



Parliamentary Debates

(HANSARD)

FORTIETH PARLIAMENT
FIRST SESSION
2019

LEGISLATIVE ASSEMBLY ESTIMATES COMMITTEE A

Wednesday, 22 May 2019

Legislative Assembly

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ESTIMATES COMMITTEE A

The meeting commenced at 9.00 am.

Division 22: Mental Health Commission, \$721 015 000 —

Ms E.L. Hamilton, Chair.

Mr R.H. Cook, Minister for Mental Health.

Mr T. Marney, Mental Health Commissioner.

Mr L. Bechelli, Chief Finance Officer.

Ms E. Paterson, Assistant Commissioner, Purchasing, Performance and Service Development.

Mr D. Axworthy, Assistant Commissioner, Planning, Policy and Strategy.

Mrs S. Jones, Assistant Commissioner, Alcohol, Other Drug and Prevention Services.

Mr N. Fergus, Chief of Staff, Minister for Mental Health.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

Do we have any questions?

Mr R.H. COOK: Madam Chair, if I may, with the opposition's agreement, I want to make a clarification to the budget, which may or may not impact on the number of questions asked. I refer to page 293 in budget paper No 2, volume 1. There was a clerical error in the "Spending Changes" table relating to the step-up, step-down mental health services at Broome, Bunbury and Karratha. The spending changes presented as occurring in 2019–20 and 2020–21 actually occur in 2018–19 and 2019–20 for the same amounts. In effect, those figures should be moved one column to the left in the spending changes to present the correct position. Just for members' information, if we take those numbers, which are about halfway down that table, and slip them over to the next left column, that provides the actual accurate situation. Apologies for that error.

The CHAIR: Thank you. I give the call to the member for Churchlands.

Mr S.K. L'ESTRANGE: I refer to page 292 of budget paper No 2, volume 1. Why did the Mental Health Commission underspend its budget in 2018–19 by \$9.175 million?

Mr R.H. COOK: I thank the member for the question. Obviously, a lot of the expenditure or the contracting which the Mental Health Commission undertakes is with not-for-profit organisations or non-government organisations. Often, these contracts are subject to negotiation. That sometimes impacts upon the start of those contracts, and there is often a lag in terms of when we anticipate those contracts will come to life and when they actually do come to life. Sometimes we can have underexpenditure around some of those programs. I will ask the Mental Health Commissioner to make some clarifying comments.

Mr T. Marney: Thank you. There are three main areas of underspend for the commission in 2018–19 expected in health services purchasing—that is, where we sought to purchase a particular service, but have not been able to establish that service within the year. That goes particularly to issues around youth forensic services. We have been engaged in discussions and negotiations with health service providers throughout this year in an attempt to increase the level of service provided for severe and persistent mental illness among young people who are in

contact with the justice system. Obviously, that is a complex service, which requires fairly niche infrastructure. We have not been able to identify the infrastructure, but we continue to work with health service providers to identify a suitable location and, indeed, a suitable service model. That is one element.

The second main element, which is not unusual, is the independent community living strategy, which is a community-based support program for individuals that provides both accommodation and support for those individuals. The support is in three tiers in terms of need—high, medium and low. What we have sometimes found in that program is that over time, with successful support and the stability of accommodation provided for those individuals, their needs improve; in fact, quite positively, they recover. Their support needs decline throughout the year, and some even exit the program. That means we have savings from that program throughout the year. We then have an assessment and prioritisation process through clinical services, which results in a lag in people coming into the program, or, indeed, topping up supports for other people. That is an area of underspend and an area that we are focusing on fairly heavily in terms of better understanding that throughput, how that interacts, and how we can maximise the benefits of that for individuals. I think, in all, it is actually a good news story, because it shows that individuals are recovering more quickly than we had budgeted for, so that is quite a positive.

Those are probably the two main areas of underspend. As the minister said, there are also a number of programs which were procured during the course of the year that involve a ramp-up to commencement of service. A major example is the residential rehabilitation beds in the state's south west that we have procured throughout this year. A tranche of 19 of those beds opened in January; another tranche will open at the end of June. The delays to the start-up of those has led to some underexpenditure in that area.

[Ms J.M. Freeman took the chair.]

Mr S.K. L'ESTRANGE: What percentage of the \$9.175 million underspend represents those projects that have not come on in the time frame expected, and what percentage represents unallocated funds of programs?

Mr R.H. COOK: Is the member referring to a particular line? I see that total cost of services is still sitting around the \$918 million mark in 2018–19 and in the estimated actual.

Mr S.K. L'ESTRANGE: No, I am looking at the total appropriations provided to deliver services. The 2018–19 budgeted amount is \$707.456 million; the estimated actual is \$698.281 million.

Mr R.H. COOK: Total appropriations does not necessarily reflect moneys expended. If I may refer the member to page 297, which gives a breakdown of the service summaries, we see there that hospital-based services is still sitting at around \$392 million or \$393 million. To answer your question and to be specific, your reference to it is correct: under community bed-based services and community treatment, there is some underspend. That is associated with those contract lags that I was referring to.

[9.10 am]

Mr S.K. L'ESTRANGE: I will accept that they are contract lags. Many community-based service providers support people with mental health issues. One in my electorate, the Lorikeet Centre, does amazing work. When I visit those types of centres, I see that they could always do with more money to improve their programs and support the people to keep them off the streets and engaged in a community atmosphere. I hope that we are not underspending in areas that could support those types of organisations.

The CHAIR: What is the question?

Mr S.K. L'ESTRANGE: Can the minister assure us that that is the case?

Mr R.H. COOK: I am sure, but I will ask the commissioner to make some further remarks.

Mr T. Marney: When we have contracts in place with the likes of the Lorikeet Centre, all moneys are expended as per their agreed contractual schedules. When existing contracts are in place, it is only when service providers cannot provide the service any longer. There was such a provider during 2018–19 with residential rehab beds. There were 14 beds, for example, but the service provider chose no longer to honour the contract and walked away. If we have a contract in place, we honour that contract, so long as performance is satisfactory, and we pay the full amount in accordance with the terms of the contract.

Mr Z.R.F. KIRKUP: I refer to “Methamphetamine Action Plan—Community Treatment Facilities” under “Ongoing Initiatives” in the table on page 293. I note in the 2018–19 budget, circa \$1.457 million was dedicated to that initiative in 2018–19 and then there was some money in the out years. That does not look as though it has been spent. It has been pushed to 2021–22 onwards. I am keen to understand why no money was spent in 2018–19, it has not been budgeted for this financial year and it will not be expended until 2021–22, when previous budgets have committed it to previous years.

Mr R.H. COOK: The methamphetamine action plan recurrent funding for an additional 13 workers in community alcohol and drug services—CADS—community treatment facilities was due to cease on 30 June 2021. However, as part of the 2019–20 budget process, government has approved a further \$3.184 million, \$1.572 million in 2021–22

and \$1.6 million in 2022–23 to provide ongoing recurrent funding. I think that it is essentially to provide continuity of funding for those services. The current allocation is approved through to June 2021. To make sure that I am on the money, I will refer momentarily to the commissioner.

Mr T. Marney: That is correct.

Mr Z.R.F. KIRKUP: To clarify, minister, the money that was previously allocated in last year's budget for 2018–19 and 2019–20 was \$1.457 million and \$1.494 million. Has that been spent or was that not spent at all?

Mr R.H. COOK: I will ask the commissioner or Liz to cover that one.

Mr T. Marney: That is the money associated with the south west residential rehab beds that I mentioned earlier. We went through a procurement process. The budget allocation allowed for the commencement of services from January for all 33 beds. During the procurement process, we managed to get 19 beds up and running in January. The remaining beds will come on at the end of June. We always thought it would be a possibility in a six-month window given that the service providers needed to find a location to provide the service, get council approval and so on. Indeed, the service provider that commences at the end of June has had some difficulties in that space, but we have worked with it closely to come to an alternative arrangement and make sure those beds are up and running by the end of the month. As at 30 June, we will have added 34 new beds to the residential rehab and detox service offering in the south west.

Mr V.A. CATANIA: I refer to “Continuation of the North West Drug and Alcohol Support Program” under the ongoing initiatives on page 293. I notice that in the 2019–20 budget year there are no funds, but there are funds in 2020–21 ongoing. Can the minister elaborate on the continuation of this service, and whether it refers to the Carnarvon drug and alcohol centre?

Mr R.H. COOK: The continuation of that funding was supported through the response to the Methamphetamine Action Plan Taskforce report. As part of the 2019–20 budget process, the government approved \$4.82 million in 2019–20, \$1.5 million in 2020–21, \$1.5 million in 2021–22 and \$1.5 million in 2022–23. That was to maintain continuity of funding for that program. It is funded for the 2019–20 year. It is already funded and it is, basically, to maintain that funding across the forward estimates.

Mr V.A. CATANIA: Is this for Carnarvon or statewide?

Mr R.H. COOK: The Carnarvon one would be included in the north west drug and alcohol initiative.

Mr V.A. CATANIA: Where is this money that was traditionally funded by RforR coming from? Is it out of the health budget or out of royalties for regions?

Mr R.H. COOK: My understanding is that it is still RforR. To clarify, it is from RforR and the sum is around \$20.06 million over the forward estimates.

Mr V.A. CATANIA: Can the minister give us a breakdown of what part of the state those funds are in? Like I said, the Carnarvon drug and alcohol clinic is one. Could the minister perhaps give us a breakdown of all the others around the state?

Mr R.H. COOK: I am happy to provide that as supplementary information. The member has asked for a breakdown of the funding for the continuation of the north west drug and alcohol initiative and a breakdown across the regions or down to specific locations.

Mr V.A. CATANIA: I suppose where that money has been allocated.

[Supplementary Information No A10.]

Mr C.J. TALLENTIRE: My question refers to spending changes on page 292 and the dreadful problem of methamphetamine. We have touched on this issue and we know the harmful effects of meth on our communities, but I am keen to know more about what the government is intending to do to counter the impacts of this insidious drug.

Mr R.H. COOK: It is an important point. As members know, when we came to office, we launched the methamphetamine action plan. It is a comprehensive program to ensure that we have a suite of initiatives across the three themes associated with drug and alcohol services, which are to reduce supply, reduce demand and reduce harm. Specifically, we had a large commitment to establish a methamphetamine border force for policing. We have already seen the extraordinary seizures that have taken place as a result of the success of that program. Additionally, the idea is that we reduce demand by making sure that we have better education in our schools and better awareness across the community generally so that we can not only put downward pressure on the demand for drugs, but also make sure that people who come into harm's way by virtue of drug or alcohol addiction—specifically in this case methamphetamine—will be able to access services they need.

We had the methamphetamine task force look at what we are doing right across government and asked it to come up with a range of policy responses that we could respond to. As a result of the task force report, we have committed \$244.8 million to address methamphetamine issues across WA and \$202 million has been committed as part of the methamphetamine action plan. Specifically, as part of the 2019–20 budget, \$40.5 million is being provided to the Mental Health Commission and \$2 million to the Department of Health for the coordinated and

integrated approach to address methamphetamine issues in WA. That includes planning for the expansion of the mental health police co-response task force or the co-response teams. This fantastic program essentially embeds mental health workers in the police teams that go out to respond to clients who are impacted by methamphetamine or other drugs or mental health issues.

It has been a huge success. My local police station has recently been the beneficiary of the extension of this program, which is run out of the Cockburn station. The first day the station had the program, it received a call from the Alma Street mental health hospital that someone had absconded and asking the police to pick them up. Usually, the police would go and initiate their powers of arrest. That would chew up huge amounts of police resources, and bounce the person straight into a criminal-related response. In this particular instance, before the superintendent could issue the work order to go out and pick this chap up, a squad car with one of these mental health workers had driven past this chap walking on the street, and the worker said “Hang on, I know that guy. We’d better stop, because he should be in hospital at the moment.” They went and met with him, got him in the back of the car and took him straight back to the hospital. It was a great outcome for him, and a terrific outcome for the police, because they then did not have to go and arrest the chap and go through the processes associated with that. It provides that nuanced response in these situations, which really improves the way we undertake those activities.

Other initiatives include the development of a specialist youth service, and low medical withdrawal beds in the Kimberley; developing a 10-bed crisis intervention centre in Midland; and the expansion of the transitional housing and support program, with 13 additional beds. The transitional housing and support program is about people who are coming out of drug and alcohol residential services. They go into a transitional service that gets them back on their feet and ready to go out. In addition, we have dedicated some money towards the examination of a compulsory treatment process, and we are looking at the response associated with similar services in New South Wales to see what the evaluation there is with a view to, if necessary, turning that 10-bed crisis intervention centre into a compulsory treatment centre.

[9.20 am]

Mr S.K. L’ESTRANGE: I refer to the service summary table on page 297 of volume 1 of the *Budget Statements*, in particular the first line item, “Prevention”. Why is the prevention budget decreasing by 29 per cent between 2019–20 and 2022–23?

Mr R.H. COOK: It is a great question, and it is one that we spent some time on as the budget was crafted. Obviously, the member would agree with us all that prevention is better than cure, and we want to make sure that prevention remains an important part of what we do in mental health. One of the difficulties that we are confronting at the moment—they are not really difficulties—is that a lot of those prevention programs are subject to contracts and grants, and some of those had not been fully negotiated at the time that the budget was finalised, so we obviously could not assume them in the budget without finalising those contracts. I will ask the commissioner to provide more clarity around that.

Mr T. Marney: Probably the biggest component in amongst those contracts is revenue received by the commission to deliver services on behalf of other agencies, including the commonwealth. This includes some of our specific Aboriginal programs—the Strong Spirit, Strong Mind Metro program. That is also not included in the 2019–20 numbers, and my understanding is that the member’s question relates to the decline from 2019–20 to 2020–21. Is that correct?

Mr S.K. L’ESTRANGE: Yes. From 2019–20 through to 2022–23, there is a 29 per cent reduction in the prevention budget.

Mr T. Marney: The major point of decline over that period relates to the Suicide Prevention 2020 strategy expiring. During the budget process, the government extended the initiatives under that strategy, with an additional \$5.4 million in 2019–20 and an additional \$2.7 million in 2020–21 to fund almost all of that initiative through to December 2020, at which point the existing strategy expires. There is a need to develop a new strategy to replace the existing one. The landscape in suicide prevention initiatives has changed substantially since Suicide Prevention 2020 was developed. That was back in 2014–15. The commonwealth, through the “Fifth National Mental Health and Suicide Prevention Plan”, has set a new framework for suicide prevention nationally for both commonwealth and state services. There is a need to develop a new action plan to implement that framework. Action planning is going on at a national level, and we will dovetail at a state level with that planning to ensure that our initiatives tie in much more cohesively with initiatives at the commonwealth level. With that will come a funding request as part of the 2020–21 budget process next year, to fund that new action plan, which is likely to include elements of the existing strategy, but also likely to look different in some regards. Nonetheless, that planning work has to be done for a very different environment, and those budget considerations will be had as part of the next budget process.

Mr S.K. L’ESTRANGE: Given the “Western Australian Mental Health, Alcohol and other Drug Services Plan 2015–2025”, and the 2018 plan update, set a clear target that the share of Mental Health Commission funding committed to prevention should reach four per cent by 2020, why has funding not been allocated based on the existing 2018 update plan to ensure that the prevention budget is four per cent of the total Mental Health

Commission budget, regardless of what is happening federally? We have a plan, and there was an update to the plan in June last year, but in actual fact, through the forward estimates, the proportion decreases and does not go anywhere near four per cent. It is 1.4 per cent this year, 1.2 per cent in 2020–21, and 0.9 per cent in 2021–22. Based on the plan update of 2018, it would be expected that the commission would have budgeted to try to achieve that target in its own plan, but that is clearly not happening here.

Mr R.H. COOK: The member is correct, that at the moment it does not show that increase across the forward estimates. I attended a federal suicide prevention forum in Broome just last month, and on that occasion it occurred to me that a lot of resources are now being dedicated at the federal level to this work. We need to take account of those resources and, rather than try to duplicate them, make sure that we integrate better with the federal government to ensure that we have a cohesive single approach to suicide prevention. That will obviously be the lion's share of it. We could allocate four per cent of the budget to prevention services, but without having that line of sight around that federal program, it does not mean a lot. The member is correct in saying that at the moment it does not reflect that aspiration around the four per cent. I will ask Mr Marney to make some further comments.

Mr T. Marney: The member's statement is absolutely correct, but it needs to be considered in the broader context that the plan itself, and the plan update, provide an overview of the optimal mix of services. Looking across all elements of the plan, we are not actually meeting 100 per cent of the target of any service mix, but the plan is there to try, over time, to give governments of all persuasions, and budget processes, the opportunity to balance the system in the way that governments feel most suits the community's needs. It is fair to say that we are not meeting that target yet. It would be unreasonable for the commission to defund acute, subacute or community-based support services to shift allocation to prevention when we are in a situation in which we are not meeting 100 per cent of those service needs either. People in distress and crisis need response, service and assistance now, which is the focus of the methamphetamine action plan. We need to maintain focus on those acute services and build the prevention spend over time, rather than shift allocation from within our existing envelope. The challenge of the plan is how to build and balance the system over time. It is a 10-year plan, but I think it is more like a 15-year to 20-year journey.

[9.30 am]

Mr Z.R.F. KIRKUP: The member for Churchlands has pointed out the decrease in funding for prevention. I note that the budget has no new initiatives to respond to the Aboriginal Kimberley crisis. Given the reduction in the spend and that the minister was up in the Kimberley last month, I am keen to understand what new initiatives the Mental Health Commission is looking at to tackle that issue. It is quite a concern if funding is decreasing and no new initiatives have been spelt out.

Mr R.H. COOK: The initial response to the State Coroner's report and the 2016 report "Learnings from the message stick: The report of the Inquiry into Aboriginal youth suicide in remote areas" will be coming out immediately. Within that response is a range of initiatives that we are continuing to fund, such as the Aboriginal family wellbeing program, which I think has a \$5 million funding envelope. We have purposely not tried to anticipate the response that the Aboriginal community would like to see without engaging with it across an extensive program of collaboration and co-design, and on the basis of that, getting an understanding of what the delivery models need to look like. The initial response will come out immediately, with the final response coming later in the year. We now need to go through an extensive process of conversation. I am determined to make sure that in our final response to the coroner's report and the message stick report we do not come up with the usual formula, which is for the government to say that it agrees with X number of recommendations and here are some programs that are vaguely related to those recommendations. We need to go to the next iteration of informed programs. Not only will these things be done in consultation with the community, but also they will be co-designed by the community and, by and large, the community will be responsible for their delivery. We know that if they are culturally secure and informed, they will therefore be more effective. Our initial response will come out today. It will point to the recommendations, which the government by and large endorses. Although it will present some programs that fit the bill, the government will start an intensive period of conversation with the community in the Kimberley to find out what the government needs to do, how the government is letting the community down, and how it can do a better job with the community in the future. One thing that occurred to me when I went to the Kimberley for an initial discussion with the community is that there is good infrastructure around that conversation that the federal government is already putting in place. Assuming Hon Ken Wyatt remains Minister for Indigenous Health, I would want to sit down with him and say, "We have lots of resources. You have lots of resources. How can we work together in a joint commissioning approach to make sure we do this stuff better?" It is ridiculous that we have individual programs. As the commissioner said, a bunch of work is being done at the national level on suicide prevention. We want to make sure that we are informed by that as well to ensure that there is a truly nationally driven regional response.

Mr Z.R.F. KIRKUP: I do not want to delay the member for Kalamunda's Dorothy Dixler. An extensive consultation process was put in place as part of the Kimberley wellbeing strategy. It was outlined initially and the stakeholders were all engaged in the development and implementation of that framework. Given that we often talk about the localised needs of communities in remote settings, how is it that the government's response is now to let those

programs remain as they are and say that that framework will stay until we can come up with more consultation and more frameworks? The government has allocated no more money in the budget for it and a more extensive program is not being developed. The minister suggested that Canberra will have a greater role to play. Perhaps I am misreading the minister. The coroner's report was released three months and two weeks ago. It responded to critical issues from 2012 to 2016. Is the government just going to continue to point to an existing framework, which the minister says did not have enough consultation in place although it was clearly designed around local consultation? How is the minister comfortable in saying that the government will keep it there and take some time to develop new programs when it has not allocated any money for new programs?

Mr R.H. COOK: I will ask the commissioner to comment on resourcing shortly. The fact of the matter is that what has been done to date has not worked, which is why we continue to see suicide and mental health illness manifest itself in the Kimberley community. I think it is time that we stopped pretending we have all the answers and sit down with the community and co-design these things. As I mentioned earlier, we have funded the current suicide prevention action plan to the end of 2020 to make sure that programs that are currently in the system continue. But we need to recalibrate and redouble our efforts to make sure that we fund programs that are effective and switch the dial into the future. It would be misguided and foolish for the government to say that it has all the answers, because we would not be in this position if it did. Clearly, we do not. In the time that I have been in this portfolio, I have been struck that there is not a sense of helplessness in the Kimberley community. There is a sense of purpose. People in the community know what works and what they need to do to help heal a lot of trauma and hurt that is in the community, which has led to these dreadful statistics. We need to work with them to co-design and deliver those programs. We could have come out with a range of measures and said that we have responded to the problem and we would probably have got away with that, but I think that is the easy response. We need to undertake a step change in the way we respond to these things and ensure that the community is driving this stuff and that we are standing next to them, not leading them. I will ask the commissioner to comment on individual resourcing.

Mr T. Marney: Additional resourcing was allocated as part of the budget process for the extension of the suicide prevention strategy implementation. In particular, the Aboriginal family wellbeing project was allocated an additional \$639 000 to be extended as part of that \$5.4 million and \$2.7 million. That program is not about —

Mr Z.R.F. KIRKUP: Is that the program the minister said was not working?

Mr T. Marney: No. This is a fairly new initiative by the commission. It was co-designed by Aboriginal people, albeit in South Australia. It is a nationally proven evidence-based model. That will be extended and is part of lifting the capability and capacity of Aboriginal communities to address the causal factors of suicide that they identify as priorities. It is an empowerment project, which, as the minister said, has Aboriginal people and communities identifying and developing the solutions and being equipped to do that. The causes of suicide are incredibly complex. It is not just a mental health or drug and alcohol issue. There are a whole range of social economic determinants, so it really needs community engagement. Alongside and slightly preceding that project, money has been allocated in the budget for the continuation of the network of suicide prevention coordinators. Their job is to embed themselves in the communities, whether they be Aboriginal, non-Aboriginal or multicultural, to understand firsthand what the community's needs are and to respond to that over time through training, support and local community grants. We know that those elements of the strategy work. They are a fundamental piece of infrastructure to identify, in cooperation and collaboration with the commonwealth, the specific initiatives and points of intervention that those communities tell us are required. Getting the co-design with the community is the aim. We have been chipping away at building the infrastructure to be able to do that effectively for a couple of years, and the government has allocated further money for that to continue for the next 18 months.

[9.40 am]

Mr R.H. COOK: I will just provide further information to the member. In response to the message stick report and the coroner's report, activities that are funded in this budget, which will contribute towards the intent of the response, is a sign of continued support for the work of the Mental Health Commission in reducing suicide risk in WA. They include \$8.1 million for the Suicide Prevention 2020 strategy; \$900 000 for a Kimberley juvenile justice strategy to develop place-based prevention and diversion initiatives for young people across the Kimberley; \$6.5 million for the Aboriginal community connectors program to improve community safety and reduce community consequences of alcohol and other drugs and related at-risk behaviours; \$2 million for diversionary programs in the Kimberley, including the Kununurra police and community youth centre; \$1.3 million for the West Kimberley youth and resilience hub; \$20.1 million for the north west drug and alcohol support program, which we have already discussed with the member for North West Central; \$914 000 to increase training for Aboriginal staff in alcohol and other drugs services as part of the methamphetamine action plan; and \$1.1 million for the Kimberley family and violence service to continue to assist in responding to family and domestic violence.

