

An article that appeared the other day in the *Age* highlighted the waste and mismanagement in Department of Education rental payments. These are the sorts of matters about which the magic wonder boy, the modern money manager—Victoria's Treasurer—ought to be providing details so that honourable members can judge how good he is. When he places before Parliament a meaningful document, supported by modern technology, and makes available to honourable members the material that will allow them accurately to judge his rhetoric, I am sure those of us who find his rhetoric to be true will praise him, while those of us who find his rhetoric to be untrue will "Cain" him!

Mr HAYWARD (Pahran)—I support the Bill, even though it incorporates high levels of Government expenditure. Therefore, I support it with some reluctance. Victorian Government expenditure is critical to Victorian families and businesses, simply because it must be paid for. There are only two ways in which Victorian Government expenditure can be paid for. One is by taxes and charges and the other way is through borrowing. The high level of Victorian taxes and charges is already placing an enormous burden on Victorian families. Likewise, the competitiveness of Victorian industry is being undermined by the dramatic increases in taxes and charges.

I recently carried out a survey of Victorian manufacturing industry, which indicated that employment levels in that industry are static and likely to decline. There has been an ongoing decline in employment in manufacturing industry in Victoria for some years. It levelled off for a period, but the indications are that the decline will continue. Although there has been recent investment in Victorian manufacturing industry, it has been an investment in the replacement of people with equipment. The reason for that is that the policies of the Government have made employing people too expensive. The survey indicates that the outlook for manufacturing industry is towards reduction in capital expenditure in the financial year 1985-86. When one asks those firms why they are hesitant about investing in the future, they say that they are deeply concerned about the levels of costs in Victoria, including Government-induced taxes and charges. We have reached the stage where the Government, while professing to be assisting industry and encouraging growth, is one of the most significant impediments to its growth.

The real worry is that much of the growth in Government expenditure is being met by borrowings. Since the Government has been in power the public debt in Victoria has increased by 50 per cent, from \$11.2 billion to \$16.6 billion. Victoria is rapidly heading towards a time when servicing that public debt will cost about \$1000 million a year. The burden of paying for that debt and consequent interest charges will fall on our children and grandchildren. It could be described as financial child abuse in Victoria. It has been estimated that by the year 2000 each Victorian taxpayer will be paying approximately \$1000 a year in Victorian taxes and charges, just to meet the interest charges on the Victorian public debt. I do not believe the average young Victorian is impressed by that prospect or is prepared to live with it.

I am sensing increasing revolt amongst young Victorians because of the high rate of Government spending at their expense. We cannot allow this dangerous state of affairs to continue indefinitely. We must call a halt to the rate of Government expenditure. It is difficult to cut Government services, but work done in the United States of America and Australia indicates that there is more scope for reduction in waste in Government. A private sector survey on cost control in the United States of America has found that waste in Government expenditure in that country amounts to approximately 13 per cent of total Government expenditure. Studies in Australia have indicated that the problem of Government waste in this country is even worse than the American experience. Even using the more conservative American figures, the level of waste in the Victorian public sector is probably about \$1000 million a year.

Targets must be set to reduce the waste in Victorian Government expenditure. To make it easy for the Government I propose that a target of \$1000 million be set in cutting waste expenditure over the next four Budget years. We must declare a war on waste. To spearhead that campaign, we should establish a waste reduction commission. The commission would

consist of three business people, who would receive no remuneration. Business people are always calling for a reduction in Government expenditure. They would have the opportunity of helping to achieve this objective. The waste reduction commission should be given full access to information on Government operations.

The commission should consider ideas put forward by members of the Public Service, the public generally and industry. As an incentive, commissions could be paid for ideas that result in significant reductions in waste—for example, a person suggesting the idea could be paid 10 per cent of the savings made through a proven waste reducing measure.

It is possible that a stage will be reached where a public servant can earn a commission of \$1 million by putting forward an idea that results in a saving of \$10 million. If the Government were to introduce such a scheme the ideas would come forward in a rush, and it would be easy to achieve a reduction in waste in the Victorian public sector of \$1000 million over the next four Budget years.

This is a challenge which should be put to this Government and one by which the Government should be measured. The whole population should be encouraged to become involved in this project.

Business firms, in particular, should be encouraged to submit ideas by which waste in government can be eliminated. This problem of Government waste is too serious to be left simply within the control of the Public Service and the Government itself. Government expenditure has reached a crisis. In the years ahead it will impose an extremely heavy burden on the Victorian public.

