BARNETT GOVERNMENT — FINANCIAL MANAGEMENT

Matter of Public Interest

THE SPEAKER (Mr G.A. Woodhams): Today, I received within the prescribed time a letter from the member for Victoria Park in the following terms —

> Dear Mr Speaker,
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> I wish to raise the following as a matter of public interest today, Tuesday, 31 March 2009 —
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>> That the house condemns the Barnett government for its financial mismanagement and lack of accountability on financial issues.

The matter appears to me to be in order. If at least five members stand in support of the matter being discussed, the matter can proceed.

[At least five members rose in their places.]

MR B.S. WYATT (Victoria Park) [3.07 pm]: I move —

> That the house condemns the Barnett government for its financial mismanagement and lack of accountability on financial issues.

I do not think anyone in this place today will disagree that the government faces significant challenges in handling the fallout and implications of the global financial crisis. I think that is something that every member of Parliament in the country is fully aware of. However, there is clearly emerging a deepening chasm between the rhetoric we are hearing from the government in this house and the reality we hear from the public service and from committees from the other place. I fear that the Treasurer is very good in this place: very good at personal attacks and very good at outlying what the government is apparently doing. However, it worries me that the Treasurer is not being listened to by his own ministers or the members of his cabinet. As a result, we are seeing a flaccid government that is long on rhetoric and short on delivery. It is very easy to stand up in this place and launch attacks on members of the opposition. However, if the delivery is not happening, what the Treasurer says in this place is absolutely pointless.

I note the Treasurer's answer to my question on notice today that a number of departments are actually achieving the three per cent efficiency dividend. However, it is now clear that not only will health and education, which together cost more than half the government spending, not be making savings, but also, as is clear from the evidence given last week to the upper house Standing Committee on Estimates and Financial Operations, their combined budgets will be just shy of a $300 million blow-out.

When we last sat a week ago, we had significant debate on the Treasurer's Advance Authorisation Bill. Not once did anyone on the government's side, including the Treasurer, suggest that the three per cent efficiency dividend was under threat or would not be met. When I asked the Treasurer on the last sitting day of that week a question about the implications of expenditure on debt, the Leader of the Opposition and I got abused. The Treasurer then scrambled upstairs, quick as a flash, confessed his sins to the media, and then we saw the headline on the front page of the newspaper on 20 March.

There is no question that it is not an easy task. The three per cent efficiency dividend is not unreasonable. Less than three weeks ago, the Premier made the point in the chamber, and he said it to the Committee for Economic Development of Australia, that it is not unreasonable to ask the public sector to find three cents in the dollar. He is right; it is not unreasonable to ask the public sector to do that. However, I do not think anyone has been telling the Treasurer or the Premier that the two biggest agencies, the Department of Health and the Department of Education and Training, have not achieved the three per cent efficiency dividend. Less than three weeks ago the Treasurer stood in this chamber and said —

> I do not resile from the fact that we have a significant job to do. The economic audit is underway and the cap on the rate of growth of the size of the public sector is in place. The three per cent efficiency dividend is being implemented, and it is not difficult.

Frankly, it is difficult. In the history of Australian governments, it has always been difficult to implement any form of efficiency dividend, whether they range from one to three per cent. The problem we have had—this is what the opposition has been banging on about for what feels like years, but it has been only months—is that the ministers have simply not taken charge of the implementation of the three per cent efficiency dividend. That is why, less than a week after the Treasurer indicated that he was confident that the three per cent efficiency dividend would be met, he scrambled upstairs and 'fessed up to the media that the efficiency dividend would not be met. The Department of Health and the Department of Education and Training have admitted to a committee of the other house that they simply will not make it. I have referred to this document before; it is the Treasurer's response to Hon Sue Ellery, the chairman of the subcommittee of the Standing Committee on Estimates and Financial Operations' inquiry into public sector expenditure. The letter that was written to all the departments giving guidance on how to achieve the three per cent efficiency dividend is limited to one paragraph, under which $1.2 billion in savings is supposed to be made. As I indicated then, it was signed off not by the Treasurer or the Premier, but by Michael Barnes, the Acting Deputy Under Treasurer. If the public service is to be requested to cut expenditure growth, leadership from cabinet, not from Treasury officials, is required. As was mentioned by a number of people in this place during the first two weeks of sittings, the Treasurer indicated on 12 March —

> There are efficiencies to be gained in education … There are efficiencies to be generated out of the health sector in Western Australia, and nobody in this house could or should deny it. There is capacity.

It seems to me that neither the Minister for Health nor the Minister for Education was telling the Treasurer how their departments were going in achieving the three per cent efficiency dividend. It was not until a committee of the other place started an inquiry into this issue that it became apparent to all that the task of achieving the three per cent efficiency dividend, described by the Treasurer as not a difficult task, is not being implemented. Surely the ministers told the Treasurer that the three per cent efficiency dividend would not be implemented before 19 March. Surely the Treasurer was aware before he introduced his advance authorisation bill in this place that the three per cent efficiency dividend would not be met. I will be curious to know whether the Treasurer's advance takes into account the fact that the three per cent efficiency dividend will not be met and whether the Treasurer's advance, on its own, will be sufficient.

The evidence given to the upper house committee by the Department for Child Protection indicates that it will probably blow its budget. The Department of Corrective Services does not think it will hit the three per cent efficiency dividend. The Treasurer answered the question about the police during question time today. The Auditor General has said that he does not think it is even legal to ask him to find the three per cent efficiency dividend. It is a complete chaotic mess. We do not know what is going on. As has been indicated, the three per cent efficiency dividend is completely and utterly in disarray. The opposition is not alone in saying this. We all recognise the importance of a successful three per cent efficiency dividend; it is how the Liberal part of the current government said it would fund its election commitments. However, the National Party deal, which I will come to in a minute, has blown that out of the water, highlighting the importance of getting the three per cent efficiency dividend in place.

According to my notes, the midyear economic review noted —

> Realisation of the 3% per cent savings measure is integral to maintaining the state's financial health and follows substantial growth in spending in recent years, with a projected 12% growth in 2008-09 even after the implementation of 3% savings from 1 January 2009.

I repeat: integral to maintaining the state's financial health. The Under Treasurer has made a number of public comments, as recently as last week, saying that the figures outlined in the midyear review are completely unsustainable. We now know that the debt figures are growing at a rate that, dare I say, even the government is in the dark about. As recently as 12 March, a week before the Treasurer scrambled upstairs to tell the media that the three per cent efficiency dividend was not going to be met, he said in this place —

> …as ministers would be aware, they are currently working with their departments, if they have not already completed the process, in finalising their submissions, which will feed in to the budget, in relation to the efficiency measures. Those measures will be reported, as the Premier and I have both indicated, in the budget this year.

The problem is that it seems no-one—in particular the Ministers for Health and Education—has been keeping the Treasurer informed that they have not succeeded in making their three per cent efficiency gains. The figures contained in the midyear review, which were unsustainable then, will look tame by the time the budget rolls around. What we have seen in response to the startling realisation that the three per cent efficiency dividend will not be met is the change in the parameters of the efficiency dividend. It is now to be made over the forward three years instead of the current financial year. There is a mad scramble to change the parameter so that the three per cent efficiency dividend can be met at some point in the future. I dare say that if health and education, which make up more than half of government spending, do not meet that target this year, the efficiency dividend will not be met over the forward estimates.

I was intrigued to note that the Premier was not particularly concerned about that. He came to the conclusion that that was a minor part of the government's economic policy. However, that is very different from what the Treasurer said a week prior to his admission that the three per cent efficiency dividend would not be met. He said —

> I start by saying that the three per cent efficiency dividend is an important tool in the government's efforts to rein in the rate of growth in recurrent spending in Western Australia.

The question has to be asked: who is speaking to the Treasurer? He is good on rhetoric in here, but I want to know who is speaking to him and who listened to what he said inside cabinet and during the important budget process.

I come now to the state's AAA credit rating. Everyone has probably read Standard and Poor's recent assessment of Western Australia in which, according to my notes, Standard and Poor's stated —

> The stable outlook reflects the current strength of the state's financial position, and our expectation that the government will introduce measures to reduce operating expenditure and reprioritize its capital program…in the lead-up to the May 2009 budget, it is our expectation that the government will introduce measures that will strengthen both the state's operating position and balance sheet.

I dare say that in light of the global financial crisis that everybody is aware that the people of Western Australia probably expected government expenditure to come under significant attack by this government. However, the key measure that it was going to do it through—the three per cent efficiency dividend—has failed. I am curious that no-one from the National Party is in the chamber today. I know what the Premier and Treasurer are likely to say, but I am curious to know what the National Party is going to do in this situation. The unsustainable deal between the Liberal Party and National Party has put the state in the position in which it finds itself. The three per cent efficiency dividend was to fund the Liberal Party, not the National Party as well. At least two National Party members are in Parliament, and I hope that one of them will come into the chamber and address this issue.

Mr P.B. Watson interjected.

Mr B.S. WYATT: I would love to hear from the member for Kalgoorlie. No doubt he has a few things to say.

I am not surprised at the response in writing from the Premier to Hon Sue Ellery recommending that the committee perhaps cease its investigations. The matters that have come out of that committee have been embarrassing for the government; there is no doubt about that. The concept of the three per cent efficiency dividend completely and utterly unravelled in front of the TV cameras. We have seen the Under Treasurer express his frustration, we have heard what he had to say inside the committee room, and now we find that some agencies will make it but the two key agencies that make up more than half of government spending—health and education—will not make it. As the economy continues to unravel—the Premier mentioned today that the country is in recession, and he is right and that Western Australia is in a much better position than most states—the growth in expenditure beyond any form of three per cent savings is unacceptable. The pre-election financial projections statement puts growth and expenses at seven and a half per cent, the midyear economic review revised that figure to 12 per cent, and it is important to note that approximately 40 per cent of that increase was due to the government's own policy decisions. The 12 per cent figure was based on the success of the three per cent efficiency dividend. The quarterly financial results report tells us that expense growth has increased by 13.1 per cent in the six months to December; heaven known what it is now. The three per cent efficiency dividend has not been met. Standard and Poor's based its assessment on the successful implementation of the three per cent efficiency dividend, and we find now that our debt requirements will increase significantly. As I said at the beginning of my speech, this is partly because of the impact on the revenue of this state due to the global financial crisis; every member of Parliament accepts that. However, the fact that expenditure is growing at a rate that is not sustainable is a problem of the government's own making. We now know that the key election commitment funding mechanism—the three per cent efficiency dividend—has not and will not be met.

I am curious to know going forward the role that the Australian Loan Council will take in respect of the ability of the state government to access guarantee debt and whether the Loan Council will over time use its ability to vet the way in which state governments spend the money they raise through the debt process. It is a significant issue for the sovereignty and independence of Western Australia as a government.

Mr T.R. Buswell: Do you support the guarantee?

Mr B.S. WYATT: Yes, I do. However, the question I had on that—it would be useful if the Treasurer would address it—was about the Loan Council process, as there are no details on that.

Mr T.R. Buswell: You have been talking to Joe Hockey!