The challenge for us is to continue funding this bevy of programs, some of which the community has already told me are great and they want to see funded into the future. It might have a view that other programs are not an effective way to use our money and we should be looking at other initiatives. We will have that conversation and make sure we respond to it properly. The commissioner wants to make a further comment.

Mr T. Marney: Just further in response to the member's question about what has been allocated, moneys are allocated outside the suicide prevention strategy as well. The Kimberley youth service that comes under the Kimberley AOD strategy was identified as needed in initial co-design with the Kimberley community. The government identified a need to address AOD issues in the Kimberley. We went through a consultation process with the community and it said, "Actually, we need early intervention for youth." That is part of ensuring that they get a good start in lifting some of those socioeconomic determinants that may lead to suicide, including problematic AOD use, and they are addressed early. That is an investment of \$9 million, which is in the out years because it will take us the next 12 months to ensure we co-design that with the communities and also ensure it dovetails seamlessly with other youth initiatives, including youth justice initiatives in the Kimberley, so that communities are not bombarded with a raft of disconnected services.

Mr M. HUGHES: I refer the minister to page 295 of budget paper No 2 and the paragraph relating to recovery colleges under the heading "Community Support". Can the minister update us on the progress of the election commitment to introduce them?

Mr R.H. COOK: As the member would be aware, this was one of our election commitments in 2017, when we were determined to introduce recovery colleges in Western Australia. We have allocated \$3.6 million to progressively establish recovery colleges over four years. Recovery colleges are an important part of providing capacity within our community for people to manage their ongoing mental health issues. They are provided in a non-judgmental environment, with an emphasis on education and building the resilience of the individuals around managing their mental health issues. We pulled together an independent expert panel to advise the Mental Health Commission on how we design the model of service. The member will recall that at the election, we said that one should be based in Perth and one should be based in Wanneroo. It was determined that we need to have a hub-and-spoke model that we will progressively implement statewide over a three-year period. Essentially, the hub will be located in the Perth metropolitan area with satellites allocated in all regional areas of WA—north metropolitan, the south west, south metropolitan, east metropolitan, the great southern, the wheatbelt, the Pilbara, the midwest and the Kimberley. They will utilise an education model to assist people, particularly those who are on the road to recovery from their mental health issues, so they continue to be skilled and have the opportunity, with peer support workers, to undertake their ongoing recovery and build their capacity to manage their mental health. I am really excited about this because it is a non-health model for delivery of mental health services, and I think it should be very effective. It has been very effective internationally and we are looking to replicate that success.

We made an early tender announcement on Tenders WA in April 2019 and that will finish in June this year, with a request to advertise on Tenders WA in June, and that will expire in August. We are anticipating that the contract will be awarded in October this year, with a transition period between November and March, with the service to ultimately commence in July 2020, midway through next year.

As I said, it is an exciting opportunity for us to really switch the way we deliver mental health services. It is an education-based environment, building capacity of the community and relying upon peer support to really make sure that we build resilience in those people who are on the road to recovery. It should be exciting. It is a great election initiative to have delivered.

Mr S.K. L'ESTRANGE: I refer to the number of full-time employees in the Mental Health Commission as reported on page 299 of budget paper No 2, volume 1. I note that the FTEs in the prevention services stream decreased by 15.4 per cent between 2017–18 and 2019–20. What impact has this reduction of key resources—there are other reductions in FTEs at the Mental Health Commission—had on the commission, its staff and their ability to meet demand for services?

Mr R.H. COOK: I will ask the commissioner to provide further analysis. I just want to report that the total number of FTEs under mental health control, clinical and non-clinical, was 271 in 2017–18. That reduced to 259 in 2018–19. The estimated number of total FTEs in 2019–20 is 242. In particular, it has impacted the grants associated with prevention and preventive services. On that basis, I will ask the commissioner to provide further details.

Mr S.K. L'ESTRANGE: Just to clarify the figures, has it gone from 271 down to 242 in 2019–20?

Mr R.H. COOK: The budget estimate for 2019–20 is 242. The total estimated actual in 2018–19 is 251. Obviously, that number will probably float somewhere between 251 and 242 depending on the outcomes of those grant negotiations that I will ask the commissioner to clarify.

[9.50 am]

Mr T. Marney: The member's question was initially specifically related to prevention FTE —

Mr S.K. L'ESTRANGE: And the total. It was almost two parts. I notice a reduction of over 15 per cent on the prevention FTEs, but I also notice a reduction on the whole, and the minister has just outlined what that reduction is.

Mr T. Marney: I will take the second part of the question as being answered by the minister and I will address the first part in further detail. The decline in prevention expenditure that the member highlighted earlier is, as pointed out earlier, associated with some grants that are currently under negotiation from external parties. The

biggest one of those is revenue received by the Mental Health Commission from the WA Country Health Service for the Strong Spirit Strong Mind program. At this point, that revenue is only contractually confirmed to 30 June this year. We are currently in negotiations for an extension of that, and without pre-empting those negotiations and putting undue pressure on the other party, we are pretty certain that we will get that money and continue that program, which means those FTEs will continue as well. We have about five to seven FTEs aligned to that revenue stream. The FTEs associated with prevention will change once one of those external contractual arrangements is locked in. It is probably worth getting supplementary information, because the budget cut-off was, from memory, 8 April and a lot of those matters have progressed substantially since then, so the numbers in the budget papers significantly understate the continuation of some of those individual externally funded grant programs, hence the associated FTEs.

Mr S.K. L'ESTRANGE: Shall we take it on notice then?

Mr R.H. COOK: Yes, if the member would find it useful. The supplementary information will be a breakdown of preventive health grants, incomes and programs since the budget cut-off, and the impact on FTEs. Is that okay, member?

Mr S.K. L'ESTRANGE: Yes.

[Supplementary Information No A11.]

Mr S.K. L'ESTRANGE: Given what the budget is doing and that the minister will provide us with some supplementary information, what is staff morale currently like in the Mental Health Commission?

The CHAIR: I am not sure that is the same question, member.

Mr S.K. L'ESTRANGE: It relates to FTEs decreasing, and without seeing the supplementary data, I still have to ask the question.

The CHAIR: Okay, make your question.

Mr S.K. L'ESTRANGE: What is staff morale currently like in the Mental Health Commission, and has an employee wellness survey or equivalent been undertaken since the amalgamation of the Mental Health Commission and the Drug and Alcohol Office? What is morale like in relation to the FTE drops; how is that being managed?

Mr R.H. COOK: I will answer that in broad terms and then ask the commissioner to make specific comments, particularly in relation to staff surveys. My understanding is that staff morale is high. After the initial amalgamation of the Drug and Alcohol Office and the Mental Health Commission there was a bedding down period. The feedback I have from staff is that they have got over that period of transition and ultimately the organisation is in the best place it has been since the Mental Health Commission came on board. The reason for that is that the Mental Health Commission has now crafted its strategies across its service areas around alcohol and other drug services, housing, suicide prevention, and overall health and wellbeing. It is an organisation, or an agency now, that has a very clear mandate and a clear strategic approach. Staff morale improves once any organisation has its purpose defined and its pathways agreed. I want to take the opportunity to commend the leadership provided by Commissioner Marney in pulling that team together and really taking mental health services in Western Australia forward. I acknowledge the role of the previous government in establishing the Mental Health Commission and ultimately this new configuration, and the focus that has brought on mental health issues in WA generally.

I also just take the opportunity to thank Commissioner Marney, who, as members are aware, will be stepping down next month, so this is his final estimates hearing in this role. As I said, I think he has done an outstanding job in understanding and crafting the mission of the Mental Health Commission and really setting a strategic future for it. From that point of view, he has done an outstanding job in pulling the team together and developing its leadership and vision for the future. We are all very much in his debt for the work he has provided to the Mental Health Commission and the great work he has done there. On that basis, I ask him to make a comment about the staff and related matters.

Mr T. Marney: I thank the minister for his kind comments, and I reiterate his comments about the fine job the commissioner has done over the years! One of the initiatives we have pursued and piloted within the commission is one under the suicide prevention strategy. We have partnered with the Future of Work Institute at Curtin University to implement Thrive at Work. Rather than do an internal climate survey, if you like, which is historically what most organisations would do, we have an interactive process—a co-designed process with staff—to address internal issues. We have made a number of changes in response to that. That program will be ongoing. It has an implementation phase over the next couple of years. That is the broad climate within the commission. Having said that, we have lots to do. The Parliament demands a lot of us and the community, rightfully, demands a lot of us, so it is a fairly high-pressured, high-paced place, but that is the way it should be too.

I feel very much for the individuals who year to year have their contract in jeopardy awaiting renewal of funding for another 12 months. There are a number of staff within the commission in that situation. It stresses me that they are in that circumstance, and I empathise with their uncertainty. We are doing all we can to negotiate those additional agreements to ensure certainty of their employment going forward. It is a handful of staff. I have to say

that in conjunction, in parallel, with the normal process, we are going through the process under the government's policy decision and also under the Public Sector Commission's instruction—I think it is instruction 23—to review all short-term or repeat contract arrangements of staff to come to a reasonable judgement about whether they are likely to continue; and, if so, to provide those employees the opportunity to be made permanent. We are about halfway through that process at the moment and it is picking up some of these issues. Obviously, if we overspend our salaries budget, it is not a good look in here either, so we have to juggle that, but, as I said, I empathise with those whose jobs are dependent on external revenue sources that have not yet been confirmed for the forthcoming financial year.

Mr V.A. CATANIA: I refer to significant issues impacting the agency on pages 293 and 294 of the *Budget Statements* and the methamphetamine action plan. I believe \$40.5 million is dedicated to that action plan. I know I have asked the question about the north west drug and alcohol clinic and how its funding is a continuation of that of the previous government. I refer to comments made by the then opposition leader, the now Premier, back in 2016, I think, when he said there was a drug dealer on every corner in Carnarvon and something needed to be done about the drug issue. Can the minister please enlighten me about the new initiatives coming out of the \$40.5 million and where they are in regional WA? Can the minister provide me with a breakdown of funding continued from the previous government? Can the minister also provide a breakdown of the new money in that \$40.5 million, the new plans and where they are in regional Western Australia?

Mr R.H. COOK: I appreciate the comments the member has made. The member is right that communities such as Carnarvon are vulnerable for a number of reasons. Firstly, as the member would have heard the Commissioner of Police comment, the number of meth labs across Western Australia is almost zero. That is a good thing, but the reason it is also alarming is that, as the Commissioner of Police reports, we have wide, open borders on our coastline and no grey ships based in Western Australia patrolling them.

[10.00 am]

Mr V.A. CATANIA: Or police boats in the north west.

Mr R.H. COOK: As a result, coastal communities in regional Western Australia are very vulnerable to the influx of methamphetamine coming by way of our exposed coastline. One of the important responses for that is in the creation of the meth border force, which is, off the top of my head, 250 extra police dedicated to the task of trying to turn off the tap of methamphetamines in our community. In places such as Carnarvon, where there is essentially one road in and out, we have that police capacity to intercept and try to reduce the availability of the supply of illicit drugs, particularly methamphetamine, in those communities. I hope the huge uplift in police seizures is an example of the success that the methamphetamine border force is having. The member for North West Central is the local member, so he will have a better hands-on feel of the impact that that is having on that community. As he knows, reducing the supply is a huge task, but it is one that we have committed significant resources to. The number of seizures, as announced by the Minister for Police, is testament to that work. It is important that we have that program or that body of work going on, while at the same time making sure that we continue to support the community through strategies such as the north west drug and alcohol support program. It is important that we ensure that we continue to resource those sorts of programs, which support the community by reducing not only demand, but also, and most importantly from my perspective as Minister for Health; Mental Health, harm by virtue of the services that we provide.

Mr V.A. CATANIA: I thank the minister for that, but I would like to know the breakdown of that \$40.5 million and the new initiatives, particularly in regional WA, given the fact that the north west drug and alcohol support program was established by the previous government and the government is continuing to fund that program. Out of that \$40.5 million, what is the government continuing from the previous government and what are the new initiatives in regional WA? The minister could provide that through supplementary information.

Mr R.H. COOK: We might even be able to just tack that on to supplementary information A10, which was the member's earlier question about the breakdown of the north west initiative.

The CHAIR: You cannot tack it on. What are you going to give as supplementary?

Mr R.H. COOK: Supplementary information A12 will be a breakdown of the \$40.2 million under the response to the methamphetamine action plan and those programs that are a continuation of existing programs and new initiatives.

Mr V.A. CATANIA: And where are they based, which is part of the other question, too.

Mr R.H. COOK: And regionally based—yes.

[*Supplementary Information No A12.*]

Ms E. HAMILTON: I refer to page 296 and the heading "Community Support" and "Other Significant Issues", in particular the community step-up, step-down services. Can the minister give an update of the rollout that is happening with the step-up, step-down facilities, where and when they will be available, and how they are working with current programs assisting communities as well?

Mr R.H. COOK: Where they will occur is much easier than when they will occur, but I am very happy to provide information on the step-up, step-down facilities that will make a major contribution to community-based residential care in regional communities. It is based upon the successful programs that we have in Joondalup, which is a 22-bed facility, and Rockingham, which is a 10-bed facility. We opened Albany's six step-up, step-down beds in November last year. I had the opportunity to meet some of the residents at that facility and it is greatly appreciated and very successful. We have allocated a total of \$22.4 million for the construction and commencement of operation of four regional community step-up, step-down services from 2019–20 to 2020–21. They are based on a plan that includes a 10-bed facility in Bunbury, which we are expecting to be open early next year; construction has already commenced for that. We are expecting to open a 10-bed Kalgoorlie service later next year. A six-bed service in Broome is being progressed. A six-bed service in Karratha is also being progressed with the support of the City of Karratha, but it is making torturously slow progress through the planning process. I think we have now settled on a location for that, and are looking at getting on with that facility as quickly as possible. It is important that we have these services in regional communities, because it means that people can get that quality residential care in the communities or regions in which they live. That means that they are closer to their loved ones and support networks, but it also means we are building the capacity of the workforce and the services in those communities. Having seen the facility at Albany, I am really excited about what these services can provide.

By way of further advice, step-up, step-down is as it sounds—it is for those who are stepping down or coming down from an acute or hospital episode in relation to their mental health issues, or for those who are struggling to cope with their mental health issues and need to step up. It is fair to say that the stepping down is going better than the stepping up in Albany, but that is about continuing to work with the communities so that they understand the opportunities from this service. I should have mentioned that we are also providing a 10-bed service in Geraldton. That will complement the expansion of the emergency department at the Geraldton Health Campus, which also includes an acute mental health service, so we can see that playing an important role in that community.

It is very pleasing to see that the kit has arrived—not a moment too soon.

Mr S.K. L'ESTRANGE: Before I ask my question, minister, I am conscious of the time and the changing over of staff. I have only two more questions on mental health to ask.

Mr R.H. COOK: Sure. I will keep my answers as brief as possible.

Mr S.K. L'ESTRANGE: No, I am more interested in maybe not having a dorothy dixer, so that we can get to the health section sooner.

Mr R.H. COOK: Yes, I am hip; that is cool.

Mr Z.R.F. KIRKUP: As well written as they are!

Mr R.H. COOK: What about the answering of them, though, please?

Mr Z.R.F. KIRKUP: The answer is okay.

Mr S.K. L'ESTRANGE: My first question of the two final ones on the Mental Health Commission refers to page 295 of budget paper No 2, volume 1. There is a section titled “Forensic Accommodation (Youth and State)”. The “Western Australian Mental Health Alcohol and Other Drugs Services Plan 2015–2025” update of 2018 highlighted that there was a need to increase mental health acute and subacute forensic inpatient beds by 55, based on 2017 actual levels, to reach 2025 optimal levels. Has funding been allocated to address this requirement; and, if so, how much? If not, how does the government intend to address this requirement by 2025?

Mr R.H. COOK: I thank the member for the question; it is a great question. It is a source of extreme frustration that we have not been able to develop those forensic youth mental health beds to date. It is one reason that we have some of that underspend. To put the member at ease, we are now looking at the medium-term strategy, which is around the decommissioning of Graylands, but utilising some of the land at Graylands as a youth forensic mental health facility. We have dedicated I think \$3.3 million under the health portfolio towards the decommissioning of Graylands. That is still on track for a final decommissioning phase in 2025, and in the context of that process, we are looking to develop those youth forensic beds. It is a real gap in our mental health services in Western Australia. Successive governments have attempted to fill that gap and we have looked at a number of options. None to date have actually presented, so we are going to look at developing those at the Graylands site.

Mr S.K. L'ESTRANGE: Does the minister have an idea of the amount of money that will be set aside for those 55 beds?

Mr R.H. COOK: I will ask the Mental Health Commissioner to make a comment on that.

[10.10 am]

Mr T. Marney: I do not think that it is a total of 55 beds for youth. No, that will be part of the business case process and the detailed planning that will be done in conjunction with the Department of Health, particularly the North Metropolitan Health Service, in the next 12 months to feed into the next budget process. We do have some

money. As I mentioned before, we have held back some money to purchase a forensic service. In the absence of a suitable facility to provide an inpatient service, we will actually be providing a greater allocation in the upcoming budget year for forensic specialist services in the north metro health service to provide an in-reach specialist youth forensic service into Banksia Hill Detention Centre. While we are waiting for that planning and for the inevitable construction that will be required, we will be increasing in-reach into Banksia Hill. From memory, it will be double what it is now.

Mr S.K. L'ESTRANGE: The minister's answer referred to the divestment of Graylands Hospital, and an amount of \$3 million has been allocated for the planning, decommissioning and reconfiguration of mental health services. What extra funding will be required to complete the project? Given that the business case for this project is complete, why has that amount—whatever that amount is—not been included in this budget?

Mr R.H. COOK: Ultimately, it is down to the service planning for the model of care that will be provided elsewhere and for those services that will continue at Graylands. It is detailed work and, obviously, we will need to make allocations in the budget across the forward estimates. It also comes down to negotiation with Treasury, because we are endeavouring to utilise some of the resources of the divestment of that land to fund the expansion of other mental health services in other parts of the community. It is a sort of chicken-and-egg thing from that point of view. An amount of \$3.3 million is in the budget this year so we can do that detailed planning. Ultimately, we will see the funding for that progress across the forward estimates in coming budgets.

Mr S.K. L'ESTRANGE: Last year, we asked this question about Graylands, and I think the minister told us then that a business case was due to be completed within a couple of months. I assume that that business case is complete.

Mr R.H. COOK: It is my understanding that that is the case, and that is why it is informed by the \$3 million.

Mr S.K. L'ESTRANGE: If there is a business case for the divestment of Graylands, what is going to happen to the people who are currently being looked after at Graylands? For example, as part of that decommissioning, what is the proposal for the Frankland Centre? Where will those patients be moved to? There are also other patients, so what percentage of those patients will be moved to community-based services and what percentage will be moved to hospital-based services? I presume the business case will contain a proposal for what will be done with Graylands. Is there any chance the minister could table the business case in addition to providing an explanation today?

Mr R.H. COOK: I cannot table the business case but I can let the member know this: there are a number of different theories on what can be done with the patients at Graylands. I have heard that up to one-third of those patients could be accommodated in a secure community setting. Other people have said that a lot of those patients, ultimately, would continue to need to be accommodated in a hospital setting, for want of a better description. For instance, we recently announced an allocation of resources—I think, it was \$80 million—to establish 20 new beds at the Fremantle Hospital site this year. Part of that is for the transitioning of beds away from Graylands. The member will hear more announcements about that style of bed to come out of the Graylands precinct and to be placed within health service provider areas within the community. In addition, some community-supported accommodation will need to be built for patients who are able to be transitioned out of Graylands and into a community setting. The \$3.3 million that we have allocated in this budget is for the next phase of that transitioning process. I appreciate that it is taking a long time. The member said that he had asked this question last year. I remember asking this question at the beginning of 2009.

Mr S.K. L'ESTRANGE: The difference, though, is that I was not here then. The minister said last year that he would have a business case within a month or two. The minister has now told me that there is a business case, so all I am asking is that he communicate that plan.

Mr R.H. COOK: The business case is not around the models of care; the business case is more around the divestment of sections of that campus and the funding of alternative accommodation. The allocation of that \$3 million is the next stage of that process. There will be more announcements about things, such as the creation of those extra 20 beds at Fremantle Hospital as well as an expansion of community-supported mental health services. Ultimately, as we move closer to decommissioning, there will be a greater amount of planning work around the models of care and the location of those services. I understand the member's frustration. I share it as well. I am comforted that we are still looking at the horizon for full decommissioning by 2025–26. The member will see a lot of activity in this space in the coming 12 to 24 months.

Mr S.K. L'ESTRANGE: I refer to page 295 of budget paper No 2, volume 1, and the reference at the top of the page in point 11 to a new mental health patient flow model. Has any funding been put aside for establishing mental health observation areas, increasing the number of acute mental health beds and identifying accommodation and community services support needs? If, yes, how much; and, if not, why not?

Mr R.H. COOK: Yes, we have an extra, I think, \$18 million in acute mental health services for an extra 20 beds at Fremantle Hospital. That was for acute mental health services. What was the other area?

Mr S.K. L'ESTRANGE: It was mental health observation areas.

Mr R.H. COOK: Yes, there is \$11 million in the budget for the creation of the mental health observation area at Royal Perth Hospital and the \$5 million four-bed facility at Midland Public Hospital. That is in response to the

Methamphetamine Action Plan Taskforce report. We are continuing to look at opportunities to extend the mental health and alcohol and other drug response accommodation services at Sir Charles Gairdner Hospital.

Mr S.K. L'ESTRANGE: Has money been allocated to Sir Charles Gairdner Hospital?

Mr R.H. COOK: No, not at this stage. The member will recall there was a flurry of promises and commitments from both the federal government and the federal Labor opposition before the federal election. In one declaration, there was some money for that. I do not know where that is at. We are waiting to see the outcome of that. Just for the member's information, the proposal at Sir Charles Gairdner Hospital is that the current mental health observation area will be relocated and that space used in a similar way to what was developed at Royal Perth Hospital—that is, the toxicology urgent care unit. That will be a small area for people who are impacted by alcohol and other drugs coming into the emergency department, so that they can be more appropriately cared for and accommodated in that area. A mental health observation area is being shifted as part of that. We are continuing to look at the costs associated with that. That is important work, because the cohort of patients coming to our emergency departments is changing, as the member is well aware. More patients impacted by mental health issues and more patients impacted by alcohol and other drugs, particularly methamphetamine, are now coming to EDs. That requires a renewed response to how we service and care for those patients. We have to make sure that we have better infrastructure and, as a result of that better infrastructure, that not only do staff have better resources, but also we move those services away from other patients and members of the public in the emergency department so that resources can be focused on the needs of other patients. The commissioner has also reminded me that we are getting a four-bed facility at Geraldton.

The appropriation was recommended.

Meeting suspended from 10.19 to 10.25 am

Division 21: WA Health, \$5 313 300 000 —

Ms J.M Freeman, Chair.

Mr R.H. Cook, Minister for Health.

Dr D. Russell-Weisz, Director General.

Dr J. Williamson, Assistant Director General, Clinical Excellence Division.

Ms A. Kelly, Assistant Director General, Purchasing and System Performance Division.

Dr A.G. Robertson, Assistant Director General, Public and Aboriginal Health Division.

Mr L. McIvor, Assistant Director General, Strategy and Governance.

Mr P. May, Executive Director, System Finance; Chief Finance Officer.

Mr R. Anderson, Executive Director, Information and System Performance.

Mr J. Boyle, Chief Executive, PathWest.

Mr P. Forden, Chief Executive, South Metropolitan Health Service.

Dr R. Lawrence, Chief Executive, North Metropolitan Health Service.

Mr R. Toms, Chief Executive, Health Support Services.

Mr J. Moffet, Chief Executive, WA Country Health Service.

Mrs E. MacLeod, Chief Executive, East Metropolitan Health Service.

Dr A. Anwar, Chief Executive, Child and Adolescent Health Service.

Mr N. Fergus, Chief of Staff, Minister for Health.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

Minister for Health, you may win the prize for the number of advisers this year! Member for Dawesville.

Mr Z.R.F. KIRKUP: Minister, I refer to the works in progress on page 282 of budget paper No 2. As the minister would expect, I am going to talk about Peel Health Campus. I am keen to understand why there is no money in the forward estimates, from 2020 onwards, for the emergency department for Peel Health Campus.

Mr R.H. COOK: I am just trying to find it, member. Please bear with me. Under “Metropolitan Plan Implementation Peel Health Campus Development Stage 1” the member will see that there is \$5 million in relation to the works which are currently ongoing. After that, there is a further \$5 million in emergency department reconfiguration, with \$3.9 million in 2019–20 and \$1 million in the estimated expenditure for the 2018–19 year. In addition to that, the member will be aware that both the federal government and the federal Labor opposition made commitments in the period preceding the federal election. I think the federal government announced a \$25 million commitment, which includes funding for community mental health and eating disorders, but the lion’s share of that will be going to further works at the Peel Health Campus. I think imaging was an aspect of that as well. We have to fully understand the nature of that. I do not think that we have been formally informed about the Peel Health Campus commitment from the federal government, but we are looking forward to having those conversations in the very near future to get a better understanding of how the commonwealth wants to spend that money.

As the member will be aware, there was no major redevelopment of the Peel Health Campus under the previous government; in fact, the assets were essentially run-down over that period of time. We are committed to making sure that the hospital meets the needs of the community, particularly through the expansion of the emergency department. During my visits there, it struck me that the waiting area in the emergency department is particularly deficient, so we are looking to do some major works there to make sure that people are more comfortable in that space. I think there is also going to be further work in relation to short-term beds. I will invite the director general to make any other comments, if he thinks it useful.

[10.30 am]

Dr D. Russell-Weisz: I think the minister has covered everything. We are obviously awaiting further information in relation to the commitment from the federal government. Obviously, the priority at the moment is to expand and refurbish the ED, the imaging department and community mental health.

Mr Z.R.F. KIRKUP: For some clarification, minister: I know that we are talking about the federal opposition and commonwealth government commitments. I refer to page 108 of the federal Liberal Party’s budget paper No. 2 for 2019–20. There is \$25 million sitting there now. It is not a commitment; it is budgeted. It is cash in the bank. That is done. I am keen to understand where that \$25 million sits in the transaction between the commonwealth and the state. Does this government have it, and what is it doing with it? Secondly, can the minister confirm—as per my previous question—whether there is any money going towards the emergency department in 2020 onwards?

Mr R.H. COOK: Yes. It is in the budget, so we are confident that we will get that money. The money has not been transferred to us. The member will recall that the federal budget was delivered after our budget cut-off. We cannot represent that money in our budget given that the federal budget was delivered after our budget cut-off period. I think that money will come. I know it will come. Greg Hunt rang me and told me it would come. Clearly, that money will be utilised in the very near future, but, obviously, that is subject to the formal processes of the passage of the budget in the federal Parliament and the transfer of that money to our account. From that point of view, we can understand that will be the lion’s share of the work in 2019–20. We need to understand what that flow of dollars is and then make sure that we program that work as quickly as possible.

Mr Z.R.F. KIRKUP: I appreciate the minister’s response. The emergency department reconfiguration stated under works in progress on page 282 does not show a dollar going beyond 2020. Is there any money in the budget in front of us for the Peel Health Campus emergency department in 2020 onwards; and, if so, how much is it and what does it do?

Mr R.H. COOK: As the member would be aware, our total commitment for asset investment in Peel Health Campus is \$10 million. That \$10 million is in front of the member. It includes the works that were associated with the development of stage 1. I think that was a bunch of CCTVs, the car park expansion —

Mr Z.R.F. KIRKUP: There is nothing for the ED.

Mr R.H. COOK: No, that is right. The lion’s share of the emergency department reconfiguration will take place in 2019–20. The budget shows us that \$1 million of that expenditure is in 2018–19. I am interested to hear from the officials about that work, but the lion’s share, \$3.9 million, will be spent in 2019–20 to bring about a long-awaited upgrade of the emergency department. Thank goodness we have a McGowan Labor government —

Mr Z.R.F. KIRKUP: The minister does not have to tell me it is long awaited; we know it is.

Mr R.H. COOK: That is right. We had to wait a full eight and a half years to make sure that —

Mr Z.R.F. KIRKUP: I am keen to understand now, in the budget in front of us, whether there is any money for the ED —

The CHAIR: Member! I will talk over the top of you quite easily.

Mr Z.R.F. KIRKUP: You do it very well.

The CHAIR: Yes. So, let the minister finish.

Mr R.H. COOK: She talks over me all the time! When the Liberal–National government was in power, it did not spend a jot on this hospital.

Mr Z.R.F. KIRKUP: I am talking about this budget, minister.

Mr R.H. COOK: That is right. There is \$3.9 million for the expansion of the ED in the form that we discussed, which is growing the number of bays, improving the waiting area and making sure we have better patient flow. Only one government is doing that. Only one government is spending on Peel Health Campus and that is our government. The former government failed to do it over eight and a half years. I remind the member that the previous expenditure on asset investment at that hospital was under the previous Labor government. Then we had eight and a half years of drought and the former government essentially running down the asset.

Mr S.K. L'ESTRANGE: Let us move on to the hospital, minister.

Mr Z.R.F. KIRKUP: Not me.

Mr R.H. COOK: We are the first government in eight and a half years to invest in that hospital. That is to the Liberal Party's eternal shame and, I am sorry, member, but that is part of the Liberal Party's legacy in office. The fact of the matter is we are investing in this hospital, and the member should be providing credit where credit is due.

Mr S.K. L'ESTRANGE: One of the issues with the emergency department is the waiting area and the separation of children from people who may come in affected by alcohol and other drugs. It is a pressing issue. The member for Dawesville is concerned about it and no doubt the member for Mandurah is concerned about it. Bringing it back to the government's budget, the government has one more budget to go before the next state election. Let us focus on the now, not the past. Is there a commitment to make sure that we can fix up that ED as quickly as possible, and how much is the government allocating to it?

Mr R.H. COOK: We have allocated \$3.9 million this year alone, so we would anticipate those works starting straightaway. I invite the chief executive of south metro to make some comments about the plans. There is a kids waiting area in the current one. It is about the size of a phone box.

Mr S.K. L'ESTRANGE: We have to move through the main waiting area to get to it —

Mr R.H. COOK: It is completely inadequate.

The CHAIR: Members! There is no general discussion.

Mr R.H. COOK: Chair, I invite Mr Forden to make comment.

Mr P. Forden: Planning is already underway. Construction commences in January next year and is aimed to be completed by around July next year.

Mr Z.R.F. KIRKUP: I appreciate the response. That was announced in May last year and it will be completed in July next year; is that correct?

Mr P. Forden: Yes.

Mr Z.R.F. KIRKUP: I want to clarify: there is no money from 2020 onwards for the ED?

Mr R.H. COOK: As the member is aware, the federal government has made a \$25 million commitment.

Mr Z.R.F. KIRKUP: From this budget in front of us now, minister.

Mr R.H. COOK: We are completing the work by July next year, so why would there be money in the budget after that?

Mr Z.R.F. KIRKUP: We are done. From the government's perspective, Peel Health Campus is done. Can I just clarify?

Mr R.H. COOK: That is a ridiculous question to ask. The budget is in front of the member. He has the opportunity to ask questions about this budget. We have made a commitment around expanding the ED. If the member wants to commit to expanding it even more, that is the member's political prerogative.

Mr Z.R.F. KIRKUP: The minister does not think that the government has —

The CHAIR: Member, through the Chair.

Mr Z.R.F. KIRKUP: Does the government have a commitment to expand Peel Health Campus —

Mr R.H. COOK: Member —

Mr Z.R.F. KIRKUP: Can I finish my question, please, Chair? The government has no intent to expand the Peel Health Campus emergency department any more, given that it is not in the budget.

Mr R.H. COOK: We will work with our colleagues in the commonwealth government to expand the emergency department, the imaging department and the community mental health services. The member has now chewed up 20 minutes making a fool of himself. Let the member for Churchlands ask some questions and we can get to the proper point of estimates.

Mr V.A. CATANIA: I refer to the works in progress under the asset investment program on page 282, and specifically to the item “Small Hospital and Nursing Post Refurbishment Program”. I want to talk about Laverton Hospital. The previous Liberal–National government committed \$19.5 million in 2015 to build a new Laverton Hospital, which this government took out in 2017. Laverton has been left without an adequate hospital to deal with the community there. The federal opposition committed \$13.5 million if it were to be elected, which the state government supported. Minister, will there be any money in the budget, or a reinstatement of the money that was taken out by the government, for the Laverton Hospital?

Mr R.H. COOK: Both the commonwealth government and the Labor opposition committed to completing the Laverton Hospital. I can confirm for the member that the full build of the hospital will take place.

[10.40 am]

Mr V.A. CATANIA: When will that be taking place; and how much has been allocated by the state and how much by the federal government?

Mr R.H. COOK: The funding of \$16.8 million was approved in the 2019–20 budget, with \$4 million going towards capital contribution and \$12.2 million held in global provision and not recognised in the state budget papers. We are now looking forward to working with our friends in the commonwealth to complete the build and getting on with the building process. We will have those conversations in the very near future, as soon as the new federal Minister for Health is confirmed and the budget is confirmed. As the member knows, planning for that hospital has been going on for some years. I will invite Mr Jeff Moffet, the chief executive of WA Country Health Service, to provide an idea of the time horizon for that expenditure.

Mr J. Moffet: There are two stages to the delivery of the project. Once funding is confirmed, it will be approximately 18 months for planning, design and procurement—the tendering process—and approximately 18 months for the construction period. Those are the current estimates.

Mr V.A. CATANIA: I have a further question on the small hospital and nursing posts refurbishment program. The nursing post in Mt Magnet was allocated \$5.4 million or \$5.6 million—I cannot remember—which was then taken out of the state budget when the present government came to office in 2017. Is there any money in this line item to build a new nursing post in Mt Magnet?

Mr R.H. COOK: I thank the member for the question. I will ask Jeff Moffet to again provide more detail on the nursing post redevelopment.

Mr J. Moffet: There are currently no funds in this budget for Mt Magnet. Mt Magnet previously had some funds notionally allocated to it through the royalties for regions program, but they were de-committed in the previous budget. We are currently going through a strategic asset planning process and Mt Magnet has emerged as one of the priorities amongst other priorities, but currently there is no funding in this budget for Mt Magnet.

Mr V.A. CATANIA: I have a further question on that line item on small hospitals. Meekatharra Hospital, which had been allocated \$10 million for the first stage of building a new hospital, is a 1955 building that is cracked and falling apart. Is there any money in that line item to build a new Meekatharra Hospital, which is desperately needed by the community?

Mr R.H. COOK: We have spoken about this before in the broader Parliament, and I think the member and I both agree that Meekatharra Hospital is due for refurbishment. The member is correct in saying that some money was initially set aside under royalties for regions, but that was for a primary care centre, not for the redevelopment of the hospital. I am agnostic about whether the primary care centre is more urgent than the broader redevelopment of the hospital. We need to develop a multipurpose health campus there. This hospital is a bit like Laverton Hospital; we need to get on with the task of refreshing that asset, and making sure we do some work in that space. The primary care centre was de-committed in our review of royalties for regions in the 2017–18 budget. I keep asking the department what the needs of that community are, to make sure that we have a refresh of that asset. Clearly, we are not going to have a new Meekatharra Hospital in its current configuration. It is a big, beautiful old building, but a modern facility would look very different from that, and I think we need to consolidate the services around primary care to make sure that we have something that meets the needs of the contemporary community.

Mr V.A. CATANIA: Under that same line item for the hospital and nursing post refurbishment program, my understanding was that, under royalties for regions, \$5 million was allocated to the Paraburdoo nursing post. That seemed to disappear when the present government came to office. Are there any funds for the Paraburdoo nursing post in that budget line item?

Mr R.H. COOK: I do not have any contemporary information on Paraburdoo, but I do not think so. I will ask Jeff Moffet to make some following remarks.

Mr J. Moffet: Previously, a small amount of money was notionally committed to Paraburdoo, but through the de-commitment process, it was removed. We currently do not have any funds for Paraburdoo, so there is no funding currently on the horizon for Paraburdoo. It was primarily around refurbishment; it was not for any substantial work.

Mr S.K. L'ESTRANGE: I refer to the second line of the service summary table on page 273 of volume 1 of the *Budget Statements*, for public hospital emergency services. Compared with the 2018–19 state budget estimates for 2019–20, 2020–21 and 2021–22, this year's budget shows a \$38.457 million cut for this service for those years. Can the minister provide an explanation of why funding for this service is less in this budget, at a time when ambulance ramping is going through the roof and major hospital emergency departments are failing to meet the four-hour rule for patients?

Mr R.H. COOK: Ultimately, the allocation for in-hospital services, such as emergency admitted and, to a lesser extent, not admitted, is based upon the activity-based framework. I will ask Angela Kelly to make some comments on that specific allocation, and then I might provide some other commentary.

Ms A. Kelly: There is a big difference between the 2018–19 budget papers and the 2019–20 papers. We have a new service line item in the outcome-based management framework, which is the service lines. In 2018–19, we had 10 service line items, and in 2019–20 there are 11. Following discussions with the Department of Treasury, we created a new line item for pathology services. It is \$300 million that in previous years was split across the hospital services. Service line item 2 that the member has mentioned would have had pathology services included in it. Those services are now covered by service line item 7. The total budget has actually increased, it is just that there has been a redistribution across the service line items.

Mr C.J. TALLENTIRE: My question relates to the delivery of services, on page 267. It is about Western Australian elective surgery wait times. I would like to know what key performance indicators are available for elective surgery targets, and what strategies are being used to ensure patients receive treatment when and where it is needed.

[10.50 am]

Mr R.H. COOK: As everyone would be aware, we continue to be under a great deal of pressure on elective surgery. I am very pleased to say that, at the end of April 2019, the percentage of over-boundary cases—that is, the percentage of people who did not receive their operation within the clinically recommended time for reportable procedures—had reduced to 5.7 per cent, which is a decrease of one per cent from the end of April 2018. To put it another way, that means that over 94 per cent of all patients received their operations within the clinically recommended period. That is an amazing outcome, and I think we should all be very proud of what the department and the health service providers have done to deliver that outcome. In the year to date April 2018 to April 2019, we have seen a 1.7 per cent increase in the number of cases, which is 70 859 cases of elective surgery. Despite that increase in the number of elective surgery cases, the median waiting time for reportable procedures has remained the same. For category 1, it is 14 days; for category 2, 49 days; and for category 3, 85 days, which is an extraordinary outcome. For non-reportable procedures—that is, those not captured under the national framework for activity-based funding—we have seen a reduction in the median waiting time. That is an amazing outcome. As members would all be aware, our hospitals are running flat chat when it comes to elective surgery. As I said, there have been 72 072 reportable elective surgery cases for the year to date at April 2019.

People might think that there is lots of hospital activity everywhere, but there is not. The fact of the matter is that surgery activity in our private hospitals is plateauing. That is a significant concern because that tells me that a range of patients are entering the public health system who could be accommodated in the private health system. I think this is a wake-up call for Australia. We need to take a close look at the way our private health system is functioning. Private health insurance premiums are always said to be the reason that people are dropping out of the private insurance market, but it is not. We have a vibrant market for private health insurance, with a lot of players all competing. Private health insurance premium rises are being suppressed because people are switching between insurers much more readily, and cross-examining their level of cover to make sure that it is at the bare minimum. We cannot simply kick the private health insurers and say that they are the problem with our private health system. They are not. The reason we have a problem with private hospitals is out-of-pocket expenses. People go to a private hospital and get pinged by the hospital, the anaesthetist, the surgeon, and all the associated outpatient costs. A significant body of work needs to be done by the federal government to make sure we get the situation under control. Essentially, out-of-pocket expenses represent greed by doctors. It is simply a way that they can make patients pay more. Patients do not know the difference between one doctor and another. They just assume that doctors are all competent. If a doctor charges them more, they probably think that that doctor is better, but that is not the case. We need greater transparency around the out-of-pocket expenses that doctors charge. We have to call their bluff.

Minister Hunt convened a ministerial advisory committee on out-of-pocket costs in January 2018, and in March 2019 it provided advice on improving transparency about out-of-pocket expenses for medical specialists. It proposed a website and education about those expenses. There have been no initiatives from the federal government about reducing out-of-pocket expenses. It is quite simple. The government should make doctors publish their fees and have some transparency. I think the government is having a lend of us. When it came out with those measures in April this year, I think it was playing an April Fool's Day joke on us. The federal government has to get dinkum about out-of-pocket expenses. It has to create greater transparency in the system and make sure that doctors publish their out-of-pocket expenses so that patients can make a decision about who to go to. As I said, this is simply an exercise in greed by doctors. It is why our public hospitals are struggling to meet the elective surgery

needs of our community. People do not think it is worthwhile going to a private hospital because they will be slogged with out-of-pocket expenses by the anaesthetist, the surgeon, the hospital, and outpatient clinics. It is time we called BS on this behaviour. It is time for the federal government to clamp down and create greater transparency so the people who go to our public hospitals are those who need to, not those who could afford to enter a private hospital system if it were running properly. Our friends at Ramsay Health Care, Healthscope and St John of God all report low activity in their private hospitals. Our public hospital system relies on a vibrant and thriving private hospital system in order to cope. That is my message.

Mr V.A. CATANIA: I refer to public and community health services on page 278. I want to talk about Murchison nursing posts. I think this part of the budget covers that area. The need to provide nursing coverage for the Murchison towns of Yalgoo, Cue and Mt Magnet is dire, because there are often gaps when a nurse is not based at those nursing posts. This year alone, Yalgoo went up to three weeks without a nurse present. We have had issues in Cue when there was no nurse for a week or two. The community does not know whether or not a nurse is there. Recently a person presented with heart issues—they were having a heart attack—and the receptionist said that she would not call for an ambulance because the nursing post would be charged. Clearly there are some budget constraints on being able to phone an ambulance from a nursing post in Cue. We can forget about whether the nursing post is adequate and needs a bit of upkeep such as new carpet or paint. I know the constant issue is that they are hard to staff, but agency nurses can surely be put there to cover those gaps. Is it a budget issue?

In this day and age it is not appropriate to have one nurse based in a town such as Cue, Yalgoo or Mt Magnet. We have gone away from the model of police officers being based in a station by themselves. For the wellbeing and mental health of nurses and community safety, when will the government consider putting two nurses into these single-nurse posts, of which there are only eight in Western Australia?

Mr R.H. COOK: I appreciate the question. The member will not be surprised that I will ask Jeff Moffet to make some comments on that shortly. As I have confirmed for the member in the past, currently there are eight single-nurse nursing posts. Two of those are currently in transition to become multi-nurse nursing posts. I think they are at Coral Bay and Burringurrah. That is off the top my head, but I will confirm that in a second.

I can only apologise to the patient in Cue. I assume that is what happened—that she was told they would not call an ambulance.

Mr V.A. CATANIA: I have a detailed email.

Mr R.H. COOK: I do not question that testimony and apologise to the patient involved. That is not good enough. On that specific incident, there was no nurse at that time because a nurse was coming in from an emergency call who was due to arrive at, I think, 11.30 am, which was after the patient arrived. Another nurse was flying to Cue that day to relieve the previous nurse. The idea was that they would be together for the handover, but the flight was delayed. It was an unfortunate set of circumstances.

Mr V.A. CATANIA: That was another incident, not the heart-attack incident. It was a week before.

Mr R.H. COOK: I am very pleased to say that the woman who had chest pains could be delivered to Fiona Stanley Hospital in Perth by about three o'clock that afternoon. It is good that we were ultimately able to engage the services to get her down to Fiona Stanley. I will invite Jeff Moffet, the chief executive officer of WA Country Health Service, to comment on the transition away from single-nurse nursing posts.

[11.00 am]

Mr J. Moffet: This issue of single-nurse posts has been examined over the past few years since the incident in South Australia that resulted in the death of a remote area nurse. We have had a very close policy look not only at single-nurse posts, but also for all staff working in isolation because many staff in small hospitals work in isolation in higher risk circumstances from time to time around the state, and the vast majority of the security and aggression incidents that we see are not in our remote posts but in some of our larger district hospitals and some of our smaller hospitals. The issue of risk to staff pervades all our facilities, particularly when nurses are working alone, or radiographers or other staff for that matter.

We had eight remote area nursing posts with single-nurse stations. We have moved to approve and fill two-nurse stations in Marble Bar, Nullagine, Coral Bay and Burringurrah. We are yet to recruit staff in Coral Bay and Burringurrah, although a staff member is going to Coral Bay in the next month or so. There are four other remote area posts. They are in Menzies, Cue, Yalgoo and Yandeyarra, which is a drive in, drive out service in the Pilbara that we are attempting to find solutions to. Mt Magnet has more than two nursing staff—2.6 FTEs of nursing. Notwithstanding that, even with two staff, there are times when, due to fatigue leave or personal leave, we are down to one staff member. In Yalgoo, we have a 1.2 FTE of nursing, which is a single nurse who gets relief, and similarly in Cue.

We want a plan for the Murchison area around trying to attract and retain staff. We have engaged with local government recently. I have had discussions with Michelle Fyfe from St John Ambulance to see whether we can partner with it. One of the challenges is that in places such as Cue and Yalgoo, there is often only one patient

attendance per day, so it is a very low workload and that workload is not uniform and smooth. On some days there is very little workload. Attracting and retaining staff in an environment in which there is little professional work is a constant challenge, no matter how many FTEs or how much budget we have allocated. We want to partner potentially with St John Ambulance, for example, to see whether we can have some joint appointments or a shared model with a paramedic, for example, which will assist with transport services as well as services inside the health centre and the community. Notwithstanding that, we accept that it is very difficult to have a single staff member in a place such as Yalgoo, given the fact that the volume would require 0.2 of a nurse. I think we are at the point now, as we concluded in Coral Bay, Burringurrah, Marble Bar and Nullagine, that if we are going to deploy staff into areas that are quite remote, there needs to be a minimum of two. That may not always be two nurses; it could be a nurse and a health worker or a nurse and an all-purpose orderly or a nurse and a paramedic, for example. We are working on a Murchison service plan to attempt to increase services there. We regularly use locums and fly staff in from both Meekatharra and Geraldton to fill unplanned gaps. They are obviously unanticipated, sometimes day to day and shift to shift. In fact, we had a call last night that we had to respond to this morning to get someone to fill a shift in either Cue or Mt Magnet.

I am aware of one of the incidents that the member raised but not the one he just referred to. We will investigate those to see exactly what occurred. Ambulances should be called if ambulances are required. I do not know the circumstances of that incident. It does not sound like an appropriate policy response but we need to look at that.

Mr V.A. CATANIA: I thank the adviser for that. The issue we have is that we have signs on the road that say “nursing post”. In the incident I mentioned, when someone presented with a heart attack, the nursing post was not staffed yet the door was open. This incident occurred a week and a half ago. It has been well documented in the news. I sent a letter to the minister and the local government of Cue also made a complaint, so I am surprised that the department is not aware of that issue. Someone is going to die in that region. I urge the minister to come up with an immediate solution to provide coverage there until he works out a longer term solution. At the moment there are too many gaps and people’s lives are being put at risk. Please fix the issue now and find a longer term solution down the track.

Mr R.H. COOK: I am not quite sure what the question was, Chair.

Mr V.A. CATANIA: Make sure that the nursing posts are staffed adequately now.

The CHAIR: What is the question?

Mr V.A. CATANIA: Staff the nursing posts before someone dies, not until the minister works out something down the track.

Mr R.H. COOK: What is the question?