Another way of reducing Government expenditure and assisting the growth of industry is to contract out Government services. I reiterate that I am not advocating any reduction in essential Government services; rather I am suggesting ways in which efficiency and effectiveness can be improved in the delivery of those services. It has already been pointed out this afternoon that, despite substantial increases in expenditure in a number of areas including education, health and transport, no significant improvement has been achieved in the provision of services, because the increase in expenditure has gone into administration and not into improving services.

The classic example is Victoria's health services where the crisis has deepened in the past twelve months. For example, the waiting list at the Alfred Hospital has lengthened to the extent where patients now have to wait many months and perhaps years for pain relieving surgery. An elderly gentleman came to my office last week with a swelling in a vital organ, which is causing him constant pain; in fact, life has become a misery to him. He desperately needs an operation to relieve his pain, but as it is not a life and death matter it is classed as elective surgery, and he is placed at the end of a long queue.

Studies in various parts of the world including Canada, the United States of America and the United Kingdom have shown that, in many situations, Government services can be administrated more effectively and efficiently and at lower cost through contracting out to non-Government organizations and firms. In this way it is possible to overcome many of the built-in costs and inefficiencies in Government organizations.

The problem of cost control is present in all large organizations, including industry. Major savings in costs have been achieved in large companies through contracting out to smaller firms, as I can illustrate with the classic example of the automotive industry in the United States, which is one of the most efficient in the world. Its efficiency has been achieved primarily by contracting to smaller firms where the administrative costs are much lower than those in a larger firm. Also, in the smaller firms there is more scope for individual enterprise, creativity and enthusiasm. It makes good sense, whether it be in the business sector or in the public sector, but it is even more important in the public sector because of inherent inefficiencies in Government organizations.

The Government says it is interested in assisting industry. It should, therefore, pay close attention to the payment of accounts by Government organizations. In a time of very tight

liquidity, many firms have informed the Opposition that they are having difficulty in obtaining settlement of bills by Government organizations, and that the length of the delays in settlement is extending to 90 or even 120 days. To give a specific example, a diving firm supplying equipment to the Ministry for Planning and Environment has had an account outstanding since May 1984. Each month it sends another account. Ministry officials have told the firm that they cannot pay because they do not have funds available.

A number of service stations have complained that they are experiencing enormous difficulties in obtaining settlement of their accounts, particularly from the Police Department, and the delay in settlement has extended to something like 90 days.

This is a time when Victorian industry is in a situation of very tight liquidity. If the Government is really interested in assisting industry, it should ensure that bills are paid on time and not use accounts payable as another form of interest free credit.

Honourable members have heard much talk about the growth of Victorian industry. This afternoon the honourable member for Brighton has shown that the statistics used by the Government to substantiate its claim that Victorian industry is leading Australia out of recession have been used selectively and that, to a large degree, the use of those statistics has been a public relations exercise.

Victorian industry is concerned about its future because of the high level of Government taxes, charges and interference, about the fact that future Government involvement in industry is likely to be on a discriminatory basis where public servants and politicians will decide which firms are to be assisted, which firms are to receive equity shareholdings from the Victorian Economic Development Corporation and which firms are not. The people of Victoria will see the politicians and the bureaucrats playing God and deciding which firms will go ahead and which will not. These same bureaucrats have a poor track record in this regard.

The studies conducted in various parts of the world, especially the United States, show that the best way of helping industry to grow is to provide a low general level of taxation and a low level of Government interference.

Case studies in the United States—in Rhode Island, for example—have shown the situation there to be very akin to what the Victorian Government is proposing, that is, a high degree of Government involvement, a high level of taxation, Government handing out prizes to those firms that suit it. A low level of growth, both in terms of industry and employment, has been experienced in that State.

At the other end of the spectrum are Texas and California where it is realized that to allow industry to find the opportunities for itself and to grow, it is necessary to achieve a low level of taxation and a low level of Government interference.

The approach of this Government will stifle growth in Victoria. It will not lead to increased employment, particularly in manufacturing industry, and it will cause concern in the future.

This State needs for the future a Government that will cut back on expenditure and on Government taxes and charges, reduce the amount of borrowing and give industry the opportunity of growing. That type of Government will come into office at the next election—the Liberal Government. Only then will Victorians see an increase in growth in this State.

Mr BROWN (Gippsland West)—One should tender some form of apology to the Governor and hasten to explain the situation to the public at large who read *Hansard* but are not aware of how the Governor's Speech is prepared. The Governor's Speech is prepared by the Government of the day, and the Governor—whoever that may be—who is in a position of the highest respect, is obliged to read the speech presented to him. Part of the Governor's Speech stated: