

Chairman; Mr Peter Watson; Mr Brendon Grylls; Mr David Templeman; Dr Graham Jacobs; Mr Mick Murray;  
Mrs Glenys Godfrey; Ms Mia Davies

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**Division 11: Regional Development, \$4 244 000 —**

Ms J.M. Freeman, Chairman.

Mr B.J. Grylls, Minister for Regional Development.

Mr P.B. Rosair, Director General.

Mr J. Mercadante, Director, Corporate Services.

Mr M.C. Rowe, Acting Executive Director, Development and Diversification.

Mr C.D. Slattery, Director, Regional Investment.

Mr P.A. Gregson, Manager, Budget Services.

Mr M.J. Clifford, Acting Executive Director, Policy and Planning.

**The CHAIRMAN:** This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 August 2013. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

**The CHAIRMAN:** Member for Albany.

**Mr P.B. WATSON:** Minister, the regional development commissions will now come under royalties for regions funding. Would they still be there if the minister had not provided money from royalties for regions, which is a basic government service?

**Mr B.J. GRYLLS:** I thank the member for Albany. Obviously, that decision was made in an effort to provide some savings to the budget bottom line. The development commissions are statutory authorities formed under the Regional Development Commissions Act 1993. I am very confident that they will continue to provide a strong avenue for driving government decisions on regional development.

**Mr P.B. WATSON:** The minister did not answer my question. I asked: would they still be there if the minister had not dipped into royalties for regions money?

**Mr B.J. GRYLLS:** Again, that decision has been made. I am saying that they are important statutory authorities and the decision was not about whether they would survive or be abolished; the decision was made around providing savings for the budget bottom line.

**Mr D.A. TEMPLEMAN:** My first question to the minister is in relation to the total spend of royalties for regions; I refer to the tables that appear on page 171, which show recurrent changes. Given that the legislation prescribes that royalties for regions funding is to be 25 per cent of royalties derived, can the minister assure me, in terms of percentage figures, that the 2012–13 budget and the projected 2013–14 budget will actually deliver 25 per cent of royalties derived, as per the legislation? Can the minister tell me what percentage figures were allocated from royalties for regions funds last financial year?

**Mr B.J. GRYLLS:** I thank the member for Mandurah. The legislation requires Treasury to appropriate 25 per cent of estimated royalties into the royalties for regions fund, and we release a budget that shows how the money is going to be spent, and that is what we are running through now. Obviously, in the first few years we were not spending the full appropriation, as we defined business cases and got projects up and running. But I am happy to say that for 2012–13, \$1.122 billion was appropriated, and we actually spent \$1.070 billion, which is 95 per cent of the allocation. We have put in place measures to ensure that, essentially, we can spend the money that was allocated, because that was a challenge in the beginning. That 95 per cent is up from 54 per cent the previous

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year and 57 per cent in 2010–11. We believe that we have a stronger process now for how we business-case and cashflow projects to ensure that the money is spent in the year for which the money is actually allocated.

**Mr D.A. TEMPLEMAN:** Can the minister confirm what the achieved percentage of the 25 per cent was for 2012–13?

**Mr B.J. GRYLLS:** Again, 25 per cent is appropriated to the fund. The budget details what we are taking out of the fund, and the fund is regulated by the act as well as the billion-dollar cap. That is a strong incentive for me to essentially appropriate the money that is appropriated to the fund, otherwise the cap will come into play and the money would not be placed in the fund. The cap has not stopped—we do not intend for it to stop—the appropriation of money into the fund.

**Mr D.A. TEMPLEMAN:** Let me put it this way: is it true that of the 25 per cent that was allocated in the last financial year, the government achieved only a 17 per cent spend on royalties for regions?

**Mr B.J. GRYLLS:** I would need to know what the member is referring to.

[3.30 pm]

**Mr D.A. TEMPLEMAN:** Of the total appropriation for 2012–13, is it true that only 17 per cent of the 25 per cent royalties for regions was actually spent?

**Mr B.J. GRYLLS:** Is the member referring to page 171 of the *Budget Statements*? The member must have referred to some figures to get a percentage.

**Mr D.A. TEMPLEMAN:** Of the appropriation for royalties for regions—I am specifically looking at page 171 of the *Budget Statements*—I am seeking an actual figure from the minister as to what was spent of the allocated 25 per cent of royalties for regions money. What was the actual amount spent in percentage terms? Was it, as I understand, 17 per cent?

**Mr B.J. GRYLLS:** I will have Paul Rosair try to answer the detailed question the member has asked.

**Mr P.B. Rosair:** Is the member referring to page 171 of the Department of Regional Development's budget statements?

**Mr B.J. GRYLLS:** Yes.

**Mr D.A. TEMPLEMAN:** Yes.

**Mr P.B. Rosair:** The figures in there from the appropriation for royalties for regions refer only to the money expended out of royalties for regions by the department. So I do not know whether the member is equating the 17 per cent of the total royalties allocation to what the department has spent. So the department is spending, potentially, only 17 per cent of the royalties for regions budget. The other componentry is listed in other agencies' budgets or in chapter 7 of the program. This is only the department's spend.

**Mr D.A. TEMPLEMAN:** Yes. What I am after is the basic figure that was spent last financial year—the financial year just finished—on royalties for regions, given that it is, by legislation, an allocation of 25 per cent of royalties derived. I want to know whether it is true that of that 25 per cent of royalties derived in the last financial year, only 17 per cent of those royalties derived allocated to royalties for regions was actually spent.

**Mr B.J. GRYLLS:** Just to put some context around the member's question, is the member asking whether we spent, in the same financial year as the allocation, the full amount appropriated to the royalties for regions fund?

**Mr D.A. TEMPLEMAN:** That is true.

**Mr B.J. GRYLLS:** We have never done that, because the money remains in the fund. The legislation appropriates it to the fund. My adviser tells me that the actual 25 per cent of the revenue for the 2012-13 year was \$1.217 billion; we actually spent \$1.070 billion, so that would be 22 per cent, and the remainder of that \$1.217 billion remains in the royalties for regions account to be spent in future years.

**Mr P.B. WATSON:** Is it true that the minister gave money out of royalties for regions to the future fund, so that would have to be taken off the total spend for royalties for regions in the regions?

**Mr B.J. GRYLLS:** It is true that I gave money to the future fund.

**Mr P.B. WATSON:** Is it in the legislation that the minister could do that?

**Mr B.J. GRYLLS:** Yes, that is —

**The CHAIRMAN:** Member, just let the minister answer the question.

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**Mr P.B. WATSON:** Yes, Chair.

**Mr B.J. GRYLLS:** So, in this year's budget, \$252 million is appropriated to the future fund.

**Dr G.G. JACOBS:** I refer to the details of controlled grants and subsidies on page 178 of the *Budget Statements*. I thank the minister for the Goldfields–Esperance revitalisation allocation. I have a couple of questions I need answered for my shire presidents and communities in the different towns in the jurisdiction. It appears the allocation of money has been a bit of a drip-feed, if you like, with only \$1.5 million in 2013-14; a lot of people maintain that that is not enough to get any project started in any of the towns. The second thing that has been brought to my attention is that Gascoyne got \$26.39 million in its Gascoyne revitalisation plan, and the goldfields got only a \$1.5 million start-up. Can the minister help me with some of those answers? The program is good and the concept is excellent, but it is a bit like a drip-feed.

**Mr B.J. GRYLLS:** I thank the member for Eyre. What we have learnt from projects such as the Gascoyne Development Commission is that the budget comes down in August, and then we need to get underway with the project planning, project business casing and cabinet approval. Then we need to go to tender, we need to award the tender and the tenderer needs to get on site and start the project. We know from experience that it is almost impossible to spend any money in the first year of a program, and that is why, essentially, the \$1 million or so that is put in for the first year is essentially planning money and money to kick-start the project. I use the example regularly that it is like building a house; if someone decides today that they are going to build a new house, it would be basically impossible for them to have made the final payment to the builder within 12 months of the time they bought their block of land, procured the builder, had the builder get his people on site and build it. So it is essentially a cash flow issue. It would have been maybe politically better to put more money up-front so that everyone could say, "Look at the money we have", but that would have just delivered an underspend that would have rolled over into the next year. We essentially have a good handle on how we manage cash flows now, and the big challenge for the Goldfields–Esperance Development Commission and the local governments that form part of the goldfields–Esperance region will be to prioritise their projects and have them business cased and ready to go so that they can actually spend the cash flow we have made available over the next four years.

**Dr G.G. JACOBS:** That presupposes, then, that the Gascoyne scenario is that they have been working on it for some time to make it what would be described as shovel-ready, so that is why it gets \$26 million now.

**Mr B.J. GRYLLS:** The Gascoyne revitalisation has been running for, I think, two years now, so it had exactly the same challenge in its inception as the member for Eyre talked about. Again, the biggest challenge for the member's local community will not be the allocation of the forward estimates; it will be having the projects business cased, cabinet approved and shovel-ready.

**Mr P.B. WATSON:** Getting back to my previous question about the \$252 million coming out of royalties for regions and going into the future fund —

**The CHAIRMAN:** Can you give me a line item, if possible?

**Mr P.B. WATSON:** Yes, Chair. I refer to the spending changes on page 171 of the *Budget Statements*. Firstly, does any other department make a donation to the future fund; secondly, why should people in the regions have to give up \$252 million of their money when no-one else does; and, thirdly, I have looked through the legislation and I did not see anything that allowed the minister to put money outside royalties for regions in the legislation, so is the minister going against the legislation passed in the house?

**Mr B.J. GRYLLS:** I thank the member for Albany. The legislation that created the future fund actually referred to this. There was a section that referred, essentially, to money appropriated from the royalties for regions account into the future fund, so that the Western Australian Future Fund Act, I suppose we would say, is consistent with the Royalties for Regions Act. Just on the point the member is trying to make, royalties for regions was a policy in 2006 and it was implemented in government in 2008. In 2008, when we went to implement it, 25 per cent of the royalties was \$675 million. Now, into the out years, it is well over \$1.25 billion, and the decision was made when the Premier rightly withdrew the royalty concessions that were available for iron ore fines. As the member can see, 25 per cent of it is \$252 million. Given the levels of state debt and the fact that there was some interest in putting away some proceeds from the economic activity in Western Australia today for future generations, we made the decision that royalties for regions would put the seed capital into that fund. I make absolutely no apology for it. I am very proud that that policy initiative has been undertaken and I am very happy to put my name to it. The member is now essentially criticising a billion-dollar regional development fund, which is as big as the commonwealth redevelopment fund, and he is criticising the future fund, which will have billions of dollars in it in the future. The Western Australian Future Fund Act provides that when the future fund is opened and the government starts to spend the interest derived, the Minister for Regional

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Development of the day and the Treasurer will be joint signatories to the expenditure of that fund. That is a positive outcome and that is the decision that we made.

[3.40 pm]

**Mr P.B. WATSON:** Does this mean that now the Minister for Regional Development does not have his hand in the till because he is saying that there are three signatures now? Would that money not fix a lot of hospitals and roads in regional areas?

**Mr B.J. GRYLLS:** We would not have to fix Albany Hospital, because we have done so already with royalties for regions funding. It is a brand-new hospital, and I think Hawthorn House as well —

**Mr P.B. WATSON:** We have had a \$16 000 fire already and 25 people have gone off on stress leave, if the minister wants to start talking about that.

**The CHAIRMAN:** Minister, you threw that line out and he swallowed the hook. Minister, can you answer the question?

**Mr P.B. WATSON:** Can the minister answer the question about the royalties for regions funding that we voted on? I supported the minister in the other house.

**The CHAIRMAN:** Member for Albany! Do you want to answer that, minister?

**Mr B.J. GRYLLS:** I am happy to answer that. In essence, we have funded through royalties for regions a complete rebuild of the health system in regional Western Australia. We have also created a future fund so that a future Minister for Regional Development will, in essence, have a perpetual fund to make sure that in 20 years when Albany Hospital needs an upgrade, there is a fund to go to. The government of the day will refer to this time and recognise that 20 years prior the government created a fund to allow it to upgrade Albany Hospital, which at its inception was funded by royalties for regions. If I am to be criticised for that, criticise away.

**Mr P.B. WATSON:** I will.

**Mr M.P. MURRAY:** Are there any mines or areas that produce royalties that are exempt from royalties for regions; and, if so, where are they?

**The CHAIRMAN:** That was a further question.

**Mr B.J. GRYLLS:** I do not understand the question.

**The CHAIRMAN:** I am chairing. It is okay. Member for Collie–Preston, do you want to put your further question to the minister?

**Ms M.J. DAVIES** interjected.

**The CHAIRMAN:** Thank you, member for Central Wheatbelt. Would you like to put the question to the minister, member for Collie–Preston?

**Mr M.P. MURRAY:** Are any mines exempt from paying royalties under the act; and, if so, which ones?

**Mr B.J. GRYLLS:** That would be a good question to put to the Department of State Development. I do not know exactly, but I know that recently the Premier and cabinet made a decision to exempt the Karara magnetite project from royalties in its first two years, I think, from memory, as an incentive for that project to get established.

**Mrs G.J. GODFREY:** I am interested in the volunteer fuel card, which is referred to in the first dot point of the key initiatives under the heading “Community Support Services” on page 220 in chapter 7 of budget paper No 3. How will this program benefit regional volunteers? I would like a bit more explanation.

**The CHAIRMAN:** Can you point me to the page?

**Mrs G.J. GODFREY:** I refer to page 220 in chapter 7 of budget paper No 3.

**The CHAIRMAN:** We are on division 11.

**Mr B.J. GRYLLS:** I have a point of order, Madam Chair. The budget papers also include chapter 7, which is in budget paper No 3, and it has been previous practice that questions on either budget paper No 3 or the other papers can be asked.

**The CHAIRMAN:** Thank you, minister.

**Mr B.J. GRYLLS:** I thank the member for Belmont. The volunteer fuel card is a small initiative but one that will make a difference to volunteers in regional areas. There are more than 700 voluntary emergency service

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organisations, including bush fire brigades and St John Ambulance. We have made a distinction—this is yet to be approved by cabinet, but I will take it to cabinet—so that it is essentially provided for volunteers who are called out and have to respond, such as bush fire brigades, St John Ambulance and lifesavers. There are more than 700 emergency service volunteer organisations in regional Western Australia. This is not to cover their cost of doing business, but to provide them with some assistance. We have made the policy decision to deliver a \$2 000 fuel card to each organisation. If “Old Bluey” is the one who always does the run to Perth to pick up the new uniforms or the new truck or the gear, it is a way to say to “Old Bluey”, “We’ll fill up your car this time because we know that you’ve done it 100 times out of your own pocket.” It is a way to assist the volunteers to get around the state and facilitate the hard work they do. It builds on the Country Age Pension Fuel Card, which has been very, very successful. There are now more than 45 000 Country Age Pension Fuel Cards.

**Mr D.A. TEMPLEMAN:** The government is not giving it to Mandurah people.

**Mr B.J. GRYLLS:** No, not in Mandurah. It gets provided —

**Mr D.A. TEMPLEMAN:** We are still sore about that.

**Mr B.J. GRYLLS:** I look forward to the member for Mandurah making that change when the Labor Party finally gets back in government. Essentially, the card is provided to those who do not have access to public transport. The previous government made the decision to offer free public transport to seniors. That is a good outcome when there is a bus or a train, as the good people in Mandurah have. The people in the great southern, the goldfields and the Kimberley do not have access to that, so in lieu they get access to the aged pension fuel card. It costs around \$25 million a year. The state appropriates more than \$700 million a year into the public transport network in the city. I would have thought that is a level of equity and fairness that has not been seen before in regard to that. We are looking now to extend that to the emergency volunteers.

**Mrs G.J. GODFREY:** Well done, minister.

**The CHAIRMAN:** Minister, I may have read it very quickly and maybe you did not hear, but the intention of the Chair is to ensure that as many questions as possible are asked and answered and both the questions and answers are short and to the point. You might want to remember that in your answers.

**Mr D.A. TEMPLEMAN:** I want to ask a question that I would like the minister to take as a request for supplementary information. Could the minister provide for the years 2008–09, 2009–10, 2010–11, 2011–12, 2012–13, and projected to 2013–14, a table that identifies each region, its royalties contribution to the state, and the expenditure from royalties for regions for those financial years, as well as the population figures for each of those regions? I would obviously like that to be provided as supplementary information.

**Mr B.J. GRYLLS:** Again, that is a question best put to the Department of Mines and Petroleum, which provides those figures and —

**Mr D.A. TEMPLEMAN:** The Minister for Regional Development’s department has provided them previously in some of its glossy brochures, so I am sure it can do it again.

**Mr B.J. GRYLLS:** As I said, I suggest that the member for Mandurah asks the Department of Mines and Petroleum for the information on where the royalties come from. Well over 90 per cent of the royalties in the royalties for regions come from the Pilbara region and it is mainly iron ore.

**Mr D.A. TEMPLEMAN:** I am seeking the minister’s cooperation in supplying the information I have asked for as supplementary information. His department has produced exactly these tables of 2011–12 or 2010–11, from memory, in the glossy with the minister’s photo very prominent on the front. I therefore ask that the information that highlights each region’s population and the expenditure of royalties for regions funding that was delivered to each of those regions be provided to me as supplementary information.

**Mr B.J. GRYLLS:** My answer, member for Mandurah, is that I have the expenditure of royalties for regions by region. I do not have where the royalties were created by region. I have asked the member for Mandurah to put that question to the Department of Mines and Petroleum.

[3.50 pm]

**Mr D.A. TEMPLEMAN:** In that case I will help the minister. Do not include which region the royalties are derived from. I am happy for the minister to exclude that, but I would like a table that highlights each of the regions and the allocation over those years mentioned from the royalties for regions program, including the population of each of those regions.

**Mr B.J. GRYLLS:** Again, member for Mandurah, that information by region is available in the budget, and I suggest the member seeks it from the budget.

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**Mr D.A. TEMPLEMAN:** So, the minister is refusing.

**Mr B.J. GRYLLS:** No. I am telling the member that the information is available in the budget.

**Mr D.A. TEMPLEMAN:** No; the minister is refusing.

**Mr B.J. GRYLLS:** No.

**Mr D.A. TEMPLEMAN:** Why can the minister not simply give a simple table that he provided before?

**The CHAIRMAN:** Member for Mandurah!

**Mr D.A. TEMPLEMAN:** No. I have a point of order, Madam Chair. I have asked for supplementary information. It is not difficult for the department or the minister to provide that information.

**The CHAIRMAN:** Member for Mandurah, I will put that. Will the minister provide that supplementary information to the member for Mandurah?

**Mr B.J. GRYLLS:** No, I will not, and the reason I will not, member for Mandurah —

**The CHAIRMAN:** Okay; that is all right, we can move on.

**Mr B.J. GRYLLS:** No. I have more information.

**The CHAIRMAN:** No. The minister does not have to —

**Mr D.A. TEMPLEMAN:** Because the minister wants to hide the figures.

**Mr B.J. GRYLLS:** The reason that I will not is that the figures are available in the budget.

**Mr D.A. TEMPLEMAN:** Okay; where? Where are they?

**Mr B.J. GRYLLS:** We table the royalties for regions progress report at the end of September each year that has the information in it that the member requests.

**The CHAIRMAN:** Right, members. We will move on.

**Mr P.B. WATSON:** Transparent government!

**Mr D.A. TEMPLEMAN:** So, the minister is hiding it.

**Ms M.J. DAVIES:** I refer to the second-last dot point on page 172. Obviously I was delighted to see significant investment through royalties for regions into agriculture. Can the minister expand on the initiative titled “Seizing the Opportunity Agriculture”?

**Mr B.J. GRYLLS:** I thank the member for Central Wheatbelt and I thank her for her passion and commitment to having the policy as the centrepiece of the election campaign. A \$300 million investment over and above the regular contribution to agriculture is a substantial focus on agriculture in this budget. It signals that we believe the rhetoric we hear about the dining boom replacing the mining boom has some potential and that we want to put in place a policy framework that will allow that to occur. Funding of \$300 million across the forward estimates will go into areas such as an infrastructure audit to make sure that our pathway from producer to port will facilitate expansion and investment; a water-for-food project that will examine harnessing the water resources of the state to link them to available land and expansion, in particular in horticulture and irrigated agriculture; a focus on brand development and marketing of the state’s produce and of the state as a prime agriculture producing region; industry development centres for beef in the Kimberley, sheep in Katanning and an organic industry in the south west; and skills development at Muresk Institute and making sure that Muresk continues to play its role as a creator of young educated people coming into the agriculture sector. Our challenge now is to roll that out over the next five years. The member for Central Wheatbelt played a key role in coming up with the policy and I look forward to working with her to implement it.

**Mr P.B. WATSON:** I refer to the line item “Royalties for Regions—Administration of Royalties for Regions” in the third line of the bottom section on page 171, under “Spending Changes”. If I remember correctly, when the royalties for regions legislation was debated in the chamber, all the moneys for royalties for regions were to go to projects above and beyond the usual government purposes. Can the minister tell me now what funding is exempt from royalties for regions? I recall asking the minister in Parliament why he would not put money into roads from royalties for regions and him telling me funding roads was not part of royalties for regions. Now the Premier is telling us he will put money into roads from royalties for regions. Can the minister explain to me as a layman what the change is, whether this legislation has gone through with that change, and why there is a change?

**Mr B.J. GRYLLS:** Member for Albany, the legislation has not changed. We have made the decision in this budget on funds for the development commissions to essentially offer up some savings. The legislation that was

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supported by the member for Albany essentially appropriates the money to the royalties for regions fund. We have agreed to take on the funding of the development commissions and of the department. The decision was made essentially to reduce pressure on the budget bottom line and it was made in light of the fact that when that legislation was brought to Parliament, 25 per cent of the royalties was \$675 million a year. Now, 25 per cent of the royalties is just under \$1.3 billion a year.

**Mr P.B. WATSON:** Yes, but that means the government is getting more money too, does it not?

**Mr B.J. GRYLLS:** We have the most comprehensive regional development policy and plan in the nation. I am very proud of that. I am also proud that I am playing my part as minister in maintaining the finances of the state.

**The CHAIRMAN:** Member for Eyre.

**Mr P.B. WATSON:** Can I have a further question?

**The CHAIRMAN:** One further question.

**Mr P.B. WATSON:** Since when do we get —

**The CHAIRMAN:** Go on; a further question.

**Mr P.B. WATSON:** I had better make it a long one. The minister did not answer my question about what the fund cannot pay for now, because it is paying for everything now and it is not only in the regions. Is there a point when the minister tells the Premier, “No, you’re not getting money to bail yourself out”? The minister said that the royalties that have come in have increased. However, obviously if the royalties have gone, so has the government’s revenue. The minister says that he is helping out the government’s bottom line. Is it therefore a fact that the rest of the government is not producing what it should be?

**Mr B.J. GRYLLS:** Again, member, the money appropriated by royalties for regions is in the line items in the budget.

**Mr P.B. WATSON:** It was yours but it is not yours anymore?

**Mr B.J. GRYLLS:** Again, if the member wants to make that statement, he can, as I said.

**Mr P.B. WATSON:** I just did; yes.

**Mr B.J. GRYLLS:** Last time I looked, every single dollar that is appropriated from the royalties for regions account has to have my signature on the bottom of it.

**Mr P.B. WATSON:** Yes. There is a big shadow over the back called the Premier.

**The CHAIRMAN:** Member for Albany!

**Mr B.J. GRYLLS:** The member for Albany would like to suggest that.

**Mr P.B. WATSON:** I am not suggesting it; I know it.

**Mr B.J. GRYLLS:** Push on.

**Mr P.B. WATSON:** The king is dead!

**Dr G.G. JACOBS:** My question is about the country local government fund on page 178 in the list of controlled grants and subsidies. There is some disquiet in the town —

**Mr M.P. MURRAY:** Which paragraph was that?

**Dr G.G. JACOBS:** The member for Collie–Preston ought to listen. It is on page 178 and is on the table on the details of controlled grants and subsidies, and in the list is reference to the country local government fund. There is some disquiet in some of the towns in my electorate about whether this fund will honour the 2012–13 allocations of \$477 000 for Coolgardie; \$360 000 for Ravensthorpe; and \$937 000 for Esperance. The allocation of \$937 000 for Esperance was part of the waterfront SuperTownns project. I have put this question by letter to the director general and I thank him for taking it for consideration. Again, the question is probably one of reassurance. I see there is a \$31 million allocation in 2014–15 —

**The CHAIRMAN:** Member for Eyre, I actually pointed out that members should ask short questions.

**Dr G.G. JACOBS:** Presumably this allocation will cover and honour the 2012–13 allocations under the country local government fund.

**Mr B.J. GRYLLS:** The member for Eyre is right; it is essentially unspent funding from 2012–13. To be eligible for that funding, the country local governments need to have acquitted their 2010–11 funding by 30 June this year; submitted their financial reports, which were due in on 30 January this year; and submitted a 2012–13

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financial assistance agreement to the department by 30 December 2012. For the member's advice, the local governments that are up to date will be eligible for that future funding. We are still finalising the groupings of local governments and those funding allocations will be announced at the end of September.

**Dr G.G. JACOBS:** Can the minister reassure the Shire of Esperance that the allocation of \$937 000 that has been factored into its seawall and reconstruction and development budget is assured?

[4.00 pm]

**Mr B.J. GRYLLS:** My advice is that Esperance will not be eligible for its 2012–13 individual funding.

**Mr D.A. TEMPLEMAN:** So basically you slashed it!

**Mr B.J. GRYLLS:** I gave the criteria. If Esperance was not up to date with the criteria, then it is not eligible for the funding.

**Mr D.A. TEMPLEMAN:** Therefore, lost it!

**The CHAIRMAN:** Is there a further question?

**Dr G.G. JACOBS:** The \$937 000 is absolutely critical to the project. I note that the minister has been down and seen it and has been involved in it. Stage 1 work moving into stage 2 has already started. The Shire of Esperance has been advised that Esperance is now a SuperTown; the grant of \$937 000, under item three, country local government fund direct, has been deemed no longer eligible. I ask the minister why that is when the work has been started on the assurance of nearly \$1 million on a \$6.8 million project.

**Mr B.J. GRYLLS:** As I have already said to the member for Eyre, Esperance has not met its criteria eligibility for its 2012–13 funding. The appropriation is not there for that. Obviously, the Shire of Esperance is still eligible for its SuperTown project funding, which is for the waterfront; that is, \$12.65 million across the forward estimates. It is important to note that the country local government fund was essentially grant funding. Each year had eligibility requirements for the local governments to meet. While local governments could notionally allocate money, until there was an appropriation in the budget each year, they could not actually know that the money was coming because it needed to be passed by the cabinet in the budget each year.

**Dr G.G. JACOBS:** It is hugely disappointing.

**Mr D.A. TEMPLEMAN:** I have a further question to this line of inquiry about the country government local fund. Will the minister provide a breakdown of those local government shires in country and regional Western Australia that, through this budget, like the Shire of Esperance, will not have projects funded in the coming financial year? Given that the minister has already quoted the Shire of Esperance did not reach its criteria, through a supplementary, I would like a list of all other local government shires and cities in regional WA that also did not reach the criteria and therefore their projects will not be funded.

**Mr B.J. GRYLLS:** I am happy to provide as supplementary information the list of local governments that are not eligible for their 2012–13 individual allocations based on not meeting the eligibility criteria.

*[Supplementary Information No. B11.]*

[Mr P. Abetz took the chair.]

**Mr M.P. MURRAY:** The minister spoke in quite glowing terms about the Katanning saleyards. There was \$2 million set aside for the Boyanup saleyards. I cannot find it. I am not saying it is not there, but I could not find it. I ask whether that money is still available or not available.

**Mr B.J. GRYLLS:** I do not think the Boyanup saleyards were even a royalties for regions project. It may well have been part of the Department of Agriculture; it had some money for saleyards across the state, Muchea being one, Katanning being the other. I would assume that is a question to put to the Minister for Agriculture.

**Mr M.P. MURRAY:** With all due respect, my understanding was that there was \$2 million left over from Katanning, which was then promised to the next saleyard group sale.

**Mr B.J. GRYLLS:** Again, that may well be the case. It is not a part of the royalties for regions budget. I do not have the detailed information on that. Royalties for regions did not fund the Katanning saleyard.

**Dr G.G. JACOBS:** Can the minister very briefly document how the criteria were not met? The minister said that a body of work had already started on this \$6.8 million stage 1 waterfront development project, and if the minister looks at the line item, the 2012–13 budget was \$85.5 million. The estimated actual was \$58.2 million. Therefore, why is there not any margin there to honour those commitments—such as Esperance, through other areas and towns throughout Western Australia with the difference between those two figures and also the \$31 million into 2013–14? It is really disappointing to my shire and disappointing for my region, especially when it is a SuperTown project that is vital to the town.



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**Mr B.J. GRYLLS:** The answer to the member for Eyre’s question is that Esperance shire would have been required to have acquitted its funding allocated from financial year 2010–11 by 30 June. If it had not done that, in essence, it essentially has not spent the money that was allocated to it in financial year 2010–11, so the allocation of 2012–13 is not being made available to them. The broad requirement is that if a grant allocation is made, it must be spent before the government makes the next allocation.

**Dr G.G. JACOBS:** I refer the minister to the 2010–11 allocation under the country local government fund. There was \$937 000 in 2011–12; there is over \$1 million in 2010–11, again, in the country local government fund for goldfields–Esperance, and \$3 million in the development commission regional grant scheme to make this a project worth over \$6 million in stage 1 to proceed. Work has already proceeded and we are jeopardising this project by not honouring the 2012–13 amount of \$937 727.

**Mr B.J. GRYLLS:** I say again to the member for Eyre, Esperance has been allocated its 2010–11 allocation and its 2011–12 allocation, but essentially it has two years of funding. The reason why it is not getting its 2012–13 allocation is that its 2010–11 allocation was not acquitted.

**Dr G.G. JACOBS:** By “acquitted”, does that mean not spent?

**Mr B.J. GRYLLS:** Correct. Essentially, we were not allocating money to put in the bank account of the council; it had to be spent on projects.

**Dr G.G. JACOBS:** But half a seawall cannot be started. There must be a quantum of money to start a project.

**Mr P.B. WATSON:** It cannot be done all at once.

**Mr B.J. GRYLLS:** The member for Albany is exactly right; it cannot be done all at once. But the policy decision on the fund was—I think this is what the opposition benches called for—for there not to be further allocations of the country local government fund if the councils had not spent the allocation that they had been appropriated. That was the criteria that the government put in place.

**Mr D.A. TEMPLEMAN:** I would love to see the press release that the member for Eyre will write for the Esperance shire paper. Would he like me to help him? I am happy to make a comment as local government spokesperson in support of the member’s anger.

**The CHAIRMAN:** Has the minister finished his answer?

**Mr B.J. GRYLLS:** Yes.

**The CHAIRMAN:** We will move to the member for Mandurah. I am conscious of the time. We have quite a few items to get through. I do not want to limit the questions, but I want everybody to be aware of the long list we still have.

**Mr D.A. TEMPLEMAN:** If I could indicate that the opposition would be very keen to move to the development commission at 4:30 pm.

**The CHAIRMAN:** Okay.

**Mr D.A. TEMPLEMAN:** I refer to page 173 of the budget papers and the bulletin point reference to the “Ord-East Kimberley Expansion Project”. I have a series of questions and I will try to be very quick. I ask for the chair’s forbearance, but the government spent more than \$320 million of taxpayers’ money to bring Ord stage 2 to market. What does the minister expect to be the final cost of this project?

[4.10 pm]

**Mr B.J. GRYLLS:** The allocation will be \$322 million, which has built the continuation of the road out to where the agricultural precinct is being developed—essentially the road to the Northern Territory border. As well as that, it will fund the main backbone irrigation channels and the associated drainage channels that work. The state will obviously retain ownership of the road and the irrigation structures, and we have gone out to expressions of interest for the land. The completion of the road, the irrigation backbone channel and associated drainage works, we would say, is funded by that \$322 million.

**Mr D.A. TEMPLEMAN:** What is the expected final cost?

**Mr B.J. GRYLLS:** It is \$322 million.

**Mr D.A. TEMPLEMAN:** I refer to the same dot point. On 20 November 2012 the minister announced that Kimberley Agricultural Investment was the preferred proponent to develop Ord stage 2, and it would build a \$425 million sugar mill creating about 750 jobs—I have the press release of that date with me. However, in the minister’s media statement of May this year, he announced that KAI had been given the rights to develop Ord stage 2, but he mentioned only the potential construction of the sugar mill and the creation of 350 jobs. What

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happened to the plans for the sugar industry and those hundreds of jobs that were highlighted earlier in November?

**Mr B.J. GRYLLES:** Kimberley Agricultural Investment put forward a proposal to the government about what it would do with the agricultural land. The proposal was based on a sugar industry and for a sugar industry to be successful, there needs to be a sugar processing refinery. KAI said that to get to the economies of scale needed, it would need more land than what is available in Ord stage 2 and that it would like to push across into the Northern Territory, perhaps looking at some potential infill from some of the existing lands in the Ord and some other land development opportunities. The way the project has been structured is that KAI has a development lease with the signing pending—we agreed to the terms in May, which is when we put out that press release. We have not finalised a lease, but we have agreed what will be in it. There will be a development lease to allow KAI to create the farms, so over the next four years there will be clearing, laser levelling and construction of farms with some fairly onerous conditions on clearing and cropping. The sugar will then need to start to be bulked up, because growers cannot just turn up one day and plant sugar; it has to be bulked up over time. A small plot is started off with and the seed sugar is basically grown to plant out. In order for KAI to convert from a development lease to an extension in the future, it will need to have constructed the sugar refinery. Therefore, there are some quite onerous conditions on KAI, if it looks to extend its lease—namely, that the sugar refinery will need to have been constructed.

**Mr D.A. TEMPLEMAN:** Can the minister give us an indication of when KAI told the minister it would not adhere to its initial proposal and instead grow sorghum; and, can the minister also say what KAI will pay, or is paying, for the lease of the land and when taxpayers can expect a return on the investment? I know I am drawing a long bow with questions, but finally, can the minister tell me what conditions were placed on KAI to provide training and development for local traditional owners? I am sorry about that.

**Mr B.J. GRYLLES:** In response to the first question, the first 300 hectares in the region have already been cleared—the clearing process has started. Sorghum has been put forward as a cash crop to grow while KAI gets to the economies of scale needed to grow sugar. The government requires KAI to clear and crop; it then needs to work on its economies of scale to bulk up the sugar to plant it out. Obviously, if sugar is to be planted, there needs to be a plan to have a sugar processing facility, because there is no point growing a sugar without a processing facility. All of that is on a time line of development. The reason that sorghum has been talked about is that it is essentially a cash crop to grow now while the sugar is being bulked up and the refinery is built. There has been some media speculation that KAI has walked away from sugar. Based on my conversations with KAI, it has not walked away from sugar. The sorghum is essentially the cash crop that can be planted tomorrow with a market, and ethanol from the cash crop has also been talked about. The argument about the Ord has always been people asking which crop will be planted. The government has never defined which crop. In its submission, Kimberley Agricultural Investment indicated it wanted to grow sugar and build the refinery. The government has accepted that and land development is underway. If Kimberley Agricultural Investment decides to change its mind in the future because of changes in market conditions and grow pumpkins, that will be an issue for it. However, we have required that KAI build a sugar mill or an investment equivalent in processing. Therefore, it cannot just walk away from building a sugar mill; a sugar mill or an investment equivalent must be built to make sure of the processing of the produce.

**Mr D.A. TEMPLEMAN:** What is the cost of the leasing of the land?

**Mr B.J. GRYLLES:** It is not yet defined, but I have pointed out that it is nominal based on the cost of creating the farms. There was uncleared pastoral land that was part of the Ord Final Agreement taken out of the pastoral lease and returned to the state. We are making that land available and the cost to develop that land is between \$8 000 and \$15 000 a hectare, so the government is leasing a pastoral lease to Kimberley Agricultural Investment. It is a nominal lease and the return to the government is on the expansion of the scheme, the economics of that and the opportunity for the traditional owners to be part of the construction. The traditional owners are now landowners as well; they have taken up 12.5 per cent of the land and so they are now in charge of 12.5 per cent of the farms. We believe that that was a good investment in future development and we welcome it. To reach its economies of scale for sugar, Kimberley Agricultural Investment needs to push into the Northern Territory and it will give comfort that Prime Minister Rudd announced last week that he would put forward money to the Northern Territory government to help begin the process of settling native title. That is a positive outcome for the development of the Ord; it is essentially Ord stage 3. It signals that the commonwealth will continue to partner with the state to deliver that project. I hope that partnership will continue with whoever wins the federal election. We have a good relationship with the Northern Territory government with a good exchange of information and expertise. The traditional owners on the Northern Territory side of the border are the Miriwung–Gajerrong, the same traditional owners we have dealt with in Western Australia.

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The final part of the member's question was about what Kimberley Agricultural Investment is required to do for training and the partnering of traditional owners. The Goomig land, which is the first 7 800 hectares, had the Aboriginal development package assigned to it as defined under the Ord Final Agreement. That has essentially been completed now and MG Corporation has essentially wound that into its organisation, so it is funding that with training, development and opportunities. For Kimberley Agricultural Investment to finalise access to the next part of the land in Western Australia, which is called the Knox, it needs to finalise its Aboriginal development plan for that piece of land, and that work is being undertaken at the moment. My last report was that it was close to finalisation, and that will mean the defined Aboriginal development package for the next stage of clearing and land development in the East Kimberley on the Western Australian side of the border.

[4.20 pm]

**Mrs G.J. GODFREY:** I refer to budget paper No 3, chapter 7, page 225, table 1, and the item "Community Pool Revitalisation". Can the minister provide further details on this project?

**Mr B.J. GRYLLS:** I thank the member for Belmont for the question. It had been put to us over the past four years that the maintenance of community swimming pools is a challenge. I am sure that the member for Belmont, as a former mayor, is aware of that.

**The CHAIRMAN:** Minister, if you are referring to page 225, that is not what we are dealing with here.

**Mr B.J. GRYLLS:** Mr Chairman, the royalties for regions budget goes over two budget papers—No 2 and No 3. Chapter 7 of budget paper No 3 refers to royalties for regions. Over the past few years we have always permitted questions from both budget papers.

**The CHAIRMAN:** I would have thought that would come under Pilbara Development Commission.

**Mr B.J. GRYLLS:** No. We have talked about this before.

**The CHAIRMAN:** Okay. I stand to be corrected.

**Mr B.J. GRYLLS:** I think it has been protocol that we will allow questions from chapter 7. That provides the explanation of the royalties for regions budget.

**The CHAIRMAN:** Fine.

**Mr B.J. GRYLLS:** Thank you, Mr Chairman.

There are over 90 public aquatic centres in regional Western Australia. In smaller communities, that is a big drain on the resources of the local government, because it is hard to make them run at a profit. In regional areas, they are a vital piece of infrastructure. It is hot in summer, as members would know, and access for both kids and adults to these pools is vital. Local governments have been eligible for funding from the commonwealth government of, I think, around \$3 000. The cost of running these pools is much more than \$3 000 a year. Therefore, the policy decision was made in the last election to increase this funding to \$30 000 per facility, to try to encourage the ongoing maintenance of those pools and to try to reduce the pressure on the local governments that are maintaining them.

**Mr M.P. MURRAY:** I refer to page 173 of budget paper No 2, the first dot point, which states that a major challenge facing the Department of Regional Development is population movements. In asking this question, I think it would be fair to exclude the Pilbara coastal towns. What have been the population movements in the Pilbara area with the construction that is taking place there, and how is that recorded?

**Mr B.J. GRYLLS:** As the member for Collie–Preston would know, this state has been going through an unprecedented period of growth. To have a "3" in front of our population has been quite unique. The member for Mandurah would know—because there has been very high population growth in his area for many, many years—of the challenges that that brings. Under royalties for regions, we have been doing a living in the regions research project to look at some of the demographic changes and how people are thinking about and relating to the regions. We have interviewed people both in the regions and in the metropolitan area about their perceptions. I will ask the director general to make some comments on the living in the regions report.

**Mr P.B. Rosair:** This is the first study that has been done for over 10 years in regional Western Australia, and probably the biggest in the nation. We sent out some 40 000 survey forms to residents in regional Western Australia, and we have had an exceptional response rate of some 10 000 responses. We are analysing that data at the moment and looking at what factors determine why people move to regional WA and what factors determine why they leave regional WA. We are also sensing and measuring their intentions over the next three to five years and the likelihood of a move. That information is being analysed, and the minister will be presenting the results of that survey in October. That will formulate, if you like, the direction of the program moving forward so that the program will have some basic facts behind it and an investment can be made in those areas to attract people

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to come to regional WA, with the intention of trying to double the population of regional WA in the next 30 years.

**Ms M.J. DAVIES:** Minister, I am very familiar with the Southern Inland Health Initiative. But I notice in budget paper No 3, chapter 7, at page 219, under the key initiatives for health, that there is a new commitment for a north west health initiative. Can the minister please expand on that particular point?

**Mr B.J. GRYLLS:** I thank the member for Central Wheatbelt for her question. The Southern Inland Health Initiative has been probably one of the biggest projects undertaken in royalties for regions. It is resulting in the revitalisation of every hospital in the southern half of the state. It is looking at doctor provision, with 23 or 24 of the 44 doctors now having been attracted into regional areas, and we are looking forward to getting that completed.

What I am most excited about is the work that is being done in telehealth. Telehealth has been talked about in regional development for a long, long time but we have never actually done it. Country Health is now doing telehealth, and it is reporting outstanding results. It looks as though telehealth will be able to fundamentally change some of our health delivery models by providing our doctors, nurse practitioners and nurses in country hospitals with the capacity to access some expertise online. That is something that all country members should avail themselves of.

Given the success of the Southern Inland Health Initiative, and given the focus that we have had on the major regional centres, with hospital upgrades in Albany, Kalgoorlie, Busselton and Esperance already having been funded by royalties for regions, it would seem that the gap that has been created is in inland Pilbara. The north west health initiative will focus on the hospitals at Newman, Tom Price, Roebourne, Paraburdoo and Onslow and make sure that their infrastructure is upgraded. We are also looking at putting in place some of the structures around doctor provision and support networks that have worked so successfully in the southern inland health area. We are also putting a focus on aged care, because there is very little aged care infrastructure across the north west, and as our north west communities grow, aged care will be a higher demand. We are also looking at making sure that we can roll out the telehealth outcomes into those regional hospitals. The main priority will be Newman and Tom Price, but Roebourne, Onslow and Paraburdoo will also receive these upgrades. As was touched on before, with the money that was going into the future fund, maybe some of the important priorities of regional development were not able to be undertaken. This will change under this process.

This is probably the greatest period of development in this state in not just country hospitals but the metropolitan hospital network, with Fiona Stanley Hospital and the new children's hospital, and now Midland health campus. Western Australia over the last 10 years has completely rebuilt its whole health infrastructure, and that would have to be a positive given how important it is for all our communities to be able to access priority health care.

**Mr P.B. WATSON:** I refer to budget paper No 2, page 175, the first heading under "Asset Investment Program", namely "Works in Progress". The Bunbury to Albany gas pipeline is certainly a work in progress. I notice that funding was provided in the previous budget for this project, but I do not think any of that funding was spent. In November 2012, the minister and Premier came to Albany and made a big announcement and said that everything was okay and the project would be well done by the end of 2014. There is no money in the 2013–14 budget for this project, if I am reading this right, minister. Also, in this budget, under the heading of risks involved in projects, government and Treasury make it clear that there is a risk with this project in that private enterprise will not be able to make money on this project and there will need to be a government subsidy. There is no royalties for regions funding for this project in 2013–14, although there is in 2014–15 and 2015–16. All we will get next year is planning of the route; there is no funding for tenders or anything like that. Is that a concern to the minister? I know it is a concern to the people of Albany, who were promised this pipeline in the previous election, and now we have been promised it again, but now we might not get it. Can the minister explain where we are at with this project? I do not know whether this question should be asked of the minister's department or someone else. But considering that the minister is putting in so much royalties for regions money, I wonder whether the minister has any information for my lovely constituents.

**Mr B.J. GRYLLS:** Thank you, member for Albany, for the question, and thank you so much for standing up during the election campaign on the need for this pipeline. I noted the member's shock when his leader suggested that maybe it was unnecessary. The member fought the good fight, and luckily he retained his seat, but the Liberal–National government was returned, so there is still some hope that this project will proceed.

**Mr P.B. WATSON:** They had a lovely big sign, which took up two trailers, but they had "Labor" written right across the top of it, which was great for me!

[4.30 pm]

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**Mr B.J. GRYLLS:** It was the Leader of the Opposition's plan to not fund it. I continue to be very confident. Funding is allocated in the Department of State Development this year; essentially the money that is showing in the budget is for developing the corridor and then —

**Mr P.B. WATSON:** I thought that was done in the last term, minister.

**Mr B.J. GRYLLS:** No, that work continues. We have defined the corridor, but then we actually have to acquire the corridor.

**Mr P.B. WATSON:** We know where the corridor is; it is from Bunbury to Albany.

**Mr B.J. GRYLLS:** Correct.

We actually have to go and get the corridor—that is what we are doing. We are hoping to attract private sector investment in the pipeline. That work is being undertaken by the Department of State Development and if the member refers to the regional development fund in the *Budget Statements*, which is the fourth fund that has been created within royalties for regions, there is \$895 million in the regional development fund that is essentially money waiting for allocation to major regional strategic projects. The gas pipeline to Collie is designated as one of those major strategic projects. I think the member is right—more government funding will be needed to underpin that expansion and that is where the state's contribution will come from.

**Mr P.B. WATSON:** The minister has had five years now to work out what it is going to cost and what it is going to do. Does the minister have any idea what extra costs will be on the taxpayers of Western Australia if private enterprise comes in? All the private enterprise people that I have spoken to—who have come and seen me—have said that they cannot do it without major money from the state government on a long-term basis.

**Mr B.J. GRYLLS:** Again, that work is being done by the Department of State Development under our major projects in the regional development fund. I have indicated in the *Budget Statements* and to the member now that royalties for regions will be ready to help underpin that project in the future.

**Dr G.G. JACOBS:** I just want to go back to the country local government fund if I may.

**The CHAIRMAN:** As long as it is a different question, member for Eyre.

**Dr G.G. JACOBS:** I refer to page 178 of the *Budget Statements* and the country local government fund line item in that table. The 2012–13 budget had \$18.5 million in it and the estimated actual was \$58.2 million. To me, there is a \$27.3 million overspend, so why should we be so stringent in the acquittal process, when we cannot build half a headland for our failing jetty and we cannot build half a seawall in stage 1? We actually have to have the \$6.8 million and it looks like there is a \$937 000 hole in this stage 1 budget because the direct community local government fund allocation of 2012–13 has not been honoured.

**Mr B.J. GRYLLS:** As I said, member for Eyre, we had very clear eligibility criteria on the funding. The reason that we had clear eligibility criteria was to encourage the expenditure and acquittal of those funds. If the expenditure was not undertaken and the acquittal was not done, the challenge that we had in managing the finances of the state was to essentially hold that money for the local government when another year's eligibility was coming. So, for two years we did that and for the 2012–13 year, we said that there would be no further allocation unless the 2010–11 funding was acquitted. Esperance did not do that and therefore it became ineligible for the 2012–13 funding.

**Dr G.G. JACOBS:** There is a flaw in the acquittal process. We cannot have half a headland; we cannot have half a seawall. We have to have a project that requires the \$6.8 million to actually build it—we have a project on foot, minister.

**Mr B.J. GRYLLS:** I was well aware of the Esperance project.

**Dr G.G. JACOBS:** Yes, the minister has been there.

**Mr B.J. GRYLLS:** The challenge was that if the local government fund used criteria that would have satisfied Esperance, essentially there would not have been any projects because Esperance was holding its money waiting to get to the stage of having enough money to complete the project. This meant that it was not spending the money; it was banking it and earning interest from it. We put in place a criterion that said it has to get that project underway. It has not been done and that is why it was not eligible for that year's funding.

**Dr G.G. JACOBS:** What happens to the \$27.3 million underspend? All these moneys over Western Australia that have not been acquitted means that the minister has a \$27.3 million underspend on the \$85 million 2012–13 allocation.

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**Mr B.J. GRYLLS:** Each year an amount of money was made available to local governments. If they did not spend it—if it was not appropriated that year—it was rolled over and held for the next year, then it was rolled over and held. That is why the eligibility criteria were strengthened—so that we did not continue to roll the money over. Esperance and I had that conversation regularly. For the management of the fund, we put in place acquittal arrangements that were less strict as time went on. At the beginning it was a one-year acquittal, then we allowed it to extend to a two-year acquittal, but we did not continue to make that funding available if the project was not undertaken.

**The CHAIRMAN:** We now move to Central Wheatbelt.

**Ms M.J. DAVIES:** Thank you, Mr Chair. I refer again to chapter 7 of the *Budget Statements*. On page 223, \$24 million is allocated to the regional arts centre sustainability initiative over the forward estimates. I would like a little more detail about that program.

**Mr B.J. GRYLLS:** Regional areas have a very strong focus on sport; the arts community is very strong, but previously there has not been a strong focus on it. Our regional arts centres are critical. I know in the member's electorate of Central Wheatbelt, the Cummins Theatre was an iconic regional venue and it was only the royalties for regions fund that allowed it to be returned to its former glory, from 1928 or 1932. We had challenges in Kalgoorlie with the Goldfields Regional Arts Centre and we had challenges in Albany with its arts centre. This policy that is now wound into the budget looks at regional arts centres and makes sure that capital upgrades can be undertaken where they are needed and that we can continue to support them in their operational budgets. There was a belief that, although the State Theatre Centre of WA, His Majesty's Theatre and others received government funding, regional centres had to be funded by ratepayers. We believe that there is a case to be made for those major regional arts centres to have a funding program that will allow them to be used to their maximum ability and capacity. We have a program through our regional events scheme to get events out to regional communities and we have a performing arts boost for the ballet, the symphony and the opera to travel out to regional centres. Since the new Albany Entertainment Centre has been opened, the response has been outstanding and its utilisation has been outstanding. Still, the operational budget is challenging, given the size of those facilities and others. The arts centres sustainability initiative will focus on those regional centres. As well, I think one of the untapped opportunities—especially across the north of the state—is Indigenous art galleries. For those people who have not been to the Warmun Art Centre, it now has a wonderful history. It got washed away in the flood; a lot of the paintings were rescued from the creek when the water came through the art gallery at about head height. It is an iconic destination, not just for tourism, but for the culture of the region. There are fantastic Indigenous art centres right across the north west and throughout the goldfields, the Gascoyne, the Pilbara and the Kimberley. I hope that we can put together a framework around those Indigenous art centres and we can offer a trail tour and put them in the public eye where they deserve to be. The member would have seen recently the Indigenous painting on the roof of the building in France that attracted international attention. Our Indigenous artists deserve international attention. Hopefully, through this project, rather than worrying about how they will fund their coordinator to keep their local art gallery open, we can help them focus on building their membership, their art shows and the like and help them be sustainable into the future.

[4.40 pm]

**Mr D.A. TEMPLEMAN:** I am conscious that we wish to move on. I refer to the royalties for regions expenditure listed in the table on page 229 of budget paper No 3. First of all, I assume that the line items for the new regional and statewide initiatives include the regional development fund. I want to know how much is held in the regional development fund and how much is allocated to the fund over the forward estimates.