Mr V.A. CATANIA: Will the minister staff the nursing posts 24/7 now to prevent a death from occurring?

Mr R.H. COOK: We will staff the nursing posts according to the needs of the community. I invite Jeff Moffet to make a further comment.

Mr J. Moffet: As stated, we have moved on four of the eight nursing posts. It has been difficult to attract staff to very quiet sites. Notwithstanding that, we continue to recruit for Burringurrah. I suspect that we will do similar, although it may be in partnership with St John Ambulance—with a paramedic, for example—in either Yalgoo or Cue.

Mr V.A. CATANIA: With all due respect, they are volunteers.

The CHAIR: You cannot interrupt an adviser.

Mr J. Moffet: I understand that having continuous service coverage in small towns and communities is a continuing 24-hour-a-day challenge for us. Even when we have two or three nursing staff members, there are times when our resources are tested based on what presents and what circumstances are affecting staff. We cannot fully mitigate the risk in some of those towns. I think we need to attempt to get a second person into Yalgoo and Cue. The question is how we achieve that in a way that will see us able to attract and retain staff. My personal view is that having a mixed model with a paramedic and a nurse would make a lot of sense. It would also improve the transport service. I fully agree that having service gaps is a risk and an issue. These problems are not unique to Yalgoo and Cue. There are times when we are overwhelmed with demand in many of our small sites around the state. I agree that there is a specific issue for us to address in Cue and Yalgoo in particular. Equally, we have health directors, as the member would be aware, as our first point of call after hours. It is likely that we will use our emergency telehealth service to provide a first point of contact for community members needing immediate assistance or advice when presenting to those health centres. We are fully committed to improving and finding a solution, including technology. However, I cannot say that having two or three nursing staff will remove that risk because, for example, in Mt Magnet, we have increased numbers of nursing staff and there are still challenges with service continuity.

Mr R.H. COOK: To answer the member’s question, we agree with the member that single-nurse nursing posts are not optimal and that is why we have a program to change that. Essentially, we will continue to support those nurses to ensure that they can continue to provide great services to the community, which essentially is more than the member’s party did when it was in government.

Mr Z.R.F. KIRKUP: I have no more questions on Peel Health Campus, because we do not get any answers from the minister.

The CHAIR: Member for Dawesville, just ask the question.

Mr Z.R.F. KIRKUP: I refer to page 286 and voluntary redundancies. This page highlights that there is a gap of approximately \$8 million in voluntary redundancies that have been paid out, yet it also notes that the FTE numbers have grown from 36 496 to 37 449 up to 2019–20. I am keen to understand why the government has paid out approximately \$8 million in voluntary redundancies yet the FTE count continues to grow despite a voluntary redundancy package being in place.

Mr R.H. COOK: I thank the member for the question. Obviously, the member will be familiar with our voluntary redundancy program, which we introduced as part of our budget efficiency measures. Another body of work is also going on, which is about the transitioning of casual and contract staff who have for years been on casual arrangements and contracts, allowing them to transition to permanency. This is a really important piece of work, because one of the things the Liberal Party did in government was to decide that budget efficiencies would be achieved simply by chopping the number of FTEs. That led to an explosion in contract and casual staff, because they are off the books as FTEs. There might be a small uptick, I guess, in relation to FTEs, in addition to the program of voluntary redundancies. I will ask the director general to go through the specifics of the member's question.

[11.10 am]

Dr D. Russell-Weisz: Yes, we have had a voluntary redundancy program in place. The health system has undergone significant reform over the last three years to devolved governance. The health service providers are now accountable for their safety, quality, clinical and financial performance, and there has been a lot of scrutiny on financial performance and also FTEs. We have certainly moved to reviewing the performance of health service providers and also the department, taking the whole budget into account. FTEs are one component, but they are a very large component. The voluntary redundancy program was also about making sure that the health system was fit for purpose in the newer, much more complex environment that we are in. We have had a track record, I think, over the last few years of getting the budget under control. That is about making sure we have the right staff in the right place with the right skills. That will require health service providers to adapt to recruit staff to specific areas, while losing staff in others. But I can say we have had very tight controls over FTEs. As the member knows, there is activity and population growth year on year and health service providers have to react to that. We really concentrate on their activity performance, their safety and quality performance, and their financial performance. The health system's financial performance has expenditure growth under control. We really do not micromanage those FTEs anymore, unless, obviously, a health service is under considerable financial constraint. We would then want to know what they are doing about their FTEs. But it is a balance of right-sizing the system without micromanaging it too much.

Mr Z.R.F. KIRKUP: As part of the voluntary redundancy process I am keen to understand, perhaps via supplementary information, the amounts that have been paid out and the age staff were when they left. I am keen to understand the profile.

Mr R.H. COOK: Let me take some advice. Yes, that is not a problem. We will provide details of voluntary redundancy programs and payouts, and the age profile of those employees who received voluntary redundancy payouts.

[*Supplementary Information No A13.*]

Mr M. HUGHES: I am interested in what the government is doing with aged care and palliative care.

Mr Z.R.F. KIRKUP: It is most important.

Mr M. HUGHES: It is absolutely, member for Dawesville. I note the member's longstanding interest in my interest in this particular subject! Are there no more guffaws from the member for Dawesville? I refer the minister to spending changes. Could the minister tell me what investments and extra support in enhanced community-based palliative care services are provided for in this budget? Perhaps when the minister considers the answer, he could also tell me what we are allocating to aged-care services in Carnarvon.

Mr R.H. COOK: I appreciate the member's question. Perhaps the member for Dawesville does not understand the needs of an ageing population, although he should, given that he is the member for a region with a population looking towards its needs in the future as it ages, and we want to make sure we provide the best services for it. One of the frustrations we have is that although aged-care services are the responsibility of the federal government, it continues to short-change Western Australia around aged-care provision. That is a point of incredible frustration. The member may be familiar with the statistics, but I will remind him nevertheless. In Western Australia, we have just over six aged-care beds per 1 000 people, whereas the national average is just over eight. That means that a range of health consumers are sitting at a state-run hospital awaiting a commonwealth-funded aged-care place. This is felt particularly acutely in the member for Kalamunda's electorate, where there is an ageing population. As a result of that, there is a great deal of distress in the community as loved ones try to find a place for their relatives to move to, particularly when they are no longer able to go home after an episode in hospital. One thing we have

been particularly keen to make sure of is that we work with members, such as the member for Kalamunda, to identify state-owned land in their electorates that we can make available to aged-care providers, so that we can grow the number of beds available for people in the community. I want to particularly acknowledge and thank the member for the work he has put into that.

We are really keen to make sure that we better understand the end-of-life experience for patients and that we provide them with the care they need so they can enjoy their final years of life. The member might be aware that we have committed an extra \$41 million for end-of-life choices and palliative care in Western Australia. This is a 74 per cent increase in funding, particular for regional palliative care, member for North West Central. I particularly want to acknowledge the work that the member for North West Central has undertaken for aged and palliative care facilities in his electorate, particularly in the town of Carnarvon, where we have now committed to fully funding a 38-bed facility.

Mr V.A. CATANIA: Reinstated!

Mr R.H. COOK: We have committed to fully funding the 38-bed aged-care facility in the town of Carnarvon. This is an important step, because one thing the member for North West Central and other colleagues in the Parliament have said is that we need to have improved facilities in that town to meet the needs of the ageing population there. We want people to be able to age in their communities. We invited the commonwealth to fund those places, but, unfortunately, it neglected to do so. The local member neglected to even support the application, which was particularly disappointing.

Mr V.A. CATANIA: The federal member!

Mr R.H. COOK: Yes, sorry, the federal member neglected to support the application, which I thought was an extraordinary repudiation of her obligations to that community. We are now very pleased to have that funding in place and to see the development go ahead.

Mr V.A. CATANIA: The minister mentioned funding of \$41 million for end-of-life choices and palliative care services. Can the minister provide a breakdown of where that \$41 million is going to be spent across regional WA?

Mr R.H. COOK: Yes, I am very happy to provide that information to the member. Through the 2019–20 budget, a total package of \$40 million is provided over five years to support end-of-life choices and palliative care. This includes \$5.8 million in project funding to progress the joint select committee's recommendations. This covers both the voluntary assisted dying and end-of-life and palliative care recommendations, and will include an allocation of funding for patient-led and external reviews of palliative care across both 2018–19 and 2019–20. As I said, there is \$5 million for the Carnarvon aged and palliative care facility. This additional funding supplements the existing \$11.6 million to support the new build, at a total of \$16.6 million for those 38 beds. There is also \$30.2 million to expand palliative care services in the regions. We have basically said we want to design those regional palliative care services in conjunction with the palliative care sector, and we have committed to holding a summit with the palliative care sector, I think next month, to really sit down with it and understand the specific needs in the regions. One of the things we are looking at is a 24/7 palliative care telehealth service, so that we can better support nurses and other staff working in hospitals in a regional setting on the palliative care needs of their patients. In particular, we are going to make sure that we put greater commitment into the training of general nursing staff and other care workers, so that they are better equipped to deal with the palliative care needs of patients.

I spent some time yesterday in West Perth at a Hall and Prior facility with the National Policy Advisory Committee palliative care training team. Through sitting down with its carers, it was really driven home to me that they need to have the backup of good palliative care support to ensure they have the skills to provide the right level of care for their patients. We want people to have their end-of-life experience in the place that they call home, whether that is literally their home, working with Silver Chain and other organisations, and to make sure that we improve those services, or in their aged-care facility, which has become their home, rather than having them be transported to a hospital during those final stages. A hospital is a clinical, very interventionist environment that quite frankly is likely to increase a person's anxiety, rather than provide them with a more relaxed end-of-life experience.

[11.20 am]

Mr V.A. CATANIA: I thank the minister for reinstating that \$5 million for the aged-care facility in Carnarvon; I appreciate that. The minister talked about the Carnarvon aged-care facility being palliative care. Has that \$5 million come from the palliative care budget under that \$41 million? What is the difference? Does the minister see aged care as palliative care?

Mr R.H. COOK: I can confirm that that \$5 million comes out of that \$41 million package. Palliative care is different from aged care. Although one may be palliating someone in an aged-care facility, it does not necessarily equate to a palliative care service. Because I am familiar with it I can say that some of the facilities at the Carnarvon facility are engaged in advanced palliative care services. But, by and large, an aged-care facility is where people age in place. From that perspective, an aged-care service is not necessarily a palliative care service, although there may be palliative care aspects to that activity. People need to understand that palliative care is not just those final hours or days of a person's life, although obviously that engages intensive palliative care services. Palliative care

is about understanding how people who are entering the final stages of their lives want to live their life in those final stages and ensuring that we can support them properly, so that they are comfortable, surrounded by loved ones and cared for. From that perspective, there are obviously some synergies between an aged-care facility and palliative care services.

Mr S.K. L'ESTRANGE: Does the \$41 million funding in the minister's end-of-life choices budget include spending for his voluntary assisted dying policy?

Mr R.H. COOK: We do not have a voluntary assisted dying policy, other than to say that we have committed ourselves to presenting voluntary assisted dying legislation to Parliament. Voluntary assisted dying is a very specific and small part of the palliative care continuum or spectrum of services. Ultimately into the future, we could see a situation in which someone accesses voluntary assisted dying services, if it is legalised in Western Australia, as part of their palliative care package. We do not anticipate this \$41 million being committed to anything associated specifically with the activity of voluntary assisted dying because it is not a part of a service model in Western Australia. If the Parliament decides that it wants to legalise voluntary assisted dying, obviously that will then begin an important and long period of work that will need to be undertaken to understand the clinical framework for that process. This money is not specifically allocated to any activity associated with that.

Mr S.K. L'ESTRANGE: Has any of the \$41 million been directed towards providing more full-time equivalent psycho-oncology consultation-liaison psychiatry positions to care for people suffering from exponential distress while living with a terminal or chronic illness?

Mr R.H. COOK: I am not qualified to answer that question. I might ask Dr Williamson to make some comments.

Dr J. Williamson: I do not think I can answer that specifically, but the funding that is provided to country health services would include clinical services. I know that they are looking for specialists, palliative care physicians and associated staff, and whether that might also include additional FTE for psycho-oncology, that would really be up to the service delivery arm.

Mr S.K. L'ESTRANGE: Staying on this theme, what is the government strategy to increase the number of specialist palliative care doctors in our regions?

Mr R.H. COOK: I will seek the support of Jeff Moffet, the chief executive.

Mr J. Moffet: The \$30.2 million for palliative care service expansion in country areas relies on a number of things, including, obviously, increasing specialist capability where we have volume, for example in the south west, lower south west, great southern areas and potentially the midwest of the state. But we also plan to have digitally enabled access to palliative care specialists for all services across the state. The service model is premised on around 20 district sites having multi-disciplinary teams, albeit they will be fractionalised or part time rather than just the small regional teams we have at the moment, to make care much more accessible both in local hospitals, but importantly as close to home or in-home, preferably. The whole intent of that strategy is to get more palliation for people in-home, in particular, and to make those sorts of choices available. We will see an increase in palliation specialists, either virtually through digital means or physically in those higher-volume regions. Equally, just to go back to the original question around psychology and other support, we will inevitably, probably through digital means, initially provide support for those who require psychological or mental health assistance during periods of palliation as well. That may mean referral through to our existing mental health teams or other services, for example, that are locally available. All those issues will be addressed. Obviously, it is a very large state with very many communities. We are moving this down to a district level, which will vastly improve the accessibility of the service. But the intent is to, as much as possible, provide a contemporary, close-to-home and patient-focused service in those weeks, months and sometimes even years of palliation as necessary.

Mr S.K. L'ESTRANGE: What is the total amount of operational funding allocated for state government spending on palliative care services for this year, 2019–20, and then the 2020–21, 2021–22 and 2022–23 years? What proportion of this funding will be spent for each year on metropolitan and regional services? If that is too much, maybe that could be provided in a table form.

Mr R.H. COOK: I think I can assist the member. These numbers will come in relation to community-based palliative care services. I will look momentarily to Angela Kelly and hope that she nods when I say that the provision of palliative care in a hospital environment does not get calculated under its specific activity.

Ms A. Kelly: Yes.

Mr R.H. COOK: This is in addition to those patients who are palliated in a hospital environment, because that is not caught under activity-based funding as a specific activity. In addition to all that activity that takes place in a hospital setting, in 2019–20 we have a total statewide budget expenditure of \$47.4 million and existing expenditure is \$6.9 million. The new expenditure will be \$5.1 million, with total expenditure on regional services at \$12 million. In 2020–21, it is \$49.9 million. The expenditure in regional services is \$7.1 million and new expenditure is \$6.5 million. That is a total expenditure in regional areas of \$13.6 million. I go back to the 2019–20 figure: total expenditure statewide is \$47.4 million. For regional services, the existing expenditure is \$6.9 million and new expenditure is \$5.1 million, so the total regional spend is \$12 million.

[11.30 am]

Mr S.K. L'ESTRANGE: Is that in this budget?

Mr R.H. COOK: That was for 2019–20. In 2020–21, it is \$49.9 million across the state. The existing regional spend is \$7.1 million. The new regional expenditure is \$6.5 million, which brings total regional expenditure to \$13.6 million. In 2021–22, total statewide expenditure is \$52.6 million and the existing regional projected expenditure is \$7.3 million. Under this new package, total expenditure will go to \$8 million. That will take total regional expenditure to \$15 million. In 2022–23, the total statewide budgeted expenditure is \$56.4 million. The total projected regional expenditure prior to the package was \$7.5 million, so new expenditure will be \$10.6 million, which brings the total regional expenditure to \$18.1 million in 2022–23. Across the forward estimates, the total statewide expenditure is \$206.2 million. The total for the regions under the existing expenditure projections is \$28.7 million. New money is \$30.2 million. That produces total expenditure of \$58.9 million in regional services across the forward estimates.

Mr V.A. CATANIA: Does that include Carnarvon aged care?

Mr R.H. COOK: It does not include capital.

Mr S.K. L'ESTRANGE: Is that all state money or does it include a component of federal money?

Mr R.H. COOK: That is state money. That is our package.

Can I clarify one other point. I gave an answer before about whether any of the money was going to be spent on voluntary assisted dying services. I can confirm that VAD services were not part of the package, but there were some recommendations from the Joint Select Committee on End of Life Choices to cover both voluntary assisted dying and palliative care. There is an allocation against funding for patient-led external reviews of palliative care across both 2018–19 and 2019–20, so it is not for the delivery of voluntary assisted dying. Obviously, the joint select committee recommendations require some policy work to be done.

Mr V.A. CATANIA: When it comes to the ratio of palliative care specialists, how do we compare with the rest of the country? What is the gap? I understand that as of last year, Western Australia had about 13.5 palliative care specialists, which severely lags behind the rest of the country. I think we have about 0.52 FTE per 100 000 people, compared with Victoria with 0.7 FTE, Queensland with 0.9 FTE, New South Wales with one FTE, South Australia with 1.1 FTE, and Tasmania with 1.8 FTE. How much money needs to be allocated in Western Australia so it can keep pace with what is happening in the rest of the country?

Mr R.H. COOK: Thank you, member. I might take that on notice and provide that state-by-state analysis by way of supplementary information. However, in addition, I make the observation that Western Australia has a very unique health setting in which to deliver services. We are the largest and most isolated single health authority jurisdiction in the world. The way we deliver health care is a unique proposition, so often those comparisons are inadequate to provide an understanding of resource allocation. However, I am very happy to provide the information as requested.

Mr V.A. CATANIA: It would be nice to know the true amount that is needed to keep pace with other states over east.

Mr R.H. COOK: It is a really good question. We will get that information for the member.

The CHAIR: Can the minister repeat what he is providing?

Mr R.H. COOK: The member has asked for a comparison of the breakdown of palliative care specialists in other states per 100 000 people. In addition, we will provide information about other palliative resourcing when compared with other states.

[*Supplementary Information No A14.*]

Mrs A.K. HAYDEN: The minister said that \$5.8 million of the \$41 million for the end-of-life choices and palliative care package will go towards following up the standing committee's recommendations. Can the minister break down that \$5.8 million, considering that he just said that some money will go towards the voluntary assisted dying policy? Can he outline how that \$5.8 million will be allocated and spent?

Mr R.H. COOK: I would be delighted to provide that by way of supplementary information. I will provide an additional breakdown of the \$5.8 million allocated for progressing the joint select committee's recommendations on voluntary assisted dying and end-of-life and palliative care services.

[*Supplementary Information No A15.*]

Mrs A.K. HAYDEN: On page 270 of budget paper No 2, under the heading "End-of-Life Choices and Palliative Care Services", paragraph 14 states in part —

... advance care planning; end-of-life and palliative care; and voluntary-assisted dying.

Can the minister explain the difference between end-of-life care and voluntary assisted dying?

Mr R.H. COOK: I am happy to provide my understanding of it. If the member wants a clinical definition —

Mrs A.K. HAYDEN: I want an understanding of it with regard to the budget and how money will be allocated. The minister has talked about end-of-life care and about voluntary assisted dying. When we talk about that, I think we need to understand what funding is being allocated and for what purpose.

Mr R.H. COOK: Obviously, a lot of policy work is being done on voluntary assisted dying to support the Ministerial Expert Panel on Voluntary Assisted Dying. Extensive work is being undertaken at the moment to support the ministerial expert panel. In relation to end-of-life and palliative care, that is as it suggests—it is work that is being undertaken to better understand the needs of our community around end-of-life and palliative care, and to provide extra resources for the provision of those services. We have introduced a \$41 million package to improve palliative care. Many colleagues have said that while we are contemplating voluntary assisted dying legislation, we must ensure that enough resources are available for palliative care services. We have brought the total statewide funding for community-based palliative care services between 2019 and 2023 up to a record \$206.2 million. Never before in this state has such a significant amount of money been allocated to improve palliative care services.

The member for North West Central could tell the member for Darling Range about the dire need to support those people who are ageing in our regional communities. So the lion's share of that \$40.1 million package, which we have announced, will go towards making sure that we improve palliative care services in regional and rural communities. Most of that will be spent on supporting frontline workers to make sure they have the support they need to provide quality palliative care and give them confidence around their understanding. That will involve a certain level of training. In specific instances, it will provide better support, such as through palliative telehealth. That will significantly contribute to improving palliative care in rural and regional communities. I very much look forward to seeing the whole package brought to life and being informed by the palliative care summit. A lot of palliative care specialists around the state share our anxiety about palliative care services in rural and regional communities. I want to make sure that we work closely with them to make sure that people in our regional communities, particularly those in small hospitals, have the resources they need.

My mother-in-law worked as a nurse at the Nannup Hospital, which in some respects is an aged-care facility. A lot of aged patients there are too sick to return home, so many of the nurses there, although they are generally trained nurses, provide high-level or advanced palliative care services. It is important that we take the opportunity to make sure that we provide them with better training and better backup, and to continue to make sure that they have the confidence to provide those clinical services.

[11.40 am]

Mrs A.K. HAYDEN: I hope I will get a shorter answer to this question.

Mr R.H. COOK: That can never be guaranteed in estimates, member!

Mrs A.K. HAYDEN: I gather that. I want to clarify that when that breakdown of the \$5.8 million is received, the minister will differentiate between the end-of-life and voluntary assisted dying funding allocations. The minister commented on the palliative care summit earlier. Can he advise on what date that will be, and will the results of the summit be made public?

Mr R.H. COOK: We are still working on the actual date for that. I assume it will be in June or July.

Dr J. Williamson: It will probably be towards the end of July.

Mr R.H. COOK: Yes. Member, I think it will operate similar to the preventive health summit that we held. I do not think there will be any secrecy around it. It may not be the all-singing, all-dancing show that the preventive health summit was, because we had people there with specific skills. I do not think it will be that large, but the idea is that it will be an open forum. It may not be open to the extent that we invite all members of the community to come along, but we will certainly make all outcomes and discussion papers public. This is something that I am committed to in the context of making sure that we have a better community conversation around end-of-life choices. We always talk about people leading great lives; seldom do we talk about people leading great deaths. This is something that people care about very much. From that perspective, I think it is an important community conversation to have.

Mr S.K. L'ESTRANGE: Minister, I refer to page 269 of budget paper No 2, volume 1 and specifically to paragraph 6.5. Does the appropriation of \$1.6 million for a culturally appropriate housing facility for Aboriginal people cover the establishment of an Aboriginal medihotel; and, if not, where is this election commitment at?

Mr R.H. COOK: I thank the member; I appreciate the question. This goes to the heart of our election commitment to create a medihotel specifically for Aboriginal patients. It is all about our agenda to put patients first. We want to make sure that when people are coming to Perth, particularly from remote communities where English is a second or third language, we have an appropriate way to support those patients on their journey. Funding of \$1.6 million over three years was secured in the 2019–20 budget to enable the delivery of this election commitment, including \$1.2 million of capital funding and \$0.4 million of recurrent funding. I am wondering what information will be useful.

Mr S.K. L'ESTRANGE: Where will it be built? How many beds?

Mr R.H. COOK: The WA Country Health Service consulted with the following stakeholders on the Aboriginal health strategy: the East Metropolitan Health Service, the Department of Health's Aboriginal health policy directorate, and the Aboriginal Health Council of Western Australia. It established a working group to deliver on the election commitment. The business case submission outlines the areas of focus, which are to investigate the access of patients to their accommodation service, improve the cultural appropriateness and facade of the existing facilities, and develop a wraparound service model with a focus on delivering an improved patient journey. I will invite Mr Jeff Moffet to make some comments on this shortly. This will combine with our meet-and-greet service, which was another election commitment, which is about providing a service to patients who are arriving at what, for many, is a very foreign airport. It is about ensuring that they are met and provided with, as I said, wraparound services to make their patient journey much smoother and less stressful. I invite Mr Jeff Moffet to make some further comments.

Mr J. Moffet: Thank you. The culturally appropriate housing election commitment is intended to optimise the use of existing accommodation. For example, at Derbarl Yerrigan, we do not have full utilisation of existing capability, so it is very likely that we will invest in ensuring that all those beds are utilised on an ongoing basis. Equally, we will be working with other providers over the next six months to see what other improvements we can make to the amenity and use of the facility to increase capability in the system. As the minister indicated, we want to improve the experience for Aboriginal patients and families residing in these facilities. In all likelihood, we will be providing some technology investment to continue to link people back to their families while they are residing in Perth, because it is a very lonely and isolating experience for some. We want to make sure that we use the best technology available to continue to connect people with their families. Finally, we also want to ensure that we integrate our existing services. As the minister indicated, we have a Country Health Connection meet-and-greet service, which is very much around supporting people who need to access care, ensuring that their transport options are optimal, and getting people to and from appointments as well as to and from airports in an efficient way. We believe those services could be much better integrated with the existing accommodation provider. This election commitment will allow us to explore that opportunity to build a much more comprehensive service that seeks to optimise the existing capability of Derbarl Yerrigan and other facilities.

Mr S.K. L'ESTRANGE: I want to try to separate those two outcomes. We have the Elizabeth Hansen Autumn Centre in Bayswater, which is run by the Derbarl Yerrigan Health Service. That contract is up at 1 July this year; I understand it will then be taken over by the WA Country Health Service. Given the service provided by the Elizabeth Hansen Autumn Centre costs \$85 per person per night, what is the government's rationale for moving it away from that health service and across to country health? I do not think that country health will be able to achieve that low cost of service provision. What will be the cost to the WA Country Health Service per patient per night? Then I will come back to the build that the government is going to do, but only because part of that answer was around Derbarl Yerrigan Health Service and its running of the Elizabeth Hansen Autumn Centre. I would like to get some clarification of what is happening there.

Mr R.H. COOK: Yes. Again, I will invite Jeff Moffet to make some further comments, because those conversations have been going on primarily with WA Country Health Service. I have not been involved with them, although I understand that they were difficult conversations. One of the problems is that the current facility is underutilised. To the extent that it is utilised, I think it is 100 per cent utilised by Kimberley patients. We have Derbarl Yerrigan, which is fundamentally a Noongar-based organisation, providing accommodation services for the Kimberley.

Mr S.K. L'ESTRANGE: That makes sense, I guess.

Mr R.H. COOK: Well, they are country. That is right.

Mr S.K. L'ESTRANGE: We are hardly going to have the Kimberley mob running it down here.

Mr R.H. COOK: No, that is right, but the point I am making is that there is some discussion about whether that is the best vehicle. Having said that, I do not think that Derbarl Yerrigan is really interested in continuing to run that facility, although I am not privy to those negotiations. My preferred outcome is that ultimately it is transitioned to the Aboriginal Health Council of Western Australia, so that AHCWA can run it as part of its statewide provision of services for Aboriginal people generally. I think a combination of both the meet-and-greet service and the Aboriginal medihotel service run by a community health service with a statewide mandate makes much more sense in terms of the overall framework of that policy. Having said that, WA Country Health Service is responsible for negotiating with Derbarl, so I invite Jeff Moffet to make further comments.

Mr S.K. L'ESTRANGE: Just before that, I heard the minister say that he was not sure that Derbarl Yerrigan Health Service wanted to run the Elizabeth Hansen Autumn Centre in Bayswater. I would like to have that clarified, because I am picking up different information from the minister on that.

Mr R.H. COOK: Well, they were unable to come to an agreement about the contract, despite the hard work that was done by both parties.

Mr S.K. L'ESTRANGE: What I am hearing is that if an organisation—it may be small compared with the WA Country Health Service—is passionate and keen to do a really good job, and what it is doing is well received by the clients who are attending that centre, for want of a better term, would the government not rather have part of

the Department of Health mentor and support this group, particularly if it is achieving costs of only \$85 per person per night? I do not think anywhere else would be able to achieve that.

From the perspective of organisations that are passionate and want to do well and want to be supported, plus have budget savings due to the efficiencies of the organisation if they know what they are doing, would we not rather support them and recontract them going forward with increased support, and, possibly, as the minister said earlier in his answer, with increased capital spend to build their capacity. Why would we not take that approach as opposed to just taking a service off an organisation and giving it to a government department?

[11.50 am]

Mr R.H. COOK: We certainly do not want to take it off them. It is a question of whether Derbarl Yerrigan Health Service can come to an agreement with the WA Country Health Service. I understand what the member is trying to suggest, but I think the way he characterises the negotiation—big heavy Department of Health and small Aboriginal community-controlled health organisation—is probably not very accurate in the way the conversations have gone. It is a tricky discussion. Again, I have not been party to those discussions. I get the occasional update via the media, I notice, but I invite Jeff Moffet to make some comments.

Mr J. Moffet: The first point to make is that the WA Country Health Service does not seek to run hostels anywhere in the state. However, we find ourselves in that position from time to time as a result of market failure or the inability of local service providers to deliver the service. Wherever we can, as a principle, particularly for hostels that are providing services primarily to Aboriginal clients, we seek to find community-controlled organisations or non-government organisations—including, for example, Aboriginal hostels or local organisations—to run those services. That remains the case with the Elizabeth Hansen Autumn Centre. We anticipate that we will take over this service on 1 July, making some changes and improvements, as I suggested in my earlier response. We will work with the Aboriginal Health Council of Western Australia and potentially other interested parties to get that back into a non-government organisation's hands as soon as possible. That is the intent and the spirit with which we have received the service back.

The background to this is complex. Derbarl Yerrigan Health Service has been in administration for several years. AHCWA is the contract holder for the services. We procure around \$6 million of services, including the Elizabeth Hansen Autumn Centre, ordinarily from Derbarl, but since it has been in administration, we have novated our contracts across to AHCWA. That has been an intense process of program management improvement and supporting Derbarl in the background to increase its capability over time to take back contracts from both the commonwealth and the state directly, rather than through AHCWA. I think this is one of the issues that has been caught up in the financial improvement and the financial straightening up of its balancing sheet and operating statement. It became clear to Derbarl late last year—early this year that it felt this was a loss-making service and it requested some funds. We attempted, I think with good faith, to understand the nature of the cost structure and the challenges it was facing with a fairly open-book approach, as we have provided grants and we provide patient assisted travel scheme subsidies on a daily basis for each client there. However, we were unable, together with the board and the management team, to understand its cost structure and find a suitable grant arrangement.

The grant arrangements that were being requested changed significantly over a period of a couple of months, moving from a couple of hundred thousand dollars to well over a million dollars for the subsidy that was being pursued. In the end, Derbarl chose not to continue with this service, as there was financial exposure for it. We support that decision. We will run this service as effectively and efficiently as we can, initially. We will incorporate technology improvements and ensure that utilisation is not at 50 or 60 per cent but closer to 90 or 100 per cent. We will work with the community-controlled NGO sector to get it back into its hands as soon as possible. It has been a very complex process. We would rather have seen a different outcome and continuity of the service, but the reality for a new Derbarl board CEO and chair is that it has a significant amount of other responsibilities to receive back from AHCWA, including \$6 million in service funding from us, as well as the Elizabeth Hansen Autumn Centre. I think Derbarl felt it was a bridge too far to navigate that issue at this point. We will continue to approach the issue in good faith and it may well be that Derbarl at some stage is the provider in the future. We have not closed our mind to anything. Our key and only focus through this is to make sure the Aboriginal clients in that facility have a service on 1 July. That has been the key issue in the last few months.

Mr S.K. L'ESTRANGE: Thanks for that answer. Bringing it right back to the original question, is the appropriation of \$1.6 million for a culturally appropriate housing facility for Aboriginal people going into the Elizabeth Hansen Autumn Centre in Bayswater or is the department looking to build a distinctively separate facility?

Mr R.H. COOK: I thought it was one and the same project, but I will double-check.

Mr J. Moffet: We are engaging with the sector, not only Elizabeth Hansen and Derbarl but also other providers such as Derbarl Bidjar Hostel, for example, and other Aboriginal hostels around the best use of the capital allocation. It is unlikely that any build will occur. There is not sufficient capital to undertake a new build. Our position and our understanding is that at this stage a new build is not required. We have sufficient capability if we invest in better utilisation of the assets we have. The Autumn Centre is a good example of that, but it is not the sole intended recipient of any grant funds to improve capability. There may be other hostels.

Mr S.K. L'ESTRANGE: I think we have now separated out the Autumn Centre as possibly needing some capital upgrades to be able to deliver a better service. I got that answer. Bringing it back to the Aboriginal medihotel, I am hearing that that is a separate facility the government is looking to build. Where and when is it looking to build that?

Mr R.H. COOK: No, we have committed to culturally-appropriate accommodation for patients coming from Aboriginal communities when they are transitioning to a Perth-based hospital. We are agnostic on the question of whether it is an existing facility with the capacity to meet the needs or it is a fresh build. We are essentially allowing the health service provider—in this case, WA Country Health Service—to inform us about the most appropriate strategy; and, from that perspective, I am fairly pleased with the engagement that WACHS has had with the Aboriginal community-controlled health organisations.

Ms E. HAMILTON: My question relates to page 282 of the budget papers and Joondalup Health Campus under “Asset Investment Program”. We know that we have had a significant population growth in Joondalup and the surrounding areas. Can the minister let us know what health services are being provided in the northern corridor to help meet the needs of local residents?

[12.00 noon]

Mr R.H. COOK: I thank the member. I appreciate the question. I appreciate in particular the member’s ongoing advocacy for the issues around the need to grow health services in the Joondalup area. I am just trying to locate my specific notes so that I can provide the member with a more fulsome answer. As the member would be aware, we are looking at the next stage of the redevelopment of that hospital. At this stage, the project represents investment of \$161 million to the expansion of the hospital. The expansion is focused on areas of most urgent need and provides a new 77-bed mental health building, an additional 12 emergency department bays and 30 additional in-patient beds to support the expanded ED. We are still working on the project definition plan. That has been prepared to further evaluate the potential requirements, specifically for additional operating theatres and to nail down the specific needs for in-patient beds at that hospital.

Since we have begun this journey, the federal government committed to the growth of health services at Yanchep. We need to sit down with the commonwealth government and get a better idea about what it is contemplating to develop in that Yanchep area. That will obviously inform us on the demand in Joondalup. It might take away from the demand, or it might contribute to the demand. From that perspective, we are looking at what else we need to do at that hospital to make sure it meets the needs of the growing population. As the member will be aware, we are also committed to a 12-bed stroke unit at that hospital, and we have been able to deliver on that. That has been a really important addition to the services there. The member and I had the honour of opening that unit a short time ago, as well as having a look at the therapy rooms attached to the unit. It has been widely welcomed, and it is pleasing to see the way it has been embraced by the community.

We also have to look at the service agreement between the WA government and Ramsay Health Care, under the public–private partnership arrangement, and the scope, as we outlined in our election commitment. In particular, under the memorandum of understanding we signed with Ramsay, we want to make sure that the contract we are operating under at that hospital is a modern contract that meets the needs of the community. Ramsay has been there now since 1998. Since then, our understanding of the way public–private partnerships work has evolved considerably. Members will be aware that, since then, we also have the public–private partnership at the St John of God Midland campus, which is a much more modern iteration of that contract. The member might be interested to hear that Royal North Shore Hospital, which was planning a similar arrangement, looked at the Midland St John of God contract and declared that it was now the industry standard. We also now need to look at what is developed at North Shore to determine the new contemporary vision.

We are looking at construction starting early next year. We have got to get on with this. As the member knows more than anyone in this room, it is a growing community with growing needs for hospital services. We must make sure that we redevelop that hospital to meet the needs of the growing community. One of the reasons we are gripped by a sense of urgency about that is the member’s advocacy, so thank you very much.

Mr V.A. CATANIA: I refer to page 274 of the *Budget Statements*, under “Outcomes and Key Effectiveness Indicators”. As we look down the table we see survival rates from stroke. The department is coming up with some amazing statistics, and the interventional neurologists are doing a fantastic job. I would just mention Tim Phillips, a fantastic doctor there. As I go down the page I come to the item “Percentage of responses from WA Health Service Providers and the Department of Health who are satisfied or highly satisfied with the overall service provided by Health Support Services.” It is right at the bottom of the table. It shows 47.7 per cent in 2017–18, 50 per cent in 2018–19, and an estimated actual of 66.7 per cent. Does this 66.7 per cent estimated actual include how safe employees are, or how they feel in the department?

Mr R.H. COOK: One of the things we have been really keen to do is to understand the health and wellbeing of our staff. As part of our health reform process, this year we have implemented a statewide staff morale survey—a health and wellbeing survey—making sure that we are informed by how we are tracking in staff morale and satisfaction with working in the service. That was rolled out at the beginning of this year, and we have just received

the raw data. I have sent that off to the health service providers to give us their feedback, and consolidate the information in a form that can be understood. We believe that understanding the morale of our staff is an important part of what we do. This is the first survey that we have done, and the idea is to do it annually from here, so that we can track our progress in improving the wellbeing of our staff. Health is a people industry, so unless our staff feel engaged, valued and listened to and willing to come to work, we will continue to fail the people that they are there to care for—the patients. The member is right to identify this as an important piece of work. I will invite the director general to make some comments about how we are tracking on some of these issues.

Mr V.A. CATANIA: Especially safety.

Mr R.H. COOK: We will come back and talk a bit more about safety once we have a bit of background.

Dr D. Russell-Weisz: Taking up the member's point about the satisfaction with Health Support Services, Health Support Services has undergone significant reform over the past two to three years. It is a very important health service provider; it is a health service provider in its own right. It deals with things that are very critical to staff working in our system. It has been reformed significantly. If the minister is happy, I will ask Mr Rob Toms to make some comments. It is recognised that its client service focus in the past may not have been optimal, and it needs to be reformed significantly. This is not tweaking around the edges; this is a whole of Health Support Services organisational reform. It wanted to measure whether staff are happy or not happy with the services it provided. It provides the majority of services to other health service providers over a number of areas, such as pay and information and communication technology services. I want to recognise the work that Health Support Services has done under the leadership of Mr Toms. He has gone in there and reformed the service, but also recognises that we want to see improvements year on year. We want to ask the staff and the health service providers how satisfied or dissatisfied they are, and therefore the specific areas in which we need to improve. If the minister is happy, I would like to ask Mr Toms.

Mr R.H. COOK: I invite Mr Toms to make some comments.

Mr R. Toms: We run this survey every quarter, and we survey all the people across the WA health system to understand what percentage are satisfied or highly satisfied with the services that HSS provides. It gives us a really good indication of the areas where we are doing well, and areas where we need to improve. That is all part of the overall transformation of our organisation that we are going through now. It does not measure the degree to which staff feel safe, or staff engagement or culture. That is picked up separately through our engagement surveys and culture surveys and the plans that are established to deal with those issues. This survey measures customer satisfaction with the services that we provide.

Mr V.A. CATANIA: Does the minister accept that it is quite concerning that only 50 per cent are satisfied with the services that are being provided? What is the minister doing to try to increase that satisfaction rate? What is the target? Is it 75 per cent or 95 per cent?

Mr R.H. COOK: The member is quite correct. In the past there has been a great deal of disillusionment with some of the other elements by which the staff are serviced. The health corporate network had a reputation of continually getting pay packets wrong. It was overpaying on a lot of occasions, and then trying to get that money back from the staff member, which was a source of great dissatisfaction. Under the new governance model we now have Health Support Services, and that has been an important transition to make sure that part of the health system is focused on providing better services to our staff, particularly the information technology they get to work with, the support they get and, from a corporate perspective, the accuracy of their pay, how their grievances are responded to and so on. Since we have established the health service providers, the director general has established PathWest and Health Support Services as standalone operations under a chief executive—Joe Boyle in the case of PathWest, and Rob Toms in the case of Health Support Services—to make sure that we have better customer-focused services in those parts of the system. I think they are responding significantly to the needs. As the member highlighted with some of those stats, it needed to be responded to. I think the member wanted to talk about how safe staff feel within the hospital environment; is that correct?

[12.10 pm]

Mr V.A. CATANIA: I was wondering whether that was part of the survey.

Mr R.H. COOK: The survey was specifically about how staff members are serviced as employees by the Department of Health and health service providers. Some very concerning staff safety incidents have taken place recently, particularly at Royal Perth Hospital, and we need to increase our efforts to ensure that staff feel safe in their workplace. We cannot eliminate all aspects of risk—I think we are all realistic about that—but we want to make sure that the systems in place can anticipate when situations are escalating to the point where there may be an outbreak of antisocial behaviour or can respond to those circumstances as best they can so we get on top of the issue before it becomes too dangerous. I think we have done pretty well at the latter—our security staff respond really well to emergencies, particularly in emergency departments. We have more work to do to make sure that systems better support situations as they start to escalate.

Mr V.A. CATANIA: Does the minister think that the pay freeze, for want of a better word, of \$1 000 a year is having an effect on the morale of staff in the health sector?

Mr R.H. COOK: No. The member would be aware that this government has a wages policy. Members of Parliament and judges are subject to a pay freeze, but staff are subject to a wages policy of \$1 000. For some hospital workers, a \$1 000 increase will represent a good increase that is well and truly above the 1.5 per cent average that we have witnessed. It will not represent a big gain for other workers, but I think people understand that we are in a process of getting the state's finances back on track. I think people respond more in the workplace to whether they feel valued, whether leadership listens to their concerns when they raise them, whether they have the resources they need to provide the care they are trained to provide, and whether they feel leadership is taking them in a direction that continues to improve healthcare services. That is what nurses and doctors talk to me about when they talk about morale in the workplace.

Mr V.A. CATANIA: Given that we are looking at a 50 per cent satisfaction rate, there is clearly a lot to do to increase the morale of the Department of Health. I think the issue of pay influences how people feel and is having a significant impact on the 50 per cent satisfaction rate, but the minister is hoping to get it in the range of 66.7 per cent. I suppose that is more of a statement.

Mr R.H. COOK: I appreciate that, member. One of the reasons we are able to provide record investment in health, mental health and palliative care is that we are doing the hard work to bring the state's finances back under control and repair them after the previous government's crippling impact. I think people understand the importance of that work. They want to see the state get back on its feet, so we are making some difficult decisions. We do not step away from the fact that repairing the state's finances after the crippling impact of the Liberal–National government will take some hard work and some hard decisions. I think people understand that we are getting back on track.

Mr V.A. CATANIA: The minister's answer was good up until that point.

Mr R.H. COOK: I thought I would spice things up a bit.

Mr V.A. CATANIA: I cannot be bothered responding to it.

Mr R.H. COOK: The member cannot. That is the beauty of estimates.

Mrs A.K. HAYDEN: I refer to paragraph 21 on page 270 of budget paper No 2, which states —

The Government is also enhancing its investment in existing core non-hospital services, with an additional \$99.7 million to be spent on these services over five years.

How much funding has been allocated to prevention services, as a dollar amount and as a percentage of the total health budget for 2019–20 and the forward estimates?

Mr R.H. COOK: I thank the member for her question. Non-hospital services include a range of things, such as community health, public health and things of that nature. In the 2019–20 budget, an additional \$99.7 million has been secured for existing core non-hospital services, including \$43.4 million, resulting in a model output relative to previous non-hospital service budget settings. That sounds interesting! This includes parameter updates to obligations such as the Royal Flying Doctor Service and St John ambulances and so on. A sum of \$5.6 million is allocated over two years to recognise demand pressures on services provided by the non-government human services sector. A sum of \$29.3 million is allocated over two years to recognise contractual cost indexation across all contracts. A sum of \$8.6 million is allocated over two years to continue to meet the costs of supporting the Karlarra House residential aged-care facility in Port Hedland. A sum of \$12.8 million is allocated over two years to mitigate risks associated with the transition of home and community care services. The member talked about preventive health services.

Mrs A.K. HAYDEN: I am asking for the total preventive health budget and the percentage that is of the health budget.

Mr R.H. COOK: I will happily provide, by way of supplementary information, a breakdown of preventive health services. I also make the observation that under the sustainable health review —

The CHAIR: Minister, can you clarify what that supplementary information will be so I can allocate a number?

Mr R.H. COOK: The supplementary information will provide a breakdown of preventive health services under the state health budget.

Mrs A.K. HAYDEN: And the total dollar value and the percentage those services are of the total health budget.

Mr R.H. COOK: It will be the preventive health budget in a dollar amount and the percentage that is of the overall health budget.

[*Supplementary Information No A16.*]

Mr R.H. COOK: My understanding is that the sustainable health review came up with a number of 1.7 per cent of the total budget being dedicated to preventive health. The review made a recommendation that it should transition to five per cent by 2030, and we have accepted that recommendation. What first has to be done is to capture what we consider to be preventive health under that calculation. Let us say that it is 1.3 per cent. We need

to be confident that it captures all the preventive health measures. I have often said that one person's preventive health measure is another person's chronic disease management, so it has to be clear in our minds what that number represents. That is the first piece of work we have to do on that recommendation of the sustainable health review. It will then be the responsibility of the system manager—that is, the director general of the Department of Health—to ramp up the budget and the activity associated with preventive health over time until it represents five per cent of the total health budget. I can assure the member that it is highly unlikely that I will be the minister in 2030, so it will be the responsibility of all —

Mrs A.K. HAYDEN: The minister will be looking for that palliative care, will he not?

Mr R.H. COOK: I hope it is not that soon!

It will be the important task of all members who are committed to preventive health being a greater part of our service delivery to make sure that we get to that five per cent over that time, and avoid scope creep, so that future directors general, or this one if he has enough legs in him, do not decide that things are preventive health just because they add to the five per cent budget. It will be a pretty important piece of work going forward. I hope ultimately that nationally we get a greater understanding of what preventive health is and does so we do not get that slippage. I share the member's passion for ensuring that we grow it as part of our overall budget.

[12.20 pm]

Mrs A.K. HAYDEN: I thank the minister for the answer. I wanted to clarify something. Is he saying that it is roughly 1.7 per cent now?

Mr R.H. COOK: Yes.

Mrs A.K. HAYDEN: The minister will provide me with the details by way of supplementary information. He said it will grow to five per cent by 2030.

Mr R.H. COOK: That is one of the recommendations of the sustainable health review, which we have accepted.

Mrs A.K. HAYDEN: I think it is 2029.

Mr R.H. COOK: I will be happy if we crack it by 2030; that will be good.

Mrs A.K. HAYDEN: What is a year! Considering that preventive health and assistance is the key to bringing down a health budget, does the minister think that is enough over a 10-year period? That is a long time to go from 1.7 per cent to five per cent. What does the minister think the increment will be? Will it be closer to this part of the decade or the latter part of the decade before we get to that five per cent?

Mr R.H. COOK: It is a great question. That is obviously part of the important work that we do under the sustainable health review, which is about precisely what the member just mentioned. We need to get ahead of the game so we can start preventing chronic disease, those risk factors that are associated with people requiring hospital care, and ensure that we are investing in the future of people's health rather than simply fixing people who present at a hospital. That is a complex and long-term piece of work and one that we have now put a number on. I am hoping that we will now be in a position to test ourselves, and see how we can shift the dial. The member is suggesting that if we have already got to three per cent by 2025, perhaps we should be looking at eight per cent by 2029–30 rather than the five per cent that we are currently committed to. That would be the task of future governments, but we are on the road.

While we are talking about those issues relating to the sustainable health review, I hope that the opposition sees it in a similar fashion to the Reid review; that is, it is an important piece of work that has to take place over successive governments. It is not a political document; it is a document on which governments of all persuasions should be able to anchor their work when reforming our health system, not just growing our hospitals and our hospital services to treat an ageing population with a higher incidence of chronic disease but challenging the elements that drive our health costs.

At some point I would love to hear some public commentary from the member for Churchlands on his attitude to the sustainable health review and the recommendations.

Mrs A.K. HAYDEN: As a personal indulgence, I have had quite a few people come through my electorate office. As the minister knows, it is in Byford. People are struggling. Spare cash is extremely hard to come by.

Mr V.A. CATANIA: That is why you got elected.

Mrs A.K. HAYDEN: That is right; exactly. One of the biggest issues that has been highlighted to me, which was a surprise, was obesity. People are struggling to combat that with no assistance. Unless they are on full health care cover, there seems to be no assistance. Is there anywhere here that the government will address that or try to help? Obviously, obesity leads to diabetes and other medical conditions that go along with that. These people are also suffering from mental health problems and depression because they cannot see a way out. They cannot afford to go to a gym and they cannot afford diet food. It is cheaper to buy McDonalds for the family than to make a healthy meal. Under the preventive strategy, is the state government looking at a way of implementing some sort of program to help people in this area?

Mr R.H. COOK: That is certainly one of the things that I have asked our population health section to challenge us on, looking at a range of these policies. The member would be familiar with a couple of our election commitments. One is the “health in all policies” framework, which is about trying to say that it is not just hospital services that impact on health. The member and I both have electorates in outer suburbs. I drive through the member’s electorate quite a lot.

Mrs A.K. HAYDEN: The minister should stop and say hello.

Mr R.H. COOK: Indeed, member. One of the things that struck me is that as these new suburbs develop, we see an extraordinary proliferation of fast-food outlets. I am often challenged and wonder how I am going to eat healthily some nights. I do not always have time to go home to prepare a meal. Where do I go to get that healthy meal? I usually find myself going to a service station and looking at the protein bar section and a packet of nuts because I am in damage control at that point rather than thinking that I will ultimately get a healthy meal. These are huge challenges for us as a community. Our “health in all policies” framework and also the future health research and innovation fund will provide a significant change in the resources we have to put into the research of the questions around obesity in our community, and therefore the incidence of diabetes. To illustrate the member’s point, Diabetes WA informs us that one-third of all hospital beds are taken up with someone with an issue either directly or indirectly related to type 2 diabetes. That disease is not always but often driven by lifestyle issues and essentially is one of the things that is crippling our health system. That is the reason we are now investing a record \$9.1 billion in our health system.

As a member of this chamber, the member would know that the Education and Health Standing Committee is undertaking an inquiry into type 2 diabetes. I am really interested in seeing the outcomes of that committee’s report because they might inform us about some other strategies that we can take up.

Mr V.A. CATANIA: I have noticed that a lot of the members on that committee have lost weight.

Mr S.K. L’ESTRANGE: I refer to page 277 of budget paper No 2, volume 1, and note 3 at the bottom of that page. It relates to the planned closure of the Quadriplegic Centre in 2020. I want a bit of information from the minister today. How many patients are still residing at the centre? Where is planning at, both with new infrastructure and the personal planning processes, for the residents? Can the minister provide an update on the work undertaken to identify alternative respite and accommodation options for those patients?

Mr R.H. COOK: I appreciate the member’s concern about this. This is an important piece of work that we have to do to provide a better model of care for these consumers. I can confirm that there are 21 residents, which I think is down from 68 or 86 when this decision was first made. Clearly, a lot of residents at the quad centre have already transitioned out of the quad centre. We are continuing to support the needs of the residents who are still there and are working with individual service organisations around the needs of those specific patients. This is fairly complex and ongoing work but it is receiving a lot of attention from the North Metropolitan Health Service. One of the changes that we have made is that we have incorporated the quad centre from being a standalone board-driven entity to one that is now part of the North Metropolitan Health Service under an executive director, who is responsible for the quad centre and the transition to the new service model. I will ask Robyn Lawrence to provide us with some more detail about the work that has been undertaken.

[12.30 pm]

Dr R. Lawrence: Five workstreams are progressing and they are all progressing quite well. Planning for the existing residents is now at a phase that we have had some external providers working with the residents. That piece of work has now been overlaid by a clinical review provided by the existing clinical team that looks after those residents to determine the final level of care that each of those individual residents both desires but also requires, and therefore where it may be most appropriate for them to transition. The other work streams, of course, include a spinal cord injury service being established, and that has progressed well. There is a work stream that involves the construction of housing by the Department of Communities essentially aimed at individuals who have a newly acquired spinal cord injury, so they are not tending to go to the quadriplegic centre. There is also the construction of housing for existing residents who cannot transition to community living, and there is transitioning of the workforce. All of the work streams are on track. I think we are still finalising the work with the residents to determine the ultimate best model for those requiring ongoing supported residential care in the residential area.

Mr S.K. L’ESTRANGE: When there is a reference to “local area”, we need to be clear what “local” is here. The reason I say that is that although a number of the 21 patients have families living in other local areas, they consider where the centre is at the moment to be their local area. What are we doing to support them?

Mr R.H. COOK: As the member would be aware, there is the development directly opposite the car park, which is the Montario Quarter. I understand we have an option of lots there as part of the solution or a package for those residents for whom moving from that area is suboptimal. That is part of what we are contemplating for those who do not want to move from that site. I emphasise to the member that this is something we will do in conjunction with the residents. We are not going to force people out or away or into circumstances that do not meet their needs. We want to make sure that we are doing this sensitively and against a time line that is about

meeting their needs and not about meeting our desired construction time lines. We want to make sure we do this very carefully. If the member would like a further briefing, we will detail work that is going on. I am very happy to make that available to the member, because this is an important piece of work and we want to do it as sensitively and methodically as possible.

Mr S.K. L'ESTRANGE: I thank the minister for that offer. We will take him up on it. One of the things my research officer and I have been trying to do is to get back in front of those 21 people, who are keen to talk to us. I am not looking at this as some divisive political issue.

Mr R.H. COOK: No, I appreciate that.

Mr S.K. L'ESTRANGE: I am generally trying to represent these people, and we have not been able to get access to them. I would appreciate it if, following the briefing, I could then get access to these people, sit down with them and have a cup of tea and a conversation, like I did last year. That would be much appreciated. In the minister's answer he mentioned that the government was looking at options of lots of land directly adjacent to the current facility. Does the minister have an update about where the planning of the facility is at, how many beds it is thought it will have, what it will cost, what it will look like, how many full-time staff there will be and that sort of thing?

Mr R.H. COOK: I will invite Robyn Lawrence to make further comment.

Dr R. Lawrence: It is very early in the process, to be honest. We have some preliminary designs and we have scoped what it could look like. Until we know the exact number of residents and the level of care they are all going to need, it is pretty hard to finalise that. There are also options about where it is located in conjunction with other services that will also be in the area and how we may be able to work together for the best outcome for the residents. We are trying to keep that scope open until we are 100 per cent clear what the residents require and where they desire to have that.

Mr R.H. COOK: Anecdotally, some said they wanted to live with other residents and others want to live alone or in a single room. We just need to understand it better. Again, this is about working with the residents to get the best possible outcome for them.

Mr C.J. TALLENTIRE: My question relates to the future health research and innovation fund referred to on page 267 of budget paper No 2, volume 1. There are some significant figures relating to changes and new initiatives there. Can the minister tell us how the McGowan government is progressing his commitment to the establishment of that future health research and innovation fund?

Mr R.H. COOK: I thank the member. This is obviously one of the key features of this budget. It is one of our key election commitments as well. The future health research and innovation fund is a policy about setting the health system up for the future and making sure it is doing a range of things. It is about creating jobs in a diversified economy by making sure that we significantly improve the amount of money available for medical research and innovation in this state. I mentioned the other day that we made the budget announcement about this at the Harry Perkins Institute of Medical Research. We stood at the Harry Perkins institute to make this announcement and across the road is the Telethon Kids Institute. The member might be interested to hear that that represents the workplace of over 1 000 different medical researchers and staff, so this piece of work relates to jobs. It is an important part of contributing to the diversification of the Western Australian economy. In addition to that, it is about making sure that we have the best clinical services available to the Western Australian population. We made that announcement with a chap called David, who unfortunately fainted during the press conference. He testified that it was because he was able to get early exposure to clinical trials that he was cured of the cancer that had riddled his body to that point in time. It is also about getting the very best and brightest to practise in Western Australia. It is about making sure that Western Australia attracts those young researchers and people who are really hitting their clinical straps and that they come here not as part of a decision often typified as one made towards the end of a career, but because we have the best researchers and they want to be in this space. That has a huge dividend for patients. Of course, it is about making sure that our patients get the best possible care. Ahead of our legislation, which is about repurposing the future fund into a sovereign wealth fund for medical research and innovation, we are indicating in this budget a \$52 million investment that will take our overall medical research and innovation investment over the forward estimates to more than \$126 million. At the moment we spent somewhere between—I could never get a straight answer out of the former government when I was in opposition and I still cannot!—\$12 million and \$18 million for medical research, depending on what cycle we are in around what I think was then called the future health initiative.

Dr J. Williamson: It was up to \$8 million in addition to the base funding—now \$20 million—that we had at the same time.

Mr R.H. COOK: We are looking for a significant uplift around medical research in this state, because we want WA to be global leader in research and medical services and we want to have a real expertise in them. We have great expertise in lung, heart and some cancers, particularly with the delivery of remote health care. That is one of the reasons that it is important that we look beyond simply what we are doing now and really invest in a way that we can envisage how our health service will change in the future. Now, more than ever, the digital economy and

health technology are changing the way we deliver health services in a way that we have never done before. The current generation of medical practitioners and clinicians have a bigger opportunity than any generation of medical staff in the history of the world. Now is the time for us to really get in and do some significant investment in medical research and innovation. I am excited about where we can go on this.

Mr V.A. CATANIA: I refer to “Sustainable Health Review” on page 269 of budget paper No 2, volume 2, and note 10, which refers to King Edward Memorial Hospital. Firstly, is it the minister’s understanding that 65 per cent of the proceeds of sale of the TAB that this government is proposing—before coming to government the Labor Party said it would not sell any assets, but I will put that aside—will go towards the build of a new King Edward Memorial Hospital at the Queen Elizabeth II Medical Centre site? Is that predicated on the sale of the TAB?

[12.40 pm]

Mr R.H. COOK: Under the sustainable health review we identified a new women’s and babies’ hospital being a high priority for Western Australia. We all understand that that hospital, which was built in 1916, is an ageing piece of infrastructure that really needs to be improved to meet the needs of the community going forward. The member will recall that the Reid review of healthcare services recommended a new women’s and babies’ hospital be developed at the Queen Elizabeth II Medical Centre site, and that work is now in the planning stages as part of a \$3.3 million allocation for pilot projects under the sustainable health review. That work will now start to take place. We are looking forward to starting the early planning of that and getting an idea what that build will look like, where it will be located and what are the other needs around QEII at the same time—we envisage that it will need a new car park and so on. In addition, the government has committed 65 per cent of the sale of the TAB to go towards a new women’s and babies’ hospital. Prior to the election, we said that we would listen to the racing community on what it thought would be the future for the TAB, to clarify the member’s characterisation of our election commitment. That is because we wanted to be informed by the racing fraternity—doggies, thoroughbreds and trotters—about the needs of their industry and whether the sale of the TAB would be part of that equation. Those negotiations and discussions, as the member knows, have been informed by the racing community, and we have agreed that we will sell the TAB as part of the reform of that industry.

Mr V.A. CATANIA: They have agreed to sell the TAB and will put 65 per cent into the hospital?

The CHAIR: Member for North West Central, let the minister finish his answer, then you can ask him another question.

Mr R.H. COOK: We are now starting to stray off the issue of the new women’s and babies’ hospital, but will the Chair indulge us for two more minutes? They agreed that 35 per cent of the sale of the TAB would go to an industry fund, out of which many country racing clubs and grounds would continue to receive support, particularly around infrastructure and things of that nature.

Mr V.A. CATANIA: What is the anticipated amount if the government sells it? Has the minister spoken about that?

The CHAIR: Member for North West Central, hold your horses and let the minister finish his response.

Mr R.H. COOK: Yes. I appreciate the question. Apologies, Chair. The answer to that is that I do not know, because that is the nature of the sale. I am not privy to that information and if I were to provide an answer, I would be guessing. The government has committed to making sure that 65 per cent of the sale goes to the new women’s and babies’ hospital because we recognise that that is an investment into the future for the people of Western Australia. Each year around 3 000 babies are born at King Edward Memorial Hospital for Women. A large proportion of those are people who come from regional communities and who are suffering from complex needs during their pregnancy, and therefore have to be in a tertiary setting to ensure their safety and that of their baby. This is a statewide facility. It has provided care for literally generations of mothers and babies right across Western Australia. It is an important part of what we do in health care. From that perspective it is a great way to make these resources an investment into the future for everyone in Western Australia, in particular mums and bubs. We know that King Edward Memorial Hospital for Women continues to do great tertiary work around premature babies and understanding their health needs, but it also continues to provide important health care for people of Aboriginal background, people from rural and regional communities, and people right across the metropolitan area who have complex needs and need to be in that tertiary environment.

Mr V.A. CATANIA: I totally agree with the need to have a new King Edward Memorial Hospital for Women. My son was a premature child and born at King Edward Memorial Hospital for Women and spent several weeks there before he was able to go home. I do not disagree with the government’s intent and will, because it is an ageing piece of infrastructure that is well and truly past its use-by date, but the government is banking on, as the minister said, 65 per cent of the proceeds of the sale of the TAB going towards a new hospital. What is that 65 per cent? The minister has said that he does not know what the sale of the TAB could be worth. If the sale of the TAB is worth \$300 million and that is all the government can get, 65 per cent is not a huge amount of money to pay for a new hospital, nor is it a huge amount of money to put into racing or to protect regional racing. Can the minister see how I think that predicating a new hospital based on the sale of the TAB can be fraught with danger because there is no guarantee of a price? The minister is saying that a contribution will be made to build three quarters of a hospital.

Mr R.H. COOK: I understand the question now. I appreciate that member. We are not pretending for a moment that that will pay for a new hospital. I do not know what the TAB is worth, but the bloke on my right says I am not going to get much change out of \$1 billion for a new tertiary hospital, particularly on a site as constrained and active as QEII is.

Mr V.A. CATANIA: And given what the Perth Children's Hospital cost.

Mr R.H. COOK: Too soon! The wounds are still open! The idea is that that money will go into a special purpose account, which will be a down payment on the hospital. Clearly, it will not pay for a whole hospital; we understand that, but we think it is an important down payment and contribution to building the women's and babies' hospital.

Mr V.A. CATANIA: What if the bill for the sale of the TAB does not pass through Parliament? What options will the government have? Will it contribute the \$300 million owed to the state by BHP to the new King Edward Memorial Hospital, as happened with the Perth Children's Hospital when the resource companies made a contribution?

The CHAIR: You are starting to push the boundaries, member, in regard to relevance.

Mr V.A. CATANIA: No, the question I am asking is: has the minister sought alternative ways of funding a new hospital, given the fact it is going to cost around \$1 billion? Who knows? Has the minister looked at any other ways of funding that hospital if the bill for the sale of the TAB is not passed through the houses of Parliament and is not supported by industry? If the sale returns only \$300 million, there will not be much left to protect the industry into the future.

Mr R.H. COOK: It is an interesting question. Obviously, that is outside the purview of the Minister for Health. I will take any contribution to the hospital and part of that \$3.3 million will be used to look at the funding options that are available to us. As the member knows, in a sophisticated financial market there is a whole way of financing these things. I am not anticipating which way we would go with that; that is the detailed planning that now needs to take place. I am looking forward to that work starting, because it is time that it did start. As I mentioned, King Eddy's is an old hospital. Staff tell me that the roof leaks. I do not doubt that and I certainly know it leaks at Harvey House, which is the original building that housed the hospital. In this year alone, we will spend \$15.2 million just on works to maintain the current hospital site and to make sure that it can continue to maintain world-class health care. It is a tertiary hospital; it needs to be functional right up to the point when we transition those patients out. It is early days, member, and from that point of view, \$3.3 million is there for planning over the current 12 months. That will get the ball rolling. We will have the proceeds, whatever they may be, as a down payment, and that will sit in a special purpose account. Treasury will determine the basis on which we draw upon those funds, but, ultimately, it will all come together as part of the business case for the hospital.

[12.50 pm]

Mr V.A. CATANIA: Is the minister saying that if the sale of the TAB does not go ahead, that will not prevent a new hospital being built? In the minister's words, the hospital was built in 1916 and we need a new one, so it has to happen no matter what.

Mr R.H. COOK: Yes.

Mr V.A. CATANIA: If the sale of the TAB does not go through because the industry thinks that there will be no benefit from its sale, the government will put aside that funding model. Does it have other funding options up its sleeve to build a new hospital?

Mr R.H. COOK: Ultimately, we have to build that hospital. We will continue to examine those opportunities. I should say also that the current hospital site and the car park is smack in the middle of Subiaco. We are talking about good real estate here. We should be able to do a range of things that will assist the procurement of that build, but it is for people above my pay grade to crunch the numbers and to look at the opportunities.

Mr S.K. L'ESTRANGE: I refer to the outcomes and key effectiveness indicators table on page 274 of budget paper No 2, volume 1, and the data relating to immunisation. The table shows that a smaller proportion of Aboriginal children aged 12 months and two years old were immunised in 2018–19 than were non-Aboriginal children. Given the government's recently introduced Public Health Amendment (Immunisation Requirements for Enrolment) Bill 2019 will exempt Aboriginal and Torres Strait Islander children from those immunisation requirements for enrolment, how does the government intend to achieve the 95 per cent target for this cohort of children in 2019–20?

Mr R.H. COOK: I appreciate the question. I will ask the Chief Health Officer to comment after I make my initial observations. The no jab, no play legislation will implement a policy announcement of Prime Minister Turnbull to improve the level of immunisation rates for children right across our community. In the first instance, the legislation will require preschool education entities—that is, kindergartens and preprimary schools—to record and maintain a register of immunisation rates of the children in their care. When we find out where these kids are, we will be able to work with their families and those institutions to make sure that we bring those children's immunisations up to speed. We will not exclude a child simply because they are not fully immunised. It is an opportunity to intervene and provide health care to a particular child. The way that it will operate is that when any

child—Aboriginal or non-Aboriginal—comes to preprimary or kindergarten and their purple book reveals that they are not up to date with their immunisation, we will have an opportunity to identify that child and make sure that we update their immunisation. The exclusion of a child will be the final resort only when parents refuse to participate and will not get that child immunised.

Mr S.K. L'ESTRANGE: I understand the policy, but my question related more to the fact that the percentage of Aboriginal children who are immunised is significantly lower than that of non-Aboriginal children at the moment and that the government has introduced a bill to try to fix that situation but that it will exempt Aboriginal and Torres Strait Islander children from complying with the bill's provisions. What is the government's strategy going to be? The immunisation rate of two-year-old Aboriginal children is 82.6 per cent. As the minister knows, those rates should be 95 per cent, and that figure for Aboriginal children is more than 12 per cent short of achieving herd immunisation. What is being done to pick up Aboriginal and Torres Strait Islander children if they are not compelled by the bill?

Mr R.H. COOK: That is right. I also draw the member's attention to the fact that for five-year-old Aboriginal children, the rate is over 95 per cent—that is, in fact, higher than the immunisation rate of non-Aboriginal children. That demonstrates clearly that by the time Aboriginal children enter compulsory school, school nurses are able to undertake that immunisation. That is the opportunity that the new legislation will provide. I will ask the Chief Health Officer to provide us with a bit more background on that work.

Dr A.G. Robertson: Although part of the change to the regulations will exempt that group from being affected, it will identify those members of that group. It is not designed to just exempt them from that requirement; it is designed to exempt them while we identify the group and their requirements, and work with them to put together a vaccination program to ensure that those numbers do go up. Over time we will bring that percentage of the population back to the required rate of 95 per cent.

Mrs A.K. HAYDEN: I refer to page 268 of budget paper No 2, volume 1, and the line item "Hospital Services—Revised Activity and Cost Settings" in the spending changes table. Can the minister explain why the funding for that line item decreases over the forward estimates and what impact that will have on service delivery?

Mr R.H. COOK: I thank the member for the question. I will ask Angela Kelly to initially comment on that specific line item.

Ms A. Kelly: The spending change is largely associated with the 2018–19 year. We had an increase in activity—the activity for this year increases and that flows through to next year—and our price has increased by one per cent. That is largely the spending change. Then there is a greater amount as we go through and look at total activity in price. It is based on population; so, age-weighted population growth and price growth.

Mrs A.K. HAYDEN: Does that mean that due to population growth, the department will receive more money so the cost to deliver these services will be less for the government?

Mr R.H. COOK: We have a trajectory on how we expect activity to grow over the forward estimates. If in the actual year there has been an uptick of, say, two per cent, they will all pop-up by two per cent. For instance, in dollar value that \$36.2 million is less than the \$44.7 million, but that does not suggest that is a reduction in growth; it is simply saying that on the basis of our current projections for activity we expect growth to now be around \$36.2 million in that year. In 2019–20, there will be another reconfiguration, or recalculation, of the base, depending on the actual activity in 2018–19, so the whole thing will jump again. That reduction does not represent a reduction in activity; it simply represents a way of managing the budget across the forward estimates, undertaking what is from today's perspective the most accurate calculation of the demand across the forward estimates. It is essentially a projection based upon the base, which in this case is the 2018–19 year.

The appropriation was recommended.

Meeting suspended from 1.00 to 2.00 pm

Division 3: Premier and Cabinet — Service 4, Aboriginal Affairs, \$11 787 000 —

Mr S.J. Price, Chair.

Mr B.S. Wyatt, Minister for Aboriginal Affairs.

Mr D. Foster, Director General.

Dr D. Fletcher, Director, State Agreements.

Ms A. Elder, Manager, Recognition and Partnership Projects.

Ms N. McCartney, Manager, Policy and Reform.

Mr G. Meyers, Director, Corporate Services.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

I give the call to the member for Kalgoorlie.

Mr K.M. O'DONNELL: Greetings, Mr Chair. I refer to page 64 of budget paper No 2, volume 1, and the heading "Significant Issues Impacting the Agency". Item 5 states that the Department of the Premier and Cabinet currently has programs that aim to tackle complex long-term issues, and that there are 12 priorities across six areas, including Aboriginal wellbeing. Item 9 states that the department is also participating in the refresh of Closing the Gap. A recent media release dated 9 May titled "Investing in Aboriginal wellbeing—Capacity and economic participation" shows that my electorate of Kalgoorlie does not receive any specific funding—only from statewide projects. My electorate consists of many Aboriginal communities, some remote. Can the minister explain why my electorate does not receive specific funding for Aboriginal wellbeing?

Mr B.S. WYATT: I will make some general comments, because they are obviously fairly general statements under "significant issues" around the priorities that have been set by the government around Aboriginal wellbeing, and then the issue of Closing the Gap. As the member has pointed out, we have developed a series of priorities, Aboriginal wellbeing being one, and as a subset under that, a specific target around reducing the percentage of Aboriginal people in incarceration. That is a medium-term target, as the member will see, because, ultimately, standing still, without any change to existing policy settings, we expect the Aboriginal population in prisons to rise. We need to make an effort at the front end to get a decline. To be honest, there was a fair bit of conversation around that because it is inherently a negative target rather than a positive one. The rate at which we put Aboriginal people in jail is something that Western Australia is known for internationally, and that is why I have focused on that. Aboriginal wellbeing obviously also feeds nicely into our obligations under Closing the Gap. Now that the federal election is over, the next meeting of the Joint Council on Closing the Gap will proceed. Western Australia has established an appropriate partnership with Aboriginal and Torres Strait Islander people, and there is appropriate input from Aboriginal people around the state into that. That is really the structure. The cabinet agrees with the Prime Minister's agreement on that, and we will move forward, I suspect, fairly soon, when the commonwealth government reconvenes that meeting. There was a meeting in late March this year of the first joint council. Now we will wait for whoever is the new Minister for Indigenous Affairs at the commonwealth level—hopefully, with a name similar to mine, if all goes well!—and we will end up in a scenario where that will be convened.

We have lots of programs that are specific to Kalgoorlie. The media statement of 9 May was about new budget initiatives, but across that electorate, because there is a significant population of Aboriginal people, there are significant programs through all areas of government providing services such as health and education.