Mr B.S. WYATT: No, I have not been speaking to Joe Hockey.

As I said at the beginning, the economic credentials of this government are already under incredible scrutiny and incredible attack. The key economic policy—one of the few economic policies—that this government took into the election to fund its election commitments was a three per cent efficiency dividend. The government signed a deal with the National Party; the deal is unsustainable; the ministers are not in control of the three per cent efficiency dividend; and the Premier is not in control of the ministers because they are not telling him that they have not been making their three per cent efficiency dividend. Meanwhile the government blunders on while the people of Western Australia for a long time to come will be left to pay the debt that this government is now accumulating.

MR M. McGOWAN (Rockingham) [3.22 pm]: We are having this debate because in the last sitting week of the house—10 or so days ago—the Treasurer had the opportunity to stand in this place and be honest with the people of Western Australia about the government's financial position. The Treasurer could have come into this place and used question time and the debate on the Treasurer's Advance Authorisation Bill to reveal the true position of the state budget and the three per cent efficiency dividend—the three cents in the dollar cuts, as the Premier puts it. The Treasurer could have been honest with us and told us what was going on. Instead, he spent the entire day—in fact most of the week—obfuscating and avoiding other questions that were being asked at that time, and saying that it was all under control. Then we found that as soon as the house rose, or perhaps even before, he scuttled upstairs to the media, ran in and gave them the true position that he would not give to the house. The house, the people of Western Australia and the Parliament—the principal accountability measure of the state—actually deserve the real explanation of what was going on, not a behind-the-door, behind-the-curtain or behind-the-scenes explanation to the media that did not allow the scrutiny of what the Treasurer did that should have been available to this house. He has avoided about 10 whole days of parliamentary scrutiny in which he could have been made accountable by this house for his failures as a Treasurer.

I sat in this place for the embarrassing first four years that the member for Vasse was a member of this place. I listened to him speak from various positions around the opposition benches when he regularly went on at length about the profligacy of the former government and its inability to control expenditure. His performance made us look like the best government in history at managing the state's finances. Since he has been in government, he has shown that everything he said was meaningless. We heard a repeat of his performance at question time today. Sometimes I feel like I am in a parallel universe in this place because at question time the Treasurer repeated the rhetoric that he used to run when he was in opposition about maintaining controls on expenditure and ensuring taxpayers' money was wisely spent. He is still running with all the clichés that he used to run with, yet the facts utterly belie everything he says. The legislation that we will be discussing later this afternoon—the Treasurer's Advance Authorisation Bill 2009—utterly belies everything that he says. Earlier this year the Treasurer revealed 13 per cent plus growth in expenditure, which utterly belies everything he says. We have an upper house committee that is listening to the chief executive officers of the major agencies saying that not only will they not meet the three per cent efficiency dividend, but also they are blowing their expenditure. We have those three facts: the Treasurer's advance is the biggest in history; the 13 per cent expenditure growth that the Treasurer admits to; and the big agencies rolling up before the committee and saying that they are not going to meet the cuts and they are going to blow their budgets.

Anyone who has been a minister will understand what this points to. It shows that ministers will not get in and do their jobs. I know what those agencies will be doing. They will be rolling up to the ministers with proposals for expenditure cuts. The ministers will be knocking them back. Every single agency that comes forward will be knocked back because we have no commitment from ministers to financial management or proper expenditure control. This is because the government was conceived in an environment of massive spending. When it came to office, it was committed to massive spending. All ministers now have the attitude that they do not have to be accountable for their expenditure, they do not have to meet the three per cent cuts and there are no consequences if they do not. We have seen big blow-outs in the number of staff in the Premier's own department. No example is set. No ministers believe they will be held to account if they fail to meet the expenditure cuts. They are afraid to make tough decisions but do not do what is required—that is, work with their agencies day in and day out to find out where they can reduce expenditure. It does not mean knocking off front-line programs; it means getting in behind the scenes and doing the work. That is hard. It involves hours and hours of work. I have been there. It takes hours, days, weekends and nights. It is non-stop. It means getting in and doing the work. There has been a complete failure to give that level of commitment to the job at hand. We see ministers who are too lazy to get in there and do that sort of work.

We are now seeing a state government that has failed to lead by managing the state's finances. It has presided over the biggest expenditure growth in history and we have seen the biggest Treasurer's advance in history by a country mile, with agencies producing massive expenditure blow-outs. We have heard rhetoric that is completely different and seen a state that is suffering hugely as a consequence of that. We are also seeing a government that is presiding over the biggest job losses in Western Australia in the past 20 years. The Treasurer does not even know exactly how many jobs are being lost in Western Australia. Thousands and thousands of jobs are being lost around Western Australia. This government cannot control its spending and thousands of people in this state are being put out of work, including 100 men and women in my electorate who work at the HIsmelt Kwinana plant. I asked the Premier whether he put a counterproposition to Rio Tinto and his answer was no. The government has the legislative backing to enforce a measure that would ensure that some of those people have the opportunity to continue in their jobs. Government ministers are being briefed on job losses, but they do not do anything. Did the Premier stand up to Rio? No, he did not. He admitted to this house in question time that he did not. The government is told what will happen and it does nothing about it. The result is that this state has millions of dollars in budget blow-outs—the biggest blow-outs ever—and thousands upon thousands of people are losing their jobs.

The main projects that this government trumpets—and this amplifies the claim that the opposition made last year that this government's capital works program includes part of the former government's capital works program—are the police complex in Northbridge, the railway to Butler, the livestock centre at Muchea, the Joondalup hospital and the regional prison in Derby. They are all projects that were Labor funded and committed. The government should remember that not everything can be built at once. It is not as though we have reached the end of history and everything is built. We will never get to that point. What should happen is that projects should be built incrementally. The previous government was doing that according to its plan. I am pleased that the new government photocopied the previous government's plan and included it in its capital works program.

The points I raise include government profligacy, a minister being not accountable to the Parliament and the government having no interest in the fact that thousands of people around this state are losing their jobs. Ministers are not prepared to do the hard work to ensure that their agencies can deliver on the Treasurer's requirements. He sits in this place like Robinson Crusoe. He mouths the appropriate words in question time, but he has absolutely no control over the ministers to ensure that they deliver what he is requesting of them. He is the most impotent Treasurer in memory when it comes to enforcing budget control. He has absolutely no control over his ministers—a group of ministers who have no commitment to making the tough decisions that are necessary in the state's interest.

MR T.R. BUSWELL (Vasse — Treasurer) [3.33 pm]: I feel compelled to say a few words, and no doubt I will be followed by the Premier, who, under the withering onslaught from members opposite, had to retreat for a cup of tea. His action probably indicates the very shallow depth of the argument that has been presented.

Before I deal with the motion, I will touch on a couple of points. We heard the member for Victoria Park, the shadow Treasurer, talk about the three per cent efficiency dividend. He is right: it is difficult for some agencies to achieve that. In due course I will refer to what the government will do about that.

I understand that the opposition's position is that the three per cent efficiency dividend does not apply to police or health. I do not need to dig out the public comments made by the shadow Minister for Police or the shadow Minister for Health to indicate that that is clearly their view. They come into this place and criticise the government for the work it is doing to deliver the three per cent efficiency dividend when, of their shadow ministers' volition, the opposition has given up on health and police. If that attitude is applied mathematically across the rest of the government agencies, those agencies will have to yield savings of a little over five per cent. My advice to members opposite is to get some consistency into their argument about the three per cent efficiency dividend before they question this government's endeavour to implement it.

The shadow Treasurer might be interested to learn that on assuming government I sought a briefing from Treasury on the work that had been done by the former government on the implementation of the three per cent efficiency dividend. It was nothing. It was worked out on the back of an envelope on the eve of the election to provide a pool of funds that, admittedly, we spent and we will work on it. The previous government did no work on it whatsoever. We are working on it. We have accepted the challenge of the three per cent dividend. It is a job of work to deliver on it. We will work through it with those agencies that at the moment are reluctant to yield those savings. Ultimately, I can assure members, those savings will be delivered. Shortly I will talk about the process that will yield those savings. The shadow Treasurer spent time talking about how he would deliver the three per cent, but I will not refer to his confused attempt to explain what he said.

I will talk about debt, because it is a fundamentally important issue. The shadow Treasurer raised an interesting point about the Australian Loan Council. At the next Treasurers' meeting further discussion will ensue on what role the Loan Council will play in an environment in which the federal government is guaranteeing state debt. It is an issue.

Mr E.S. Ripper: Do you think the government guarantee will be available to fund operating deficits?

Mr T.R. BUSWELL: That is a very good point. I am not sure. I recollect that most states, maybe with the exception of Victoria in the first instance, are looking at a deficit situation. It was not an issue that was raised at last week's meeting, but I am sure that if the commonwealth has an issue with it, it will provide advice.

Mr E.S. Ripper: Do you think it would be right for the guarantee to apply to borrowing for an operating deficit?

Mr T.R. BUSWELL: The Leader of the Opposition knows that if there is an operating deficit, it has to be sourced from somewhere. I will deal with that in due course. I am happy to extend a briefing from Treasury to the Leader of the Opposition or the shadow Treasurer on this matter, because it is an important issue. This government's view is that other policy options are available to the federal government, but it chose the option of the guarantee.

I come back to debt. We have confused signals around debt from the opposition. On the one hand, the shadow Treasurer has on a number of occasions put forward a strong view that the state should not go into debt, because debt is bad and has to be repaid by future generations of Western Australians. On the other hand, we have the Leader of the Opposition, the former Treasurer, actively encouraging the state to enter into more debt by spending more now for the benefit of the state's economy. When I assess those two competing options from the opposition, I line up behind the Leader of the Opposition. In the short term we will be increasing the state's debt loading as we attempt to assist in the stimulation of the economy.

Before I deal with the motion, the only other point that was raised and is worthy of response was made by the member for Rockingham, who assured us that he worked tirelessly in government, day in day out, hour after hour, including weekends and evenings, to make sure that his department was as efficient as it possibly could be. My simple question is: if that was the case and he was so successful, why is it the view that three per cent savings are not readily assessable out of that agency? It is an admission of his failure to manage that agency.

I will spend some time on the actual motion before the house by articulating to the house the range of strategies that the government has embraced to deal with the fiscal challenges that it faces. It is a range of strategies that the government is using in an attempt to put some stability into the state's finances in a very volatile period. The three per cent efficiency dividend has been discussed. It is the case that some agencies will not deliver on that this year. My strong view is that agencies will ultimately deliver on those savings targets by implementing the process that is being used by the police department; that is, Treasury, along with relevant external expertise, will work with those agencies and ministers to ensure that in every instance taxpayers are getting maximum value for the taxpayer dollar. It is a process, as I understand it, that has not happened before. It is a process that will take time and involve a lot of resources and a lot of hard work, but it is also a process that I am sure will yield significant benefits to the taxpayers of Western Australia.

Mr M. McGowan: When is this starting?