**The CHAIRMAN:** Can the member clarify the page?

**Mr D.A. TEMPLEMAN:** In the table on page 229 there is a bold heading "New Regional and Statewide Initiatives". I assume that the line items for new regional and statewide initiatives include the regional development fund.

**Mr B.J. GRYLLS:** No.

**Mr D.A. TEMPLEMAN:** Where does the regional development fund appear as a line item? I have some questions specifically about the regional development fund.

**Mr B.J. GRYLLS:** The budget shows what we are spending. The regional development fund is essentially not being spent. It is a fund that is being accumulated to appropriate to major regional development projects. Given that the budget shows the expenses, the regional development fund is not shown here because it is not being expensed yet. There is a fund created under royalties for regions. It is mentioned on page 224 in chapter 7 of the *Economic and Fiscal Outlook*. It states —

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The Regional Development Fund holds unallocated royalties to support major strategic initiatives aligned to Royalties for Regions themes. This includes funding proposals that are currently in the planning stage. Based on the current approved expenditure program contributions to this Fund are estimated to total \$842 million by the end of 2016–17.

**Mr D.A. TEMPLEMAN:** Obviously, that money will be allocated at some time in the future. When will that information become available? This money is accumulating in the regional development fund and the minister mentioned a figure of —

**Mr B.J. GRYLLS:** There will be \$842 million by the end of the forward estimates.

**Mr D.A. TEMPLEMAN:** When does the minister expect that that will start to be expended?

**Mr B.J. GRYLLS:** Last year we appropriated money to the regional development fund, and this year we will start to draw the money out of the regional development fund and it will be appropriated to the line items in the budget to which the member has referred. I will give an example. I talked about the Albany pipeline. Once we have defined the business case for the Albany pipeline and have taken that to cabinet, the Albany gas pipeline will have a line item with expenditure attached to it. The likely funding source for that will be the regional development fund.

**Mr D.A. TEMPLEMAN:** I again refer to the royalties for regions expenditure on page 229 of budget paper No 3. The line item for over-programming provision is towards the bottom of the table. Firstly, what is the over-programming provision and why was it introduced in this budget? Secondly, why do no other portfolio budgets have an over-programming provision? I may have a few follow-up questions depending on the answer.

**Mr B.J. GRYLLS:** I am advised that other programs have an over-programming provision. The state's capital works program is over-programmed essentially, and the road trauma trust fund is also over-programmed. Given some of the questions that have been asked today about the management of the budget, and given that money comes in and goes out as appropriated and there is a cap on it, Treasury has supported the request from the Department of Regional Development and me this year to allow us to over-program both the capital side and the operational side of royalties for regions. Essentially, I can take to cabinet submissions for appropriation of more than the expense limit, knowing that it is difficult to fully expend the allocation in one year. It allows me to attempt to overspend by 10 per cent my capital and operational expenditure, knowing that that will help me land at a point that is more closely aligned to the actual budget allocation.

**Mr D.A. TEMPLEMAN:** Did the minister say that that is calculated at 10 per cent?

**Mr B.J. GRYLLS:** Yes, 10 per cent.

**Mr D.A. TEMPLEMAN:** What happens to any unspent funds from that provision? Do they return to consolidated revenue?

**Mr B.J. GRYLLS:** No. Money comes into the royalties for regions account and the budget appropriates the money to come out of the royalties for regions account. We have an over-programming allowance that allows us to spend over our expense limit in the knowledge that our track record shows that we have got to 57 per cent, 56 per cent and 95 per cent of our budget allocation in the past three years. Over-programming allows us to better manage the cash flows of the royalties for regions account.

**Mr D.A. TEMPLEMAN:** Finally, after the minister has done his over-programming provision, bearing in mind that history shows that he does not do a total spend, what happens to the surplus funds? Is that returned to consolidated revenue; and, if so, how much ultimately went back into consolidated revenue in 2011–12 and 2012–13 because it was unspent from royalties for regions?

**Mr B.J. GRYLLS:** No money goes back to consolidated revenue because it is already in the royalties for regions account. Essentially, an underspend means that that money is then rolled over to the next financial year. The over-programming function allows us to attempt to expend 100 per cent of the expenditure limit. It is a budget tool to allow us to get closer to the actual. There is an appropriation and then there are the actuals at the end of the year. It is essentially a method of managing the expenditure within the royalties for regions account.

[4.50 pm]

**Dr G.G. JACOBS:** I refer to budget paper No 3, and the royalties for regions overview on page 218, under the subheading "Seizing the Opportunity Agriculture". Reference is made to Western Australia's biosecurity defence. What is the allocation for Western Australia's biosecurity defence, and is it similar to or separate from the concept that the minister outlined in a press release for the wild dog management plan; I think that amount was \$700 000? Can the minister clarify some of the issues in and around biosecurity? Is that to be added to the biosecurity fund, for which there was a figure of about \$20 million initially?

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**Mr B.J. GRYLLS:** I thank the member for Eyre. Both the Liberal Party and the National Party made commitments on biosecurity during the election campaign. Both commitments were for \$20 million. Within the \$300 million “Seizing the Opportunity” project, there is a notional \$20 million allocated to biosecurity. That will be subject to business case and cabinet approval, probably by the Minister for Agriculture and Food, in due course. Without cabinet approval it is not yet defined, but the notional allocation within the \$300 million fund would be \$20 million for biosecurity. That would include for wild dogs, fences, and the issues that have been prioritised by the Department of Agriculture and Food under that broad theme.

**Dr G.G. JACOBS:** In the joint press release put out by the Minister for Regional Development and the Minister for Agriculture and Food, mention was made of a wild dog management plan, with a \$700 000 price tag on it. What is that for?

**Mr B.J. GRYLLS:** I assume that is ongoing funding into the wild dog management plan under royalties for regions, basically to fund the doggers; paying the salaries of the doggers.

**Dr G.G. JACOBS:** Doggers and bait program? I thank the minister.

**Mr D.A. TEMPLEMAN:** The member for Eyre has prompted my question. I refer to the heading “Seizing the Opportunity Agriculture”. The minister has indicated in answer to a previous question what the \$270 million will be spent on. Firstly, will this initiative fund any Department of Agriculture and Food FTEs or involve the transferral of staff from the Department of Agriculture and Food to the Department of Regional Development? Secondly, why is this agricultural program not being administered through the Department of Agriculture and Food; or will the Minister for Agriculture and Food have oversight of this program?

**Mr B.J. GRYLLS:** This is royalties for regions funding, so the protocol we follow for royalties for regions funding is that if the program falls under the Department of Agriculture and Food, there will be joint cabinet submissions from the Minister for Agriculture and Food and the Minister for Regional Development to release that money from the royalties for regions fund and put it into the appropriate department. In respect of the biosecurity fund, that will be housed under the Department of Agriculture and Food and the Minister for Agriculture and Food will work up that cabinet submission, I will sign off on it, and that money will be appropriated to the department. The money is essentially over and above existing expenditure on biosecurity, so it is new money on biosecurity. The member’s question was whether the Department of Agriculture and Food will employ officers in and around those projects; I expect that it would, but that would be to administer new money in new projects.

**Mr D.A. TEMPLEMAN:** I suppose I was asking whether the Department of Agriculture and Food would transfer staff across to the Department of Regional Development to administer “Seizing the Opportunity”.

**Mr B.J. GRYLLS:** No.

**The appropriation was recommended.**

*Meeting suspended from 4.54 to 4.57 pm*