Mr K.M. O'DONNELL: I bring up an issue on Aboriginal wellbeing that I have mentioned before. The relocation of the Department of Aboriginal Affairs office within Kalgoorlie—Boulder and two employees moving to other government departments has caused social and economic strain on not only the local Aboriginal people, but also on residents. Is there a likelihood of funding becoming available for an office or support network to be re-established in the main CBD? There has been a bit of a disconnect.

Mr B.S. WYATT: The new office is still in the business area.

Mr K.M. O'DONNELL: No; the titles lady has been moved into a back office within the Parks and Wildlife Service. That is where I was put while waiting for my office! The other officer was relocated to Perth. They are hoping to relocate the new officer back here. Basically, it needs to be in the centre, where the mob come into town, rather than being down a side street elsewhere. That is all.

Mr B.S. WYATT: I agree. We have had conversations about this in the past. I might ask the director general to make a comment about the office arrangements. When an office is moved, there is always that period when people do not know about it. We perhaps need to be better at telling people where the new office is, by the sound of things. My understanding is that the office that that person has moved to is still fairly central, but I will ask the director general, who might be better placed to make some more specific comments.

Mr D. Foster: Member, I am not aware of the specific situation in Kalgoorlie, but I will just make a general observation about reform in the public sector, which is about trying to get service delivery to people wherever they are. The member will have noticed in the budget a ServiceWA announcement about a pilot in Bunbury. The intent

is that if that is successful, it will be rolled out elsewhere. The idea is to get away from thinking about government as a whole constellation of different departments, and think about it as government, where there is service delivery from one office, and people can get any kind of service they want. It might be culturally appropriate services; it might involve interpreting services. This has been quite successful in New South Wales, so we are looking at a similar model here. Part of it is about driving cultural change in the sector to stop thinking about your own department, your own silo, your own identity, but think about the service to the customer, whomever they may be. That is a general observation. While we are co-locating in some cases, the upside of that is that we are getting better problem-solving, because agencies do not tend to look at a problem as stopping at their boundary—they are there and have to be part of the broader solution. That is also the kind of thinking that is coming into the Aboriginal wellbeing outcome group. We have a cross-agency team working on this. We did not throw large amounts of money at these outcomes first up because we want people to go back and look at the evidence, look at what works and what does not work, and try to fashion a solution that straddles agency boundaries and delivers some real outcomes—a very solid business case with robust data behind it. The pattern in the past has been that we throw money at problems; fast forward five or 10 years, the problems persist, and there is no-one questioning the utility of spending all that money.

This has happened throughout my whole career in the public sector for three decades. We have to get to a more evidence-based set of policy solutions that can last and, hopefully, have a degree of bipartisan support, because the evidence and the results are in. We have been quite deliberate and careful in developing the programs. Particularly when we are talking about Aboriginal programs, it is about doing things with Aboriginal people, rather than to them; otherwise, the programs will not last, will not be accepted, will not stick and will not deliver the results.

[2.10 pm]

Mr D.T. REDMAN: I refer the minister to page 68 of budget paper No 2 and service 4, “Government Policy Management—Aboriginal Affairs”. I note the comments of the director general on coordinating activity. It refers here to the department playing a role in strategic policy advice and coordination, and one reference there is to state–federal arrangements. Outside of the Department of the Premier and Cabinet, what are the efforts in managing a coordinated policy approach to the broader Aboriginal affairs agenda? About three or four different ministers are operating in this space, including the Minister for Housing, the Minister for Community Services and the Minister for Aboriginal Affairs. More broadly, some of the other service providers through some of the utilities are pulling that together. I am not so sure that it is a resource issue as much as a policy direction issue. Can the minister give me some commentary on the efforts to achieve that by extension with another significant partner, the federal government, with which relations are somewhat fragmented after the recent aggressive election campaign?

Mr B.S. WYATT: It is a good question. The intent of the post-departmental world of Aboriginal affairs has been very much around creating the policy within the Department of the Premier and Cabinet. This has been debated for a long time, as the member is no doubt aware. I thought that was the better outcome and I still think it is. The department had become the issue. I think that was perhaps touched on by the member for Kalgoorlie. The department was never a service delivery agent. It could never deliver services, and it became a point of frustration and an obstacle to better service delivery through the mainstream agencies. The policy unit’s role is to effect that coordination. It has been working well. Over the years, it will continue to get better because I think we are seeing agencies already responding to that. The subcommittee process brings those relevant ministers together in the Aboriginal affairs space. We still have that cabinet oversight, but the policy unit is there to hold those agencies to account for the roles that they should be playing, whether it be health or education or whatever it may be.

This may flow to the second part of the member’s question. DPC hosts the federal–state relations component of government. From my perspective, there is a natural synergy there, particularly around Closing the Gap. That is the main Aboriginal affairs federal–state process and target identifier. I have made comments in this place before about the previous Aboriginal affairs minister. I was not satisfied with his performance. When we saw that conversation, whether it was around remote housing or whatever it happened to be, I did not think it was positive. Regardless of what we may think of the federal election outcome, I think there is an opportunity to have a better relationship in Aboriginal affairs. I would have liked to see a different outcome, particularly in the Aboriginal affairs space, but the electorate has made its decision. When the Prime Minister announces his cabinet, there is an opportunity to reset. I was pleased to see that not long before Scott Morrison became Prime Minister, he agreed to the partnership with Aboriginal people around Closing the Gap, rather than continuing a conversation that did not involve Aboriginal people. However, that has delayed things to a certain extent. Although everyone has agreed to that process, the federal election delayed it. I am now fairly optimistic, regardless of the fact that I would have liked to see a different outcome at the federal election, particularly around Aboriginal affairs policy. We did not, so I am happy to work with someone with a name similar to mine or whomever the Prime Minister makes the minister.

Mr D.T. REDMAN: I think the area has suffered from a lot of motherhood statements historically and efforts to try to solidify that into more understandable and articulable objectives and investments or policy settings are important. What platform will the government use to articulate that and will the broader community get exposure to it so that there is, if you like, a shared agenda?

Mr B.S. WYATT: I think the natural platform will be with the federal–state component of Closing the Gap, because it covers the broad spectrum of public policy areas. They are all areas to which Australians and Western Australians can comfortably subscribe. Similarly, with our own state priority around Aboriginal wellbeing, the member is right; that term in itself is a kind of large sweeping statement, but that is why we have also focused on incarceration rates. Any reasonable Western Australian would look at that and say that it is clearly an obstacle to any Closing the Gap outcomes if we have that percentage of both females and males spending that sort of time in jail.

Coming to the first part of the member’s question, I have tried to be as consistent as I possibly can on this policy area across government. For example, I think that the work that the previous government did around town-based reserves is an important piece of work and we will continue with that. I see that as an important signal to Aboriginal people and the broader community that town-based reserves—what my old man used to work with back in the day when we called them the fringe dwellers—on the edge of town with crappy services are no longer acceptable. The member for Warren–Blackwood was minister when that policy was established and I think that can continue. I think the director general might like to say something as well.

Mr D. Foster: In response to the member’s point about the coordination role that DPC plays, one of the advantages of Aboriginal policy and coordination coming into DPC is that it is a merger of the Aboriginal policy component of DAA plus the native title unit. Therefore, we are starting to think beyond native title. What is the next world? Obviously, a big part of that is economic and social development. Combining those two functions has been quite advantageous. Another thing is that we are now servicing the WA Aboriginal Advisory Council. It has the support of the director general of Premier and Cabinet and other senior members of government. It can now ask for whatever it needs to be done and whatever issue needs to be investigated and followed up, and, as a central agency, our job is to make that happen.

I add that I think the relationship with the federal government is better than it might look like on the outside. It is now a central agency responsibility, so this topic regularly comes up at the senior officer meetings I have with my interstate counterparts and the head of the Department of the Prime Minister and Cabinet. We have a lot of discussions about what we can do better collectively to improve conditions for Aboriginal people, particularly in regional and remote areas. The relationship has been quite constructive, notwithstanding one particular rub point that we have had. I think there is a great opportunity to look at new models of doing business. The member for Warren–Blackwood is very intimately involved in the conception of the regional services reform unit. In my mind, that presents a path to how we should be doing Aboriginal affairs in the state, but with the backing of the central agencies.

One of the upsides of the public sector reforms is that we now have a public sector leadership council, so the 18 or 19 DGs and commissioners meet once a month and talk about these cross-sector issues that do not fit neatly into one boundary or portfolio. It has been very helpful to have that forum to discuss Aboriginal affairs issues. Next month we have four DGs going together to the lands, which is probably a first.

[2.20 pm]

Mr D.T. REDMAN: Is it the minister’s intention to keep Grahame Searle on in some sort of advisory capacity to assist in this, because he is a person with immense capacity?

Mr B.S. WYATT: I understand the question, and I think it is a good question. I will ask the director general.

Mr D. Foster: Grahame Searle has an open invitation to be a mentor to me forevermore. I have a great deal of time for him, and once he has got his health situation under control, he would be a great mentor and adviser across the sector, and he knows he is welcome in any capacity. We are careful not to overload him right at this point, but his insights have been pretty valuable to date, particularly in the design of the Department of Communities, and also how we might go about doing business a bit differently.

Mr Z.R.F. KIRKUP: This is on the same page, basically, about the policy coordination role. Can the minister walk me through the statement of intent that was released today—the department’s role, I am assuming, in pulling together agency responses to recommendations and the like? As part of this, given the policy coordination of the DPC, were the director general and his team part of getting that to public release today?

Mr B.S. WYATT: I will ask the director general to make some comments about the first part of the member’s question. The statement of intent is the first response—it had to be, and I know, because I have some missed calls already, that some Aboriginal leaders want, to be honest, more of a response now. I have made it clear to them that we could not simply, as a government, say that these are the responses to every single recommendation, and this is the government’s view, without necessarily bearing in mind what the member’s budget reply speech emphasises very well, that the coroner says it is not simply an issue of resources—we simply do not know how to work with Aboriginal people. That is the best way I could summarise it. As a result we are getting programs that are not delivering. We are taking the co-design bit very seriously, which means that, although no recommendations have been rejected, from both the message stick report and the coroner’s report, some have been accepted, and we are doing some work on others. Some we have already effectively responded to. That is why we expect that, later this year, there will be a greater response. Having said that, some of the budget has dealt with some of that response—

the state suicide strategy and a few other things—but the people sitting here will be fundamental to how that works, and also how the success of the response is delivered. I will ask the director general to add some comments, particularly about the first part of the member's question.

Mr D. Foster: Yes, DPC will be coordinating the response, and in fact this work has been done to date by the Aboriginal policy coordination unit, which gives a bit of an insight into how much the capability and capacity has improved in that group since coming into DPC. As the minister indicated, a number of the recommendations actually talk about co-design, so the traditional political response of “Here's a big lump of money; done and dusted; walk on; do something else” is not going to work in this case because there needs to be a lot of work with Aboriginal people over a reasonable amount of time. Often political cycles do not work for doing Aboriginal negotiation properly, and that, in some respects, is what went wrong a little bit with Closing the Gap, because it was a very truncated consultation process last year, that brought everything a bit unstuck towards the end of last year, and it has taken longer to retrace some of those steps. We will be working with all other agencies to make sure that there is a comprehensive response, taking into account the recommendations and decisions around Closing the Gap as well, so we do not end up with a very fragmented set of offerings. We are also, of course, responding to not just the coroner's report but also the message stick. It is a pretty sorry story, when we go back and look at hundreds of recommendations over the past decade, covering the same ground. We are trying to draw the essence of all of those into themes, and then deliver according to those, rather than give a sort of confetti of responses to hundreds of recommendations that may have little effect.

Mr Z.R.F. KIRKUP: I appreciate the response, minister and director general. I do not disagree with the intent of what the director general has suggested. I do not think it is a question of money or intent from the state. I appreciate the minister's response about individuals and groups who might be upset that there was not a more fulsome response in the three-odd months, but I understand, going through the hundreds of recommendations and trying to pull that together. I am interested in trying to understand how we landed on “acceptance in principle” rather than “fully accepted” or “further discussion required”. On my account, and I could be wrong, about 24 or 25 of the coronial inquest findings have been accepted in principle or are subject to further discussion rather than being fully accepted. I assume the department has pulled that together and identified that there are some weaknesses or some areas that need to be fully explored. Is it possible to have a further understanding, as part of the policy unit's role in supporting the minister, of how we may have landed on that? For example, a specific one that comes to mind is the recommendation from the coroner about an Aboriginal affairs commissioner. I think the statement of intent suggested that, between the Ombudsman and the Commissioner for Children and Young People, the role might not be required. As a result, that recommendation has been put up for further discussion. I am keen to understand how we may have got to those. As a result, quite a few still have to be worked through as part of any overall response from the government. A slight concern of mine, for what it is worth, is that quite a significant batch of that coronial inquest has been moved to that status, rather than being fully accepted. I am keen to understand, because it is quite a lot, how many are like that, and the rationale and reason for how we may have come to that.

Mr B.S. WYATT: I can make some comments about that. Beyond the estimates process, if the member needs information or briefings on this, he should just let me know. It is not something that I see as a partisan position as we respond to these things. I will quickly deal with the subject of the commissioner. That was also effectively a commitment we made, if the department is going to disappear as an entity. One of the frustrations that Aboriginal people have with the department is that they saw it as their department, and it should advocate their interests, whereas under the legislation it is there to advise the minister of the day, which may not necessarily be what Aboriginal people are looking for. The policy effort for the government is the policy coordination unit, but also how we create a genuine commissioner—I have never liked the word “commissioner” because of its historical context, but that is the one that I keep using as well—to have that advocacy role. We have actually gone through a period of consultation around that already. That is still in play as a policy position, if you like, because it is ongoing. To a certain extent, in my own thinking on that, I was keen to see the result of the federal election, because Pat Dodson had some views that might have had an influence on that outcome. Now that the federal election has been resolved, I think we can perhaps move ahead with a bit more speed from our end, in trying to make sure we still create that role. I have had a couple of conversations with the Commissioner for Children and Young People, who had the view that he should have a deputy in the specific role of Aboriginal children. My view was that, if we are going to create an Aboriginal commissioner, that should be that role, rather than creating two positions. That would still be my view, subject to any dramatic change in the feedback we are receiving. I think most people at the moment are reasonably comfortable with that. Now that the election is done we need to be moving forward with a bit more speed. I do not know whether the director general wanted to say anything, or cover that off.

Mr D. Foster: One of the issues we also need to think about is the recommendations in another report, that of the Royal Commission into Institutional Responses to Child Sexual Abuse, which talks about an oversight arrangement. We have a number of moving parts here, and we need to look at how these integrate, because the last thing we would want to do is set up what could potentially be three separate entities tripping over one another. Yes, the children's commissioner has asked for an Aboriginal deputy. The minister has an election commitment around an Aboriginal commissioner, and we have to consider the oversight body and who is best placed to take on that work.

We have to do quite a bit of policy work to figure out the best configuration to deal with the range of tasks at hand, knowing that the children's commissioner is largely education and advocacy. It does not have an investigatory function. Those are not simple choices, so we are trying to map out the options and the government will ultimately make that decision.

[2.30 pm]

Mr B.S. WYATT: If Aboriginal people are asked how they want their interests advocated, the responses are hugely diverse, from the regional structures and assemblies that became a part of the commonwealth debate—hence my comment that there might have been an outcome depending on who won that election—through to much more minimalist options. There is a huge diversity of opinion.

Mr Z.R.F. KIRKUP: Perhaps this is a discussion for another time. I was not aware of Senator Dodson's response in relation to if the ALP had won the federal election. I am keen to understand what that would have looked like. The minister mentioned the hundreds of recommendations that were tracking. Anecdotally, there have been 40 different inquest reports and reviews, and nearly 700 recommendations are being tracked. Without wanting to create a burden of work, given the work that the department is already doing, is there a list of recommendations that are being tracked and where they are from?

Mr B.S. WYATT: We used to do that for the Royal Commission into Aboriginal Deaths in Custody. The Public Accounts Committee used to have a processes of keeping —

Mr Z.R.F. KIRKUP: For consistency.

Mr B.S. WYATT: That is right. It got to the point at which the state government had responded to many, if not all, of the recommendations. Again, I will refer this to the director general in a minute. Clearly, the passage of time will probably make a bunch of those recommendations somewhat redundant, but for some more modern recommendations about suicide we now have two reports to deal with. The royal commission, which is the bedrock report, has seen government reactions over many governments. The multifunction police facilities in regional Western Australia and remote communities came out of that. I will ask the director general to make some comments around that report. I think the state—going back two years—was tracking those.

Mr D. Foster: We are certainly aware of all those reports and their recommendations. There is no central database of all the recommendations. The utility in maintaining one would be limited, because that would become the outcome rather than delivering on the recommendations. We see that often in the public sector; that is, the reporting becomes the outcome rather than dealing with the substantive issues. One of the other things that I have observed is that a lot of recommendations are very much of their time, so they lose currency. We have recently made a response to the Aboriginal deaths in custody report 26 years later as part of a national response. It had a number of recommendations and when we look back, we can understand why they were made—maybe they came from a particular witness—but their utility is a bit limited. That is why we prefer to take a more thematic approach and to look at the outcome and the best way to get there. Sometimes recommendations were well formed in the minds of the people doing the review, but they do not work in a contemporary context or take into account changed expectations. We need to be mindful of that and focus on the outcome rather than the reporting.

Mr Z.R.F. KIRKUP: Is it possible to get an understanding, perhaps through supplementary information or a question on notice, of the themes more broadly of what the body is dealing with? I am trying to get a grasp of the work the policy unit is trying to pull together as part of a response to those various reports and where they might come from. That is basically it.

Mr B.S. WYATT: Yes. The member can use the question on notice process if he likes, but I am happy to organise a briefing with the agencies. I would be very happy to do that. That will not be supplementary information. I am saying that next week, or whenever, we should touch base to organise that.

Mr K.M. O'DONNELL: I refer to "Government Policy Management—Aboriginal Affairs" on page 68. What current and/or future policies are in place or are going to be in place to target homelessness within the Aboriginal community?

Mr B.S. WYATT: That is a good question. There are a lot. It depends how far we reach into the different agencies. Obviously, economic development is a government priority with the Aboriginal procurement policy, which is to create opportunities, wealth and better outcomes for Aboriginal people. The Closing the Gap program provides housing opportunities for Aboriginal people. I will not labour the point, because I think the federal election has made a call on this, but investment in housing and remote communities was a significant part of my view of how to support that. I will continue to work on the commonwealth government to try to come back to that space. A lot of homeless Aboriginal people in the CBD are not from Perth. They are from regional WA and have come to Perth for health services, but for whatever reason they have not been provided with appropriate accommodation or have fallen out of the system. There are a lot of measures, depending on which agency is looked at. I am not sure whether that deals specifically with the member's question. We could spend a fair bit of time talking about this. The reason Aboriginal people may not have housing is incredibly complicated. It is not just the provision of housing in an area. It might be because of how people move around the state—not just how people move, but the way that government moves people around the state.

Mr D.T. REDMAN: The minister has mentioned the Closing the Gap targets a couple of times. This question is about coordination. One approach is to do what we did. We had a subcommittee of cabinet. The government has a senior minister and is relocating some of the policy roles within the Department of the Premier and Cabinet. One of the Closing the Gap targets is about education. The Kimberley schools project has been operating for a couple of years. I recently had a briefing on that project and I see that it has some extensions. I must say that it is an area of frustration. In the briefing, I heard that there had been work to take a much more explicit approach to education. Originally, it was intended to have some co-design arrangements about attendance. In the briefing I got, that was a bit lacking.

Mr B.S. WYATT: Around attendance programs?

Mr D.T. REDMAN: Around attendance to support programs happening within a significant number of Kimberley schools. I am interested in the propensity for DPC as a very senior agency to take a proactive role in setting objective targets for agencies. Although I recognise that Aboriginal education is very complex, particularly in remote areas because it involves attendance, housing, meals and a whole range of things, the Department of Education was very reluctant to set an objective target for reaching particular educational levels. It wanted to keep to more global motherhood-type targets, which was very frustrating. DPC has the opportunity, being a senior agency, to enforce or have some authority in trying to land that. I took advice at one stage that suggested that only 100 people needed to be shifted along the educational continuum and we would be moving the dial on the Closing the Gap target. It does not sound like a very significant target; nevertheless, our capacity to achieve it has been very poor. Is it the intent of DPC, in its policy role in coordinating the broader government agencies, to have a level of objectivity in target setting? As tough as it might be and as much as departments might not like it, in my view it is something that needs to be pushed as distinct from accepting that it may happen. Does the minister have any comments on that?

Mr B.S. WYATT: Yes. Firstly, I am a big supporter of the Kimberley schools project. I think that being more explicit in teaching has proven itself. I think the member may have been to Queensland as well and seen some of those extraordinary outcomes. I am a big supporter of the program and I am delighted that it has been rolled out in this budget to a number of other schools across the Kimberley. The member is right. It has had some resistance in the broader educational world. I am very keen to see objective outcomes in areas where there has been policy failure for a long time. Regardless of which party has been in government, it has not been the policy outcome we would like to see, and similarly with recidivism rates for juveniles. Programs and governments have not delivered what we want to see, whereas I think the Kimberley schools project can shift people—kids—and can shift them fairly quickly. That has been my understanding, certainly after looking at the evidence out of Queensland. I will ask the DG to make some further comments.

[2.40 pm]

Mr D. Foster: As it happens, I am meeting Professor Bill Loudon in the Kimberley in two weeks to discuss this very topic. One of the things I point to is the government's announcement of "Our Priorities: Sharing Prosperity". That is not a new and novel idea. The "Our Priorities" exercise has been practised in New South Wales, New Zealand and the United Kingdom. One of the things that does is drive cultural change in the public sector. As the member knows, if it gets measured, it gets done. The pattern we are taking with those priorities is to break them down, look at the evidence and establish some indicators, both at a high level and for public reporting and also in terms of delivery by individual agencies. That will drive quite significant behavioural change and there will be a capacity to set hard targets. I think there is a wellbeing target that will depend on delivering on that and making sure kids get to school. It will drive behaviour around setting hard targets and delivering and being quite creative in how we get there. One of the techniques that we have started introducing—again, I am begging, borrowing and stealing from every other jurisdiction—is behavioural insights techniques, which are practised very heavily in the UK and New South Wales. It is another way of saying co-design but we work with the service recipients—in this case Aboriginal families—to work out what it will take to get the kids to go to school and let them come up with some of the solutions. That is absolutely the approach we are taking.

I also point out that one of the other inhibitors of this way of working is the lack of data sharing in the public sector, which causes huge conundrums for a lot of agencies. A lot of that is cultural and not legal. We have to overcome that. That is something that DPC is also working on to try to break down some of those barriers.

Mr D.T. REDMAN: Further to that, one area in which an objective target was set—I remember getting some answers to questions on notice 12 months or so ago—is employment by government agencies of Aboriginal people on a regional basis and offering a rising target. How is that progressing?

Mr B.S. WYATT: I might have to come back to the member and take that on notice, unless somebody here can provide that breakdown. I will have to come back to the member, whether it is by way of supplementary information or otherwise.

Mr D.T. REDMAN: I am happy to talk to the minister.

Mr B.S. WYATT: Hopefully, I will be able to make an announcement shortly. We are collecting this data. The data is there. Often digging it up is the harder bit. The Aboriginal procurement policy is also giving us some new

data, which is quite good. We now have every agency accountable to a public target. As the member pointed out, if we make a target public, it is amazing what data flows. I will have to come back to the member on that.

Mr Z.R.F. KIRKUP: I am referring to the same part of the budget papers relating to policy coordination. Minister, can I have an understanding of the role the DPC plays in its relationship with the Aboriginal Affairs Coordination Committee?