Mr T.R. BUSWELL: It has already started. It is in operation in the police department now. It is in the science and innovation area of the Department of Commerce. I have signed off on that, so that will be happening. It will roll through other agencies. I can tell the member that the priority in which it will roll through agencies —

Mr M. McGowan: It will take years.

Mr T.R. BUSWELL: Maybe so. It may take years, member for Rockingham, but we will do it. We are not going to sit there and say, "Oh, it's too hard. It might take years. Heaven forbid!" The opposition just told us that it spent hours and hours, day after day, weekend after weekend, year after year doing the work. We are offering to do it also, and do it better, but the opposition says that it will take too long. That is what we are going to do.

Mr A.J. Carpenter: You are effectively saying that you won't do it.

Mr T.R. BUSWELL: I am doing it, and that is the mechanism we are using. It will yield substantial savings. Does the member know what will happen?

Mr A.J. Carpenter interjected.

Mr T.R. BUSWELL: Is that right? Is it the case that a lot of your CVs were returned unopened?

Mr A.J. Carpenter: CVs?

Mr T.R. BUSWELL: Is that the case? I am interested in these little issues. Anyhow, we will talk about that at another time. This is the situation: we will work, using that mechanism, to deliver those savings.

What else are we doing in government? We have embraced and are conducting an economic audit. The economic audit is drilling down and examining the efficiencies with which government delivers services. The budget that is handed down in May will include the first round of recommendations from the economic audit. They will be articulated, line item by line item, in the budget, with the savings that that will generate. The economic audit will, in the first instance, generate savings in recurrent spending, and in the fullness of time —

Mr E.S. Ripper: Of how much?

Mr T.R. BUSWELL: Of an amount that the Leader of the Opposition will see clearly articulated in the budget. That is the economic audit. The economic audit has a second role to play, and that is to examine the efficiency of delivery of government services.

Mr E.S. Ripper: The Leader of the National Party, in an interview reported in *The Australian Financial Review*, said that there would be further budget cuts of three to five per cent across the board—that is, beyond the three per cent efficiency dividend. Was that an accurate account?

Mr T.R. BUSWELL: I can tell the Leader of the Opposition that there will be a second round of recurrent spending cuts, over and above those contained in the three per cent efficiency dividend. I can also tell the Leader of the Opposition that there will be subsequent rounds, because we have an ongoing rolling reform process designed to deliver efficiency in the government sector. It is not something that we will do in six months; it is not something that we will do in 12 months; but it is something that we will keep working on. Therefore, members opposite will see round after round of this activity on an agency-by-agency basis and on a line-item-by-line-item basis, because that is the work that is required. The second phase of the economic audit—this report will come down, I suspect and I hope, in September this year—will look at some of the broader reform issues in the delivery of government services. Rather than focus on just writing a bigger cheque, we will focus on doing it better. That is what we are going to do. We will make sure that taxpayers in this state get value for their tax dollars. It is what they demand of us and it is what we intend to do. We are not going to fall into the opposition's trap of just writing a bigger cheque and assuming it will solve the problem, because the quality of service delivery is an issue that was neglected for eight years, perhaps with the exception of procurement, as the reforms in that area were good and supported. That is the economic audit.

What is the third element of our response? It is the capital works audit. The capital works audit is clearly designed—I have said this many times publicly—to reduce the aggregate size of the state's capital works spend, but, within that broad parameter, it will look at bringing forward appropriate capital works into this financial year and the next financial year to support the Western Australian economy. That is why we announced an additional 1 000 homes earlier this year. That is why we have put extra focus on delivering educational outcomes. There is enormous pressure in the delivery of those outcomes, as we try to accommodate the amounts of money provided by the commonwealth: $640 million for housing and $1.2 billion, give or take, for public schooling. The capital works audit —

Mr J.N. Hyde interjected.

The SPEAKER: Order, member for Perth!

Mr T.R. BUSWELL: The whingeing? I am telling members opposite what we are doing.

The SPEAKER: I say to the member for Perth that there are times to interject and there are times not to interject. I have called the member several times today. I call him formally for the first time.

Mr T.R. BUSWELL: Thank you, Mr Speaker. I started to buckle at the knees for a second.

Mrs C.A. Martin: That's no surprise, is it?

Mr T.R. BUSWELL: I am not buckling at the knees like the drummer of Midnight Oil or Missy Higgins. Good on the member for saying that. We applaud her for saying that and for standing up for the community that she represents. Therefore, I thank the member for those comments. I think they were very appropriate and a more than acceptable use of that colourful great Australian term.

The fourth element deals with labour costs. Labour costs are a fundamental challenge to government. Under eight years of Labor, the state's wages bill grew by $3.2 billion—that is, 75 per cent. Wages accounted for 41 —

Mr P. Papalia: What are you going to do?

Mr T.R. BUSWELL: I am about to tell the member. Did the member hear the brief ministerial statement? I seriously reckon that on one of those deep dives the oxygen mix was not right. It is not like a permanent impediment.

What is the government going to do? Forty-one per cent of the growth in general government spending was driven by wages growth. In the past year, wages growth was 11.7 per cent, and in the past four years it was 9.6 per cent per annum. What are we going to do? We will do two things. In relation to the size of the public service, we will do a public sector headcount to take that element out of the equation. Secondly, the wages policy —

Mr P. Papalia: What does that mean—sacking public servants?

Mr T.R. BUSWELL: Does the member know what a public sector headcount means? I will explain it very slowly. What we do is go back to the budget figures of last year and add up the number. We then add up the number that is associated with election commitments and other discrete policy decisions of government post election. That gives a number, and our guide is to stay at or under that number.

Mr E.S. Ripper: That will actually result in staff cuts in some agencies.

