1986-87?
- (2) Which ones were refused funding and why?

Hon KAY HALLAHAN replied:

- (1) Applications for community assistance grants 1986-87 --

Lockridge CYSS Youth Drop-In Centre  
Social Therapy and Recreation Society  
Perth Inner City Helping Agencies  
Mundaring Sharing Incorporated  
Bokerup Playgroup -- Kojonup  
Bullsbrook Neighbourhood Centre  
Western Institute of Self Help  
Christian Refuge Centres Inc  
North Perth Migrant Resource Centre  
Albany Community Food Centre  
Albany Community Toy Library  
Parents Learning Education Development Group  
Meekatharra Shire Council  
Aboriginal Post Release Programme  
Yematji Ngura Centre  
Jumbunna Neighbourhood Group  
The Windmill -- Corrigin  
Rural Women's Task Force  
Australian Birthright Movement -- Gascoyne  
Boulder Playgroup South West Association for Physically Handicapped  
Incest Survivors -- Albany  
Goldfields Women's Health Care Centre  
Leederville-Wembley Community Centre -- Legal Service  
Resource Centre for Personal Development  
Swan Districts Women's Health Coordinating Committee  
Network  
Wanneroo Social Planning Youth & Community Services  
Mandurah Youth Services  
Dialysis and Renal Transport Assoc  
Melville City Toy Library  
Community Activities Centre  
Kyrios Centre  
People Who Care  
Threads -- Mandurah  
Northam Share and Care  
Harvey Health and Welfare Group  
Tuesday Club Inc -- Bunbury  
Northam Aboriginal Community Progress Assoc  
Bunbury Voluntary Community Group  
Practical Assistance Centre -- Bunbury  
Sexual Assault Counselling & Support Service -- Bunbury  
Domestic Violence Counselling & Support Service -- Bunbury  
Marribank Aboriginal Corporation  
Moora Care Group  
Western Desert Land Council -- Puntukurnupama Resource Agency  
Margaret River Community Centre  
Orange Grove Country Club

WA Institute of Translators and Interpreters  
 Polish Association in WA  
 Leeming Heights Playgroup  
 Malay Association of WA  
 Vietnam Veterans Assoc  
 Northern Metropolitan Aboriginal Community Assoc  
 Lockridge Community Group  
 Chile Solidarity Committee of WA  
 Teen Challenge  
 Bassendean Learning Sharing Centre  
 Kalamunda Community Learning Centre  
 Mount Lawley Neighbourhood Learning Centre  
 Child Care Planning Committee  
 Libbys Club  
 Catholic Adoption Services  
 Rural and Urban Aboriginal Corporation  
 Chilean Welfare Association  
 Special Education Division Archdiocese of Perth  
 Suicide Prevention Network  
 Excessive Gambling Assoc  
 South East Regional Youth Council  
 Sisters of the Good Shepherd  
 Sussex Street Community Law Service  
 The Downs Syndrome Assoc  
 Restoration  
 Melville Out of School Centre  
 Lame Ducks  
 Escare  
 Newman College Senior High School  
 Equinox Self Help Group  
 Paraburdoo Arts and Crafts  
 Meals on Wheels -- Halls Creek  
 Wyndham District High School  
 Welfare Advocates  
 Communicare  
 Eastern Goldfields Volunteer Task Force  
 Sherida Ceramics  
 Young Parents Support Group  
 Manning Senior Citizens Centre  
 Outreach Learning Centre  
 Schools of Kalamunda Area Motor Programme  
 Monitoring Support Assoc  
 Avalon Encounter Group  
 Calvary Welfare Services -- Mandurah  
 Kulila Association  
 Darlington Retirement Accommodation Association  
 Granny Spiers Community House  
 Christian Refuge Centre Inc  
 Armadale Gosnells Women's Refuge  
 Western Australian Transactional Analysis Association  
 Jesus People Inc  
 Gibb Street Primary School P & C Association  
 Bussekton Access Learning Centre

(2) Community assistance grants applications not approved --

ORGANISATION	REASON
Newman College Snr High School	Outside guidelines
Equinox	Referred to Health Department
Paraburdoo Arts and Crafts	Referred to Department for the Arts and Department for Sport and Recreation

Meals on Wheels -- Halls Creek	Referred to Health Department -- HACC programme
Wyndham District High School	Referred to Department for Sport and Recreation
Welfare Advocates	Outside criteria
Communicare	Outside criteria - referred to Lotteries Commission
Eastern Goldfields Volunteer Task Force	Outside criteria - referred to Lotteries Commission
Sherida Ceramics	Referred to Department of Sport and Recreation
Young Parents Support Group	Funded by Youth Affairs Bureau
Manning Senior Citizens Centre	Outside criteria
Outreach Learning Centre	Low priority
Schools of Kalamunda Area Motor Programme	Low priority
Avalon Encounter Group	Outside criteria
Calvary Welfare Services -- Mandurab	Receives supported accommodation assistance programme funding
Kulila Association	Receives funding from Department of Aboriginal Affairs, Aboriginal Hostels Association, and the Alcohol and Drug Authority.
Darlington Retirement Accommodation Association	Outside criteria
Granny Spiers Community House	Receives family support programme funding
Christian Refuge Centre Inc	Receives SAAP funding
Armadales Gosnells Women's Refuge	Receives SAAP funding
Western Australian Transactional Analysis Association	Low priority
Jesus People Inc	Receives funding from other sources including SAAP
Escare	Low priority, funds not available
Gibb Street Primary School P & C Association	Outside criteria
Monitoring Support Association	Referred to Health Department and Lotteries Commission

### WATER RESOURCES

#### *Carnarvon: Budget Allocation*

312. Hon P.H. LOCKYER, to the Minister for Community Services representing the Minister for Water Resources:

- (1) For what will the sum of \$680 000 allocated to the Carnarvon water supply be used?
- (2) For what will the sum of \$116 000 allocated to Carnarvon sewerage be used?
- (3) For what will the sum of \$895 000 allocated to Carnarvon drainage be used?
- (4) For what will the sum of \$390 000 allocated to Carnarvon irrigation be used?

Hon KAY HALLAHAN replied:

- (1) \$31 000 -- reticulation improvements to Babbage Island main which is part of Carnarvon town water supply;
- \$211 000 -- drilling and equipping of additional bores for Exmouth town water supply;

- \$93 000 -- construction of new depot building at Denham;
- \$38 000 -- duplicate pre-treatment plant at Denham town water supply;
- \$106 000 -- investigating drilling and establishment of new bores in Camarvon groundwater scheme;
- \$5 000 -- provision for mains extensions in reticulated schemes in Camarvon district;
- \$122 000 -- minor improvements to water supply schemes within Camarvon district;
- \$21 000 -- provision for new water supply service connections within Camarvon district;
- \$52 000 -- provision for water supply for new subdivisions in Camarvon district;
- \$1 000 -- carryover from 1986-87.
- (2) \$50 000 -- upgrading of waste water treatment plant at Camarvon;
- \$2 000 -- provision for sewer main extensions in Camarvon district;
- \$52 000 -- minor improvements to sewerage schemes in Camarvon district;
- \$1 000 -- provision for new sewer connections in Camarvon district;
- \$10 000 -- provision for sewerage for new subdivisions in Camarvon district;
- \$1 000 -- carryover from 1986-87.
- (3) \$890 000 -- Camarvon flood mitigation project, principally construction of the East Camarvon boundary road levee;
- \$5 000 -- installation of telemetry equipment on the Gascoyne River at Fishy Pool and Jimba Jimba river gauging stations;
- (4) \$231 000 -- automation of bores and electrifying shallow aquifer bores in Camarvon groundwater scheme;
- \$104 000 -- bore monitoring and test pumping of deep aquifer bores;
- \$55 000 -- minor improvements to Camarvon irrigation scheme.

#### EDUCATION: STUDENTS

##### *Visually Handicapped: Provision*

320. Hon D.J. WORDSWORTH, to the Minister for Community Services representing the Minister for Education:

- (1) What provision does the Government make for students attending primary and high schools who are either blind or have their vision impaired, so that they have the use of usual school books and general literature?
- (2) Is this material produced in-house by the Education Department?
- (3) Is it distributed by the Education Department?
- (4) Is it considered complete and what extra materials from outside the department would be required to enable such students to enjoy a similar standard to those without such disabilities?

Hon KAY HALLAHAN replied:

- (1) Within the Education Department, an advisory teacher service exists to provide support for visually impaired students enrolled in regular schools. These teachers are aware of the needs of each student with regard to the provision of school text books and general literature. In the first instance, requests for books already brailled are made to the National Union Catalogue for the Handicapped. If they are not available from this source, the advisory teachers make arrangements for the books to be translated into Braille or reproduced on audio tape here in Western Australia.
- (2) Only material which cannot be procured already brailled from other sources is produced by the Education Department.



(3) Yes, through the advisory teachers.

(4) Any additional materials deemed necessary for the educational needs of visually impaired students are either procured or prepared by the visiting teacher service.

# POLICE

## *Deputy Commissioner: Appointment*

321. Hon P.G. PENDAL, to the Leader of the House representing the Premier:

- (1) Has a decision been made to reject Commissioner Bull's recommendation for the appointment of Mr L. Gibson as Deputy Commissioner?
- (2) Was a refusal to comment on this matter issued by the Minister for Police or the Premier as to the reasons for the rejection of the recommended applicant?
- (3) Does the Premier know Mr Gibson personally?
- (4) Is it correct that in late 1977 or early 1978 the Premier, in his capacity as Opposition spokesman on housing, was interviewed by Mr Gibson, who was then a detective?
- (5) Was the subject of that investigation Mr Burke's possession of a document obtained illegally from an officer of the State Housing Commission?
- (6) Is it correct that as a result of this action of passing the information to Mr Burke, this officer was convicted under the Criminal Code and subsequently dismissed from the civil service?
- (7) Is it also correct that this man's conviction was obtained as a result of his fingerprint being found on the document he unlawfully passed to Mr Burke?
- (8) Did Mr Burke deny to investigating police that he knew the source of this illegally obtained information?
- (9) Did not the discovery of the fingerprint lead directly to the exposure of Mr Burke's denial of his source?
- (10) Was Mr Gibson central to the exposure of Mr Burke's denial and the officer's subsequent conviction and dismissal?
- (11) Are these events connected to why Mr Gibson's promotion to the position of Deputy Commissioner was blocked by Mr Burke?
- (12) If the Premier is implicated to the extent that he waited nine years to ensure that Mr Gibson's promotion to the No 2 police job was blocked because of his investigation of Mr Burke, will the latter allow the issue to be opened to a full inquiry to ensure senior police promotions are not blocked in this way?

Hon J.M. BERINSON replied:

- (1) Cabinet recently decided to appoint Mr Frank Peters, former Assistant Commissioner, Traffic, to the newly created position of Deputy Commissioner, Administration.
- (2) In accordance with usual practice, unsuccessful applicants for public office are not advised of the reasons why they were unsuccessful.
- (3) I understand the Premier has met Mr Gibson on several occasions.
- (4) Yes.
- (5) The interview concerned a document relating to the State Housing Commission which was sent anonymously to the Premier by mail.
- (6) and (7) I am not aware of the basis upon which action was taken against the officer concerned.
- (8) Yes, because the document was sent anonymously.
- (9) and (10) These questions are not understood. A fingerprint on a document simply identifies an individual as having handled the document. It does not necessarily identify all persons who have come into contact with that document or what they did with it.

- (11) No. The insincere and snide allegations made by the member in his question are refuted by the facts that since the present Government assumed office, Mr Gibson has been promoted to senior positions including those of Chief Superintendent, Discipline, and Assistant Commissioner, Personnel. The decision on the appointment of the Deputy Commissioner, Administration, was made by Cabinet. The Premier was not present when the decision was made.
- (12) Not applicable.

#### AUSTRALIA CARD

##### *Statutes: Amendment*

322. Hon P.G. PENDAL, to the Attorney General:

- (1) What Statutes under his control, if any, will need to be attended to by this Parliament to authorise the release to the Commonwealth of information required for the ID card but held by the State Government?
- (2) If Statutes are not involved, what administrative or other actions are required by the Western Australian Government to implement the Commonwealth ID card?
- (3) Will he undertake to liaise with all Ministers to determine their answers to (1) and (2) and convey the resulting information to me?

Hon J.M. BERINSON replied:

See answer to Legislative Assembly question 1654.

#### WA BUSINESS MIGRATION INVESTMENT TRUST

##### *Prospectus: Premier's Letter*

328. Hon NEIL OLIVER, to the Leader of the House representing the Premier:

I refer to a letter dated May 26 1987 signed by Hon Brian Burke as Premier of Western Australia and contained in the Western Australian Business Migration Investment Trust prospectus managed by a subsidiary of WA Exim Corporation.

- (1) Was the Premier advised that his letter and the prospectus met all the requirements of corporate affairs legislation?
- (2) Does the Premier know if the letter is contained in any similar prospectus issued in countries other than Australia?
- (3) If the answer to (2) is yes, in what countries has the Premier's letter been distributed in the format of the reproduction in the prospectus as outlined?

Hon J.M. BERINSON replied:

(1) Yes. The prospectus for the Western Australian Business Migration Investment Trust was registered with the Western Australian Department of Corporate Affairs on 24 June 1987.

(2) No. The letter was specifically written for use in the Western Australian Business Migration Investment Trust, and no authority has been given for it to be used in any other similar trust.

(3) Not applicable.

#### BUILDING MANAGEMENT AUTHORITY

##### *Work Force: Restructuring*

329. Hon G.E. MASTERS, to the Leader of the House representing the Minister for Works and Services:

- (1) Is the Building Management Authority presently carrying out a work force restructuring?
- (2) How many jobs are likely to be lost as a result of the new arrangements?
- (3) Are adequate redundancy arrangements being made?

- (4) What are these arrangements?
- (5) Have the redundancy arrangements been accepted by the affected work force?
- (6) What is the deadline for acceptance of the redundancy offer?
- (7) Will this time limit be extended if difficulties occur, especially for some long-serving employees of the department?
- (8) Are all the employees holding foremen's positions required to reapply for employment?
- (9) In the event their applications fail, is there any guarantee they will not be financially disadvantaged as a result of the new arrangement?

Hon J.M. BERINSON replied:

- (1) Yes.
- (2) The final composition of the work force has not yet been determined.
- (3) A scheme for redeployment, retraining, and selective voluntary severance is available for eligible employees.
- (4) There are a number of arrangements under this scheme which are contained in circulars to all employees. Copies of these will be provided to the member.
- (5) The redeployment, retraining, and selective voluntary severance scheme has been endorsed by joint union-management committees.
- (6) Applications for acceptance under the scheme close on 23 October 1987.
- (7) There are no current plans to extend the period for receipt of applications.
- (8) This issue is presently the subject of joint union-management discussions.
- (9) Redeployment and salary maintenance will be in accordance with current Government policies.

#### GOVERNMENT EMPLOYEES HOUSING AUTHORITY

##### *Laverton*

330. Hon N.F. MOORE, to the Minister for Community Services representing the Minister for Housing:

- (1) Does the Government Employees Housing Authority own residential land in Laverton?
- (2) If so, which lots?
- (3) Is it proposed to build a duplex in Laverton for teachers?
- (4) If so, when is construction expected to commence and what is the anticipated completion date?

Hon KAY HALLAHAN replied:

- (1) Yes.
- (2) Lot 495 Mikado Way.
- (3) Yes.
- (4) Construction is expected to commence in about four weeks' time, and completion is anticipated by the end of March 1988.

#### QUESTIONS WITHOUT NOTICE

#### GAMBLING: INSTANT LOTTERY

##### *Sporting Equipment Grants*

184. Hon N.F. MOORE, to the Minister for Sport and Recreation:

Have equipment grants under the sports Instant Lottery fund been discontinued?

Hon GRAHAM EDWARDS replied:

Not at this stage.

**GAMBLING: INSTANT LOTTERY***Sporting Equipment Grants*

185. Hon N.F. MOORE, to the Minister for Sport and Recreation:

(1) In view of his answer to the previous question, does this mean we can expect there will be a discontinuation of those grants?

(2) If so, why?

Hon GRAHAM EDWARDS replied:

(1) and (2) The member should be aware that a review of SILF funds has been conducted recently by a committee which I have established. I am reviewing its recommendations and will be in a position to make some decisions about those recommendations in the near future.

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