Mr T.R. BUSWELL: Does the Leader of the Opposition know that some agencies are not filling places? Does he want me to give him some examples? If I can find them, I will. I am trying; I am trying. Some people say that I am very trying. I will give the Leader of the Opposition some examples of some agencies that are not filling places. In the Department of Education and Training, there will be a five per cent reduction in central office staff, restricted to natural attrition, over the next 12 months. The department proposes to reduce central office employment levels by 100 full-time equivalents, resulting in savings of $27 million over four years. I think that is a good thing. The department is not going out and getting rid of people; it is just not replacing people. Let me have another look. The Department of the Attorney General will reduce its administrative support by 54 FTEs, resulting in savings of $16 million. What is the Department of Treasury and Finance up to? Thirty-five FTE positions are not being replaced within the Office of State Revenue—some in the compliance area and others in other areas. Therefore, agencies are responding to our request for them to look at what the former Treasurer described as those backroom functions. That is what they are doing. The cap on the size of the public service is part of it. The second component—because wages growth is part of the percentage growth in the public service—is to attempt to rein in the rate of growth of wages. We announced our wages policy today. If members opposite were listening, they would have understood that it basically sets two parameters. One parameter and one principle —

Mr E.S. Ripper: It creates two classes of workers.

Mr T.R. BUSWELL: It does not.

Mr E.S. Ripper: It does.

Mr T.R. BUSWELL: It does not. It says to all employees in the Western Australian public service that the government will work to maintain their real wages. In other words, the base level —

Mr R.H. Cook: It discriminates against nurses.

Mr T.R. BUSWELL: It discriminates against nurses? It says to those employees that their base level of wage will go up by the estimated consumer price index to protect their real wages, and at the same time it says to them that they have an opportunity to work with the government to show efficiency savings, which means that their rate of salary growth can be over and above the CPI, but no more than the wage price index. I think that is a reasonably sensible wages policy in the current climate. Again, the estimates from Treasury are based on a set of assumptions about historic wages growth. I would argue that indicatively this wages policy will save the government up to $500 million over the next three years for government sector wages. This will be a difficult policy to implement. We have put in place a framework within which wage negotiations will occur. That framework is designed around early engagement in a defined series of steps that will allow us to move forward with those wage negotiations. Cabinet in its wisdom has asked me to take carriage of this policy. I look forward to working with the representatives of our public sector workers to deliver on those outcomes, because it is my view that everyone in the labour market in Australia understands that wages restraint is required in the current environment. Therefore, the fourth element revolves around our efforts to rein in the growth in labour costs.

The fifth element of our attempt to deal with the financial instability in which this state finds itself is our reform of our capital works program—our works-based reform in Western Australia. If there is one thing that we need to avoid, it is the historic practice of not delivering public infrastructure on time and on budget. That has huge ramifications for the state. It also has enormous potential to undermine the state's finances. In a $28 billion capital works program, if we go 10 per cent over budget, that is an additional cost of $2.8 billion. If we go 20 per cent over budget, that is an additional cost of $5.6 billion. I will take members through some of the projects that are currently on the books. If the former government managed to complete a project with a cost increase of no more than 20 per cent, it was given a green tick. I have a list of about 20 projects. Only one of those projects has been given a green tick. That is the Central Law Courts refurbishment. The cost increases on the other projects range from 21 per cent upwards. Albany Entertainment Centre had a $14 million budget, but it was delivered for $70 million—a 400 per cent increase!

Mr W.R. Marmion: What about Perth Arena?

Mr T.R. BUSWELL: Yes, Perth Arena—one of my other favourites! According to this document, the cost of Perth Arena increased from $160 million to $442 million—an increase of 177 per cent! Perth Arena does not even get a gold star! These are issues that need to be addressed.

Mr P.B. Watson: You have quoted Albany hospital as costing $105 million when everyone knows it will cost $200 million, so do you classify that as a blow-out or just bad management by you?

Mr T.R. BUSWELL: There are huge issues in the way that projects are scoped. The latest data I have heard on Albany hospital is $135 million. I have no other information on that at this stage. There are huge issues. That highlights the challenge that we are facing. There is a need to fundamentally reform the way we build projects in

Western Australia. I go to meeting after meeting and people say to me that the reason the cost of projects has gone up is that there are inflationary pressures on building costs. Yes, there have been some inflationary pressures. However, there is absolutely no way that those increases in building costs have accounted for those increases in costs. When we drill down and have a look, we see that there is a lot of scope creep. There is a lot of agency-driven scope creep. The former Treasurer knows all about that. He knows exactly what I am talking about. Our challenge is to develop a works mechanism that will take that scope creep out of the equation. That will be difficult. However, we need to do it. That is the fifth plank in our reform agenda in managing the state's finances.

Several members interjected.

Mr T.R. BUSWELL: We will be debating another matter after this, and members can ask me lots of questions then.

Our efforts are designed to acknowledge that we are operating in a volatile environment. We therefore need to achieve a balance between protecting Western Australian jobs and ensuring that our state's finances have a stable base that will see us through these volatile times, when we are under pressure, and will position us to grow into the future.

In closing, I want to highlight to the house the approach that the opposition is taking to jobs in Western Australia. I hope the Leader of the Opposition will respond—I think he has six minutes left—and will explain to the house this amazing document that has been put out by the opposition. This document is an attempt to protect jobs in Western Australia. However, it is not about investing in new houses or new schools, or in other forms of infrastructure. It is not about improving conditions to encourage the private sector to employ people. It is about seizing control of the problem by appointing a task force. It is about conducting an audit. It is about conducting a strategic review of all government agencies. It is about an analysis of previous downturns. In my view, that document will offer almost no comfort to any person whose job is currently under threat. People want us to invest in infrastructure. People want us to partner with the commonwealth to project jobs and support our economy. That is what we have been doing, and that is what we will continue to do.

MR E.S. RIPPER (Belmont — Leader of the Opposition) [3.55 pm]: The Treasurer appears to be able to talk the talk. The difficulty is that he cannot walk the walk. What the Treasurer has done is outline his plan. What we have done is look at the outcomes. As the member for Rockingham and manager of opposition business has said, we look at the outcomes: the largest ever request for a Treasurer's advance in the history of this state—$1.2 billion; a 13 per cent-plus expense growth; and a debt-to-revenue ratio that has been projected in the midyear review to peak at 60.9 per cent. The problem for the Treasurer is that the management of the state's finances got away from him at the very beginning of his term in government, and he has not been able to get control of it. The Treasurer talks the talk about plans. The problem is that his government is based on a fundamentally unsustainable financial agreement between the Liberal Party and the National Party. That agreement is to allocate $2.8 billion over and above the forward estimates to regional expenditure. That agreement was unsustainable even before the global financial crisis began. It is now even more unsustainable. That agreement will result in job losses in the public sector, service cuts for the people of Western Australia, unfair wages outcomes for public sector workers and dishonesty in government. I know what will happen. As the government seeks to manage this unsustainable agreement, it will tell the regions that the money they are getting is part of the royalties for regions deal, when it is money that they should be getting in any case for health, education, law and order, disability services, roads and port enhancements, and so on. That agreement is a dishonest con on the people in the regions. It will be a burden for the entire state. It will deliver job losses, service cuts and unfair wages outcomes. It will also compromise the government's reputation. Very early during this term of government, on 11 November 2008, the Treasurer said that his government is committed to maintaining the state's AAA rating. He said also that he acknowledges that the 47 per cent debt-to-revenue ratio is an important part of that process. The government is taking no account of that 47 per cent debt-to-revenue ratio. The government has already projected a 60.9 per cent peak in its debt-to-revenue ratio. How on earth will the government be able to get that debt back under control? That will pose a real threat to the state's AAA credit rating. However, there is a threat to this state that goes well beyond the loss of our AAA credit rating. That is the threat that the interest payments on that mounting debt will pose to the continuation of funding for services. It is one thing to lose the state's AAA credit rating. That is bad for the reputation of the state. However, there is a worse fate than losing the state's AAA credit rating. That fate is to have such a high level of debt that the servicing of that debt in an environment in which interest rates will surely increase becomes in itself a potent threat to the delivery of services and to the payment of wages—that is, to the things that the people of Western Australia expect from the government.

The Treasurer has tried to draw some contrast between the shadow Treasurer's comments on debt and my comments on debt. There is no such contrast. We believe in debt being managed at sustainable levels. I have argued that there is a case for bringing forward some of the borrowings that would otherwise be used in three or four years' time and using them now to invest in the state's economy to protect Western Australian jobs, not to increase ultimate debt levels. On that point, I agree with the shadow Treasurer. We both support, within the ultimate debt envelope, bringing forward some of the borrowings to invest in Western Australian jobs. The Treasurer scoffs at our proposal for a jobs task force and for rapid response teams to help protect Western Australian jobs. The reason we advance those propositions is that this government appears to have no compassion, no care and no concern as people lose their jobs right across the state.

DR M.D. NAHAN (Riverton) [4.01 pm]: I would like to make a number of comments on this issue. I have watched it and listened to it for a long time. We are facing one of the most difficult times in the state's fiscal history, probably since the 1930s. To put this into context, let us examine what other state governments around Australia are doing. The state government that has historically led with fiscal stringency has been Queensland, which had a balanced budget for 30 years until recently. This year it is in deficit to nearly $2 billion. The Premier of the state of Queensland went to a recent election, I think last week, with a $2 billion deficit and won. We also have another popular leader in the form of Mr Rudd, the Prime Minister. He inherited a budget surplus in the vicinity of $20 billion. There are now rumours that he will be cutting expenditure in higher education to the extent of $7 billion. He is also rumoured to be forecasting a budget deficit of $35 billion. This is a turnaround of $55 billion, which is unprecedented. Mr Rudd went to the federal Parliament recently and asked for essentially a Treasurer's advance, an additional borrowing allotment. How much did he ask for? What did our Treasurer ask for?

Mr T.R. Buswell: I asked for $1.2 billion.

Dr M.D. NAHAN: The Prime Minister asked for $200 billion in the form of an expanding borrowing allotment. We are now in a world where things have changed and we must deal with it.

Mr C.J. Tallentire: The $200 billion is a debt authorisation, not an advance.

Dr M.D. NAHAN: He asked for permission to expand the allotted borrowing requirement to $200 billion. All governments have significantly increased their levels of expenditure. We at the state level are benefiting from Mr Rudd's increased expenditure to the tune of $1.4 billion for schools, particularly primary schools.

Mr P. Papalia: The government is doing nothing itself.

Dr M.D. NAHAN: The member should be pleased. I am pleased with the expenditure coming from Mr Rudd. On the other hand, the state's revenue has virtually collapsed; it has decreased quite significantly, largely because the government inherited a situation in which the state's Treasury was hopelessly addicted to a housing bubble, the revenue from which has come down.

The government also inherited a budget with two other aspects to it. The first two years of the Gallop government were very good because of the drive for efficiencies.

Mr D.A. Templeman: You would make a good Treasurer for Zimbabwe.

The DEPUTY SPEAKER: Order, member for Mandurah!

Dr M.D. NAHAN: The member for Mandurah would make a very good general in Zimbabwe, with a short lifespan.

Mr D.A. Templeman: I probably would.

The DEPUTY SPEAKER: Order, member for Mandurah!

Dr M.D. NAHAN: The member for Mandurah should lead the way. In the first two years in office the Gallop government instituted a large number of reforms, and I remember discussing them. They were drastic reforms to the structure of government. They involved efficiencies and reducing the deficit that the Gallop government said it inherited. All those things were to drive efficiencies during a small recession in Western Australia. If I remember correctly, the efficiency dividend was two per cent or maybe 1.5 per cent. When people come into government and take over the reins, they must drive efficiencies.

Mr P. Papalia: You are not doing it.

Dr M.D. NAHAN: We are. Let me reiterate some of the points that the member has not listened to. In the last five years of the previous government there was no apparent attempt to meet budget statements, let alone restrain expenditure. Every year there were three to four per cent blow-outs in expenditure. The previous government basically went to the bureaucrats and said that if they had a problem meeting their very luscious expenditure targets and expenditure blew out, they should go ahead. We came into government when there was a collapse in revenue, a declining economy, a lack of expenditure restraint in the public sector and a public sector addicted to large inflows of money. What did this government do? First, it tried to implement the budget by implementing the three per cent efficiency dividend, which is not an expenditure cut but a reallocation, as I understand it. The Treasurer has enunciated the areas where the efficiency dividend will be implemented and to which areas it will be allocated. They are largely front-line service areas. What is the opposition's complaint? It is what the previous government said it would do but had no plan to do.

The second action the government is taking is to go to the bureaucrats and ask what the priorities are and in which areas can be found these efficiency dividends that were required of them in the budget. A minister going to bureaucrats and telling them dictatorially what they should do would be inappropriate. If bureaucrats were to fail to achieve efficiency dividends, a minister would step in. Whether with the Department of Treasury and Finance or otherwise, bureaucrats would sit down and argue the priorities. The targets would be restated, the priorities would be outlined and the process would then be driven. This can sometimes take time because some of these issues are difficult, especially in health and education and particularly with a collapsing economy. The government is doing the right thing.

The third action the government is taking is to look at the capital works program. We were all around a couple of years ago when plans for buildings were booming but the costs doubled before the ink on the plans had dried. The costs for every capital works program of the state blew out disgustingly.

Mr E.S. Ripper: Did it happen in the private sector as well?

Dr M.D. NAHAN: Sometimes it did but not always. Many in the private sector went bankrupt. We do not want to do that. What we must do in this new environment, with the clear inability of the public sector to restrain expenditure and capital works, is to examine the capital works budget and ask what the priorities are and how we can drive and get control of costs. Admittedly, the economy will help because things have slowed down. That is one of the blessings we have. Workers will be available and we will be able to keep costs down. The previous government faced huge cost pressures because of the overall state of the economy. We have looked at the capital works budget and we are still reviewing it. As has been said, the government will not focus on stadiums and recreational facilities but on schools, hospitals and economic development. We went to the electorate with that and we will go to the electorate with it again. I am sure we will be supported.

Mr P. Papalia: You will build fewer schools, not more.

Dr M.D. NAHAN: We will be putting more into schools. We do not necessarily need to build more schools.

Several members interjected.

The DEPUTY SPEAKER: Order!

Several members interjected.

The DEPUTY SPEAKER: The member for Riverton! The member for Mandurah will please stop shouting and drowning out the speaker on his feet.

Dr M.D. NAHAN: Our biggest priority is not to build some new schools, but to overcome the huge gulf in repair and maintenance for schools that Labor has left. Another project the Treasurer has put in train is an expenditure review across the board, beyond three per cent. Would we do anything but that?

Question put and a division taken with the following result —

Ayes (27)

Ms L.L. Baker	Mr J.C. Kobelke	Mr P. Papalia	Mr C.J. Tallentire
Mr A.J. Carpenter	Mr F.M. Logan	Mr J.R. Quigley	Mr A.J. Waddell
Mr V.A. Catania	Mr J.A. McGinty	Ms M.M. Quirk	Mr P.B. Watson
Mr R.H. Cook	Mr M. McGowan	Mr E.S. Ripper	Mr M.P. Whitely
Ms J.M. Freeman	Mrs C.A. Martin	Mrs M.H. Roberts	Mr B.S. Wyatt
Mr J.N. Hyde	Mr M.P. Murray	Ms R. Saffioti	Mr D.A. Templeman *(Teller)*
Mr W.J. Johnston	Mr A.P. O'Gorman	Mr T.G. Stephens	

Noes (29)

Mr P. Abetz	Dr E. Constable	Mr R.F. Johnson	Mr A.J. Simpson
Mr F.A. Alban	Mr M.J. Cowper	Mr A. Krsticevic	Mr M.W. Sutherland
Mr C.J. Barnett	Mr J.H.D. Day	Mr W.R. Marmion	Mr T.K. Waldron
Mr I.C. Blayney	Mr J.M. Francis	Mr P.T. Miles	Dr J.M. Woollard
Mr J.J.M. Bowler	Dr K.D. Hames	Ms A.R. Mitchell	Mr J.E. McGrath *(Teller)*
Mr I.M. Britza	Mrs L.M. Harvey	Dr M.D. Nahan	
Mr T.R. Buswell	Mr A.P. Jacob	Mr C.C. Porter	
Mr G.M. Castrilli	Dr G.G. Jacobs	Mr D.T. Redman	

Pair

Ms A.J.G. MacTiernan	Mr B.J. Grylls

Question thus negatived.