Mr D. Foster: In essence, the Western Australian Aboriginal Affairs Advisory Council is an Indigenous body. As the director general, I am its servant. I also chair the Aboriginal Affairs Coordinating Committee, which is a statutory body that sits under that council. That includes DGs of several agencies. It is dealt with at a very high level and quite seriously. That is another way of making sure that DGs attend rather than being the second 11 and these issues are taken more seriously. In the past, there have been too many people on that committee and it became a bit of a chore and it did not really deal with significant business. As a result, there was a lot of frustration with the AACC because it did not feel like there was any traction in the issues it was raising. There has been a bit of an adjustment for the WAAAC. I have said that I am there and available and it needs to articulate what it wants from me and the rest of the public sector and we will find a way to make things happen. That has been a good relationship so far.

Mr Z.R.F. KIRKUP: I appreciate the response. Can the minister provide me with some insight into why the March meeting of the AACC did not cover off on the coronial inquest report that was tabled? There was no reference to it in the communicate that I saw, which I think is public. Is that just because it sits at a high level and it will be dealt with by those agencies and then married up through the WAAAC and that is part of its role?

Mr B.S. WYATT: Is the member talking about the AACC or the WAAAC?

Mr Z.R.F. KIRKUP: I am talking about the AACC. I am trying to understand its relationship with that piece of work.

Mr D. Foster: The AACC is a coordinated body of directors general, but there are other means by which we communicate with DGs. That piece of work was led by my department, DPC. We were in direct communication with all their agencies in any case.

Mr Z.R.F. KIRKUP: Sorry; I might not have been clear. I apologise. After the findings of the coroner's inquest came out in February, would it have been discussed at the subsequent March meeting of the AACC? Is that the type of discussion that would usually be held; and, if so, does it outline what the government will expect from the agencies? I think it has people from Health on it. Is that the role that the AACC plays? I am just trying to understand.

Mr D. Foster: The role that the AACC plays—I do not mean to say this in a clerical way—is to receive instructions from the WAAAC, the advisory council. In terms of dealing with the youth suicide response, there is no need for me as director general of DPC to wait until that meeting to brief DGs on the coroner's report. They would be all over it straightaway and by then, we would already have reached out to the agencies to say, "This is the group we are standing up to work up the response and we will be pulling your people together and developing a response." That is done in collaboration with all the DGs.

Mr Z.R.F. KIRKUP: I appreciate that. I have a final question on this division. Is the WA Aboriginal affairs framework that I think was being worked on last year still being worked on now? Has it been held in stasis while the statement of intent is coming through? What is the relationship like with that framework and where is it at?

Mr B.S. WYATT: I will ask the DG to make some comments and then I will make some comments as well.

Mr D. Foster: Yes, it is my responsibility to juggle all those different things. The framework is still in development but, at the same time, we are trying to finalise a position on the Aboriginal commissioner. Closing the Gap has taken longer than expected to get resolved, and that is largely outside the state's control. Obviously, it would be a bit strange having a framework without clarity on Closing the Gap and the outcomes work, which we have published this year, and an understanding of the Aboriginal commissioner role and then if there are any implications from the oversight body from the Royal Commission into Institutional Responses to Child Sexual Abuse. There are quite a few moving parts. If we are to publish a coherent Aboriginal affairs framework, we need to have some sort of answer or pointers as to which way the state is going.

Mr B.S. WYATT: To cap it off, that is a good question because there are quite a few balls in the air at the moment—Closing the Gap and WAAAC as well. The WAAAC membership became an issue for me because they effectively all expire at the same time. It is slightly unusual in most other committees. But then with the desire for a partnership with Aboriginal people around Closing the Gap, again, the matter that the member raised earlier is that the role of the WAAAC has always been slightly problematic. It is embedded in legislation. It is the only real Aboriginal group that is embedded in legislation in WA but its role has been uncertain. It is up to the minister of the day. Do we listen to it? What do we do with it? I was keen to have that really driving the Closing the Gap agenda, which would obviously flow into the framework. As the director general said, we have to respond to a few other royal commission responses as well.

[2.50 pm]

Mr Z.R.F. KIRKUP: Does the minister have an understanding of when that might be finalised?

Mr B.S. WYATT: I expect this is the year to get that done. There is also another consultation-heavy process going on around the Aboriginal Heritage Act.

Mr Z.R.F. KIRKUP: Now that the statement of intent is up as well, I imagine there will be heaps to move through.

Mr B.S. WYATT: There is a lot of consultation-heavy work going on.

Mr Z.R.F. KIRKUP: I appreciate it. I thank the minister.

Mr K.M. O'DONNELL: I refer to note 8 regarding native title under “Significant Issues Impacting the Agency” on page 64 of the *Budget Statements*. In last year’s budget estimates hearing and today in an article on page 27 of *The West Australian*, there was mention of the fact that it took 23 years to recognise native title holders in the East Kimberley. The minister informed the committee that there were some ongoing issues with the Native Title Act, one being that there are no time frames around these processes, and that there might be an opportunity to deal with that. Has any further correspondence been had about time frames and objectives to limit waiting or communication times?

Mr B.S. WYATT: Not since the commonwealth election, obviously. Potential amendments to the Native Title Act have been discussed with the commonwealth now for some time. I first had a conversation with George Brandis when he was Attorney-General and the minister responsible for the Native Title Act, but then he went off to the United Kingdom. I think there is now an acceptance. I have written to all the representative bodies and lessees around this potential reform to that native title that might deal with some of those issues of times and how long it takes for processes to occur. I think we can do that in a way that does not take away any rights from Aboriginal people. That is not something we seek to achieve. I get that level of frustration as well from Aboriginal people and also from Aboriginal people who are recognised native title holders going through processes to try to get the benefits of the native title they have. The process outlined in the paper today was unusually long, to be honest. We are now in a better space in Western Australia because we know what native title is. It is no longer as politically antagonistic as it was in the early to mid-1990s. The resolution now is going very well, particularly by way of consent. The state is now involved in very few native title litigations. We are heavily involved in consent determinations and negotiation processes. We are getting better at it. That is why the director general referred to this. That is why we effectively merged the native title office with the policy unit. The Office of Native Title was set up when native title was a legal issue we had to tackle. It is no longer that. We know what it is. One thing I think WA does very well, and has some for some time, is negotiate outcomes. That is what we are seeing more of. The time frame in the example mentioned in the paper today is most unusual. There were some complexities in that case. We are now at a point at which we have more native title resolutions than claims, which is very good. To be honest, native title is a Western Australian and Queensland story more than for any other state or territory.

The appropriation was recommended.

Division 41: Planning, Lands and Heritage — Services 2 and 4, Aboriginal Affairs, \$70 850 000 —

Mr S.J. Price, Chair.

Mr B.S. Wyatt, Minister for Aboriginal Affairs.

Ms G.D. McGowan, Director General.

Mrs V. Davies, Assistant Director General.

Mr M. Hanrahan, Chief Finance Officer.

Mr M. Darcey, Assistant Director General, Land Use Management.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by Friday, 31 May 2019. I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Warren–Blackwood.

Mr D.T. REDMAN: I recall in previous estimates hearings that the minister had set himself some strong targets for the disposal of Aboriginal Lands Trust lands, and I am interested in the progress and how that has gone and, by extension, what some of the significant barriers are, if, indeed, the minister is coming across any, which I suspect he is.

Mr B.S. WYATT: I thought the member might ask me that question. I will dig up some of the details. I think the member and I have had some discussions about this in the past. As the member knows, the ALT estate is of a significant size. The tenure and status of the land, in terms of the spend and effort that needs to take place, is also complicated. That is perhaps the most difficult component of this. We have put \$9.4 million—just under \$10 million—in the budget to undertake activities to progress this commitment and manage the estate. As the member would appreciate, that is not a huge amount of money for what is 10 per cent of Western Australia, but I suspect that part of the problem is that the ALT has for a long time been managed from budget to budget. At the moment, 33 properties are being prioritised through this process and a further 120 properties have been identified in existing state agreements such as the south west native title settlement. Once we get an outcome from the Federal Court, that will proceed fairly quickly.

Approximately half the Aboriginal Lands Trust properties are now either subject to commitments of divestment or in active discussions to divest. Throughout 2018–19, about two million hectares left the control of the ALT. Two million hectares sounds like a lot; it is about an eight per cent reduction in the form of a range of leases and conversion to unallocated crown land at the request of native title holders. In addition, the ALT has agreed to divest pastoral leases. I have been keen to get pastoral leases off its books, as there are much better organisations to hold pastoral leases than the ALT—the Glen Hill pastoral lease to Glen Hill Pastoral Aboriginal Corporation, Lake Gregory pastoral lease to Lake Gregory pastoral Aboriginal corporation, and also a small reserve in Derby to the current leaseholder, an Aboriginal service provider. There is also a range of works around unsafe buildings et cetera that is the standard sort of maintenance and demolition work that we have to do on a year-to-year basis. There has been a reasonable amount of proceedings in the past 12 months, compared with when we last spoke about this a year ago. It is getting better and hopefully that \$9.5 million will speed up some of that, but I suspect that to get it all done will require some tenure work.

[3.00 pm]

Mr D.T. REDMAN: Does the minister have the number of properties that have been disposed of in the past 12 months? He talked about prioritising properties, but that has obviously not reached conclusion.

Mr B.S. WYATT: Of those two million hectares, they are mainly those pastoral leases.

Mr D.T. REDMAN: Is it pastoral leases as distinct from other tenure?

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: I refer to page 618 and the line item “Aboriginal Lands Trust Estate”. Is that the \$9 million the minister is talking about?

Mr B.S. WYATT: Yes, it is \$9.4 million across the forward estimates.

Mr D.T. REDMAN: It does not have a total here, but I assume that is what the minister is talking about.

Mr B.S. WYATT: Yes.

Mr K.M. O’DONNELL: I refer to page 612, under the heading “Land Administration Services”, and the line item “Employees (Full-Time Equivalents)”. In the 2019–20 budget, an increase of 17 staff is proposed; however, the budget has \$4 million less than was budgeted in the previous year. Can the minister explain why an additional 17 staff would be required, how they will be financed and where the funding is coming from?

Mr B.S. WYATT: I ask the director general to make some comments around that.

Ms G.D. McGowan: Broadly speaking, because we are now part of a larger department with around 800 staff, there have been a lot of internal reallocations. How staff are apportioned to the various parts of the agency has varied. The 17 staff, or similar numbers, are focused on things such as the Geraldton alternative settlement agreement and the south west settlement that are flowing through from year to year, but we have not reduced the staffing numbers in any of those areas. I will ask Mr Darcey to confirm that that is correct.

Mr M. Darcey: That is correct.

Mr K.M. O’DONNELL: I refer to the same page 612 under “Land Administration Services” and the seventh dot point on supporting the Aboriginal Lands Trust. Could the minister please elaborate on how the government is assisting with operational management and development of land and what strategic initiatives are being put in place in accordance with its strategic plan?

Mr B.S. WYATT: The estate itself is in various states of, let us say, quality. We have sites that are contaminated, there are pastoral leases with bad fencing and there is freehold land. Across it all, there will be properties that, to be honest, we need to spend money on before we can divest them, because we would not be able to give a block of land to an Aboriginal corporation that perhaps requires it to then spend a huge amount of money on bringing it up to a state in which it could be used. That is what that is referring to. I will ask the director general to make a comment or refer to the appropriate person.

Ms G.D. McGowan: Thank you, minister. We have a small team that supports our various boards and committees, including the Aboriginal Lands Trust. A senior staff member is allocated to the lands trust, supported by some secretariat support. Equally, we have field staff and others who will go out and provide assistance and support as needed. We are able to assist both on the ground and administratively for the trust operation.

Mr B.S. WYATT: One of the difficulties with the lands trust estate is that a lot of remote communities are on lands trust reserves. That makes it very difficult for other agencies, particularly the commonwealth government, that look for secure tenure to provide capital grants et cetera. A lot of work needs to happen around tenure in particular to move to a better divestment of some of these properties.

The appropriation was recommended.

Division 12: Treasury, \$6 012 416 000—

Mr T.J. Healy, Chair.

Mr B.S. Wyatt, Treasurer.

Mr M.A. Barnes, Under Treasurer.

Mr M.J. Court, Deputy Under Treasurer.

Mr R. Watson, Executive Director, Infrastructure and Finance.

Mr A.D. Jones, Executive Director, Economic.

Mr M.S. Andrews, Acting Executive Director, Strategic Policy and Evaluation.

[Witnesses introduced.]

The CHAIR: I give the call to the member for Warren–Blackwood.

Mr D.T. REDMAN: Welcome again, Treasurer. I refer to page 66 of the *Economic and Fiscal Outlook* under “Spending Risks”. At the bottom of the page is the heading “Royalty Backpayment”, which I understand is an upside risk. I think it has even been described in there as that. The second last sentence states —

As a result, the financial estimates in this Budget do not include any additional royalty revenue relating to this matter.

My understanding is that the Treasurer said that BHP is paying the higher rate since the underpayment was identified in 2016, and there was public commentary to that effect. I can quote the Treasurer if he wants me to.

Mr B.S. WYATT: It is all right; I can confirm that.

Mr D.T. REDMAN: Is that reflected in the budget papers?

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: If it is reflected in the budget papers, how much is it? I assume it is a risk if BHP does not come to the position of having to pay its underpayment, as the Treasurer described it.

Mr B.S. WYATT: What is reflected in the budget papers is the correct approach to the deductions going forward. That section on page 66 refers to the back payment that is being negotiated between the Premier and BHP. We have not assumed any outcome for that at this point. Regardless of the outcome of these negotiations, I do not see any risk in how we are assuming royalty calculations going forward.

[3.10 pm]

Mr D.T. REDMAN: I stand to be corrected if I am wrong, but the dispute with BHP is simply a back pay dispute. I thought the dispute was over whether it should be paying it.

Mr B.S. WYATT: Effectively, there are two separate issues. Going forward is not in dispute.

Mr D.T. REDMAN: That is fixed; it is paying.

Mr B.S. WYATT: There has been a difference of opinion around the back payment. That issue, hopefully, will be resolved soon. That is being negotiated between the Department of the Premier and Cabinet and BHP.

Mr D.T. REDMAN: Given that the Treasurer knows what the new regime is—it has been adjusted up—would he know the accurate figure for the disputed back pay? What is the accurate figure for that? I think it has been quoted to be between \$200 million and \$300 million, which is a wide berth.

Mr B.S. WYATT: I think it is probably best that I do not give a set figure here, bearing in mind the nature of the conversations, but there are differences of opinion around the figure, obviously, hence the negotiation around what it might be. But in due course an outcome will be achieved and I suspect it will then be made public.

Mr D.T. REDMAN: On the disputed underpayment for the back pay, is the fact that BHP is on state agreements as distinct from working under the Mining Act significant to the state’s claim?

Mr B.S. WYATT: I am not in a position to provide accurate advice on that because I do not know the answer to that. I suspect that the state agreement is relevant—I think that is the answer—but whether that is the key part of negotiations, the Premier is in a better position to provide that answer.

Mr D.T. REDMAN: Is the Treasurer able to provide it by way of further information?

Mr B.S. WYATT: I probably cannot because the Premier is managing that as opposed to Treasury.

Mr D.C. NALDER: I refer to page 139 of budget paper No 2, volume 1, and the “Appropriations, Expenses and Cash Assets” table. My question is to do with royalties for regions. The appropriation for royalties for regions jumps from an estimated actual in 2018–19 of \$429 million, based on a budget in 2018–19 of \$574 million, to the budget estimate in 2019–20 of \$795 million. Can the Treasurer please explain what is driving that? I understand that the footnote refers to the difference between recurrent and capital. I would like clarity on whether the change of \$360 million is a relocation of general recurrent expenditure towards royalties for regions.

Mr B.S. WYATT: I will get the Under Treasurer to give that answer; it will probably be quicker.

Mr M.A. Barnes: There are two key issues here and the member has touched on one of them. In 2018–19, as we can see in that table, there has been a significant underspend in the royalties for regions program, including in the recurrent component of the program, which is what the figure is referring to. The first part of the answer to the question is the significant underspend in 2018–19.

Mr D.C. NALDER: Of both recurrent and capital?

Mr M.A. Barnes: I believe so, yes.

The CHAIR: You should go through the minister. Let him finish answering his question.

Mr M.A. Barnes: There has been an underspend across the entire royalties for regions program I believe in both the recurrent and capital components of the program. The figure in the budget papers is simply referring to the recurrent component. There has been a significant recurrent underspend in 2018–19. That is the first point. In 2019–20, it is assumed that it will go back to a normal spend. That is one reason for the jump between those two figures. The other reason for that is, as the member touched on, that mix between the recurrent and capital components of the royalties for regions program. We have seen over time—this is a continuation of that trend—a larger proportion of the royalties for regions program going to recurrent spending rather than to capital spending.

Mr D.C. NALDER: Is that reinforced by the fact that more expenses that historically were covered by the consolidated account are now being funded by royalties for regions?

Mr B.S. WYATT: Is that in respect of the underspend?

Mr D.C. NALDER: No, in respect of the fact that it is a massive shift of spend. It is true that there was an underspend—that is, the difference between the estimate of \$429 million and the budget figure of \$574 million, although that was an increase on the actual in 2017–18 of \$470 million. We already knew that there had been a transfer of expenditure away from the consolidated account to royalties for regions. Programs that historically had been funded under the consolidated account have been transferred to royalties for regions. Are these figures a reflection of that transfer and how things are being expensed; whereas, in the past, if it was recurrent—the Treasurer said that it is growing the recurrent expenditure—they were funded under the consolidated account but now they are being funded by royalties for regions?

Mr B.S. WYATT: It will reflect the government’s priorities in RforR. Quickly, I can come back to the member for Warren–Blackwood’s question. I have had advice and the answer is no.

Mr D.T. REDMAN: That is the state agreement?

Mr B.S. WYATT: Yes, the state agreement.

Mr D.C. NALDER: This reflects the priorities of the government. I am seeking confirmation that the priorities of the government are to shift dedicated expenditure in royalties for regions towards the recurrent program and to apply it against royalties for regions. Recurrent expenditure that historically was paid for elsewhere is now being paid for by royalties for regions; is that an accurate statement?

Mr B.S. WYATT: The member can describe it any way he likes; RforR will react to the priorities of the government each budget round.

Mr D.C. NALDER: I take that as a yes; this is a priority of the government —

Mr B.S. WYATT: The member can take it any way he likes.

Mr D.C. NALDER: I am just trying to get you guys to admit that you are actually transferring what was set up as a dedicated focus on royalties for regions. Separate expenses that were paid for by the state were under the consolidated account. I am not saying whether that is right or wrong; I am just saying that this is what the government is doing. There was a separate account for royalties for regions and a billion dollar funding commitment for it. Other things were expensed under a general operating expenditure regime and the government has transferred those funds into royalties for regions.

Mr B.S. WYATT: We spend RforR on our priorities in each budget round. We are still committed to RforR, unlike yourselves.

Mr D.C. NALDER: Further to that, it is not following the principles for which royalties for regions was set up. The government has changed that focus.

Mr B.S. WYATT: Can I make some observations on that comment, because it was not a question. The Liberal Party in the lead-up to the 2017 election made it crystal clear that it was going to shift a range of spending that historically was from the consolidated account into royalties for regions. That was its position. I cannot comment on that. That is what it was going to do. I cannot say whether that was right or wrong, but that is exactly what it was going to do. Royalties for regions has always been, since it went through this Parliament, the priority of the government of the day.

Mr D.C. NALDER: I can only be left to conclude that on the basis that recurrent expenditure is now being funded through royalties for regions, overall investment in the regional areas is being reduced.

Mr B.S. WYATT: No; that is incorrect.

Mr D.C. NALDER: Can the Treasurer demonstrate where in these budget papers there has been an overall net increase in expenditure to regional areas?

Mr B.S. WYATT: Where can the member prove to me that his only conclusion is correct? That is just not correct at all.

Mr D.C. NALDER: Show me where.

Mr B.S. WYATT: Spending on RforR is over \$4 billion—I think it is \$4.2 billion in the forward estimates.

Mr D.C. NALDER: It always has been.

Mr B.S. WYATT: No, it has not, and I will come back to that in due course now that the member has raised that. There is \$4.2 billion over the forward estimates. We are committed to RforR. The Liberal Party's position is to abolish RforR. We are committed to it. The spend is still there. Royalties for regions is one part of the spend in regional WA. As I think the member probably knows, it is not the only spend in regional WA, because, for a range of different agencies that are funded through the consolidated account, we also spend in regional WA. A great example of an area that the former government refused to spend royalties for regions funds on is regional roads. It simply refused to spend on roads in regional Western Australia.

[3.20 pm]

Mr D.C. NALDER: That is not correct.

Mr B.S. WYATT: It is correct.

Mr D.C. NALDER: It is not correct.

The CHAIR: I give the call to the member for Riverton.

DR M.D. NAHAN: Treasurer, there was a significant underspend in 2018–19. Where did that underspend go? Did it go into the royalties for regions fund? If the RforR fund was full, did it go into the consolidated account?

Mr B.S. WYATT: Every year there has been a significant underspend in RforR. There have been only a couple of years since its existence when the underspend has not been significant. I am looking around; I do not have it here. I might have it downstairs. Anyone who is in my office downstairs can look through the orange file and get that chart to me. There has always been a large underspend in RforR. There have been one or two years when we have nearly spent the full amount, when the cap came in at \$1 billion, but, by and large, particularly in the first three or four years, the underspends were very significant.

DR M.D. NAHAN: We put a cap in, and the cap on the fund was \$1 billion, so if there was an underspend and the fund was full, the money flowed through to the consolidated account. That is what I am asking. As the Under Treasurer just indicated, there was a very large underspend in 2018–19. Where did the money go? Was there enough money in the fund to accumulate that, or did it go into the consolidated account?

Mr B.S. WYATT: I am not sure I am answering the member's question. When the cap was put in—that is, the cap on the flow of money into RforR in whatever year that cap was put in —

Mr D.T. REDMAN: It was the same year that the legislation came in. It is a legislated cap.

The CHAIR: Members, just so that we can have a really important debate here, let the minister answer the question, please.

Mr B.S. WYATT: No, the cap came in a bit later. Once it got to \$1 billion, whatever flows above \$1 billion I assume goes into the general consolidated account.

DR M.D. NAHAN: Yes. That is the question.

Mr B.S. WYATT: Is that the question the member asked me?

Dr M.D. NAHAN: Yes, that is the question.

Mr D.T. REDMAN: Further to that point —

The CHAIR: Is there no further question from the member for Riverton on this?

DR M.D. NAHAN: I am waiting for an answer actually. The Under Treasurer will know.

The CHAIR: I will give the member the call once the member for Riverton has finished.

Mr B.S. WYATT: We might resolve the question if we go to page 249 of budget paper No 3. The member will see there that the royalties for regions fund is expected to be \$1 billion in 2018–19 and \$1 billion in 2019–20.

DR M.D. NAHAN: Yes, but the question is that there was an underspend in the royalties for regions expenditure. There is a fund and a program. If the program is underspent, it flows into the fund. If the fund is capped at \$1 billion, and the Treasurer said that it is at \$1 billion, because that is in the legislation and that is what you have to follow, any additional underspend that goes into a full fund flows to the consolidated account. I am just asking a simple question. Did the underspend in 2018–19 that the Under Treasurer just referred to flow into the fund, or did it flow into the consolidated account? It had to go into either the fund or the consolidated account.

Mr B.S. WYATT: I will pass to Mr Barnes, but before he answers that question, I just want to say thank you; someone was listening in my office. The underspends in royalties for regions have been significant. In the first year, 2008–09, there was a 41 per cent underspend; in 2009–10, a 60 per cent underspend; in 2010–11, a 43 per cent underspend; in 2011–12, a 45 per cent underspend; in 2012–13, a 14 per cent underspend—it got closer; in 2013–14, an 18 per cent underspend; in 2014–15, a 10 per cent underspend; in 2015–16, a one per cent underspend, so it nearly got there; in 2016–17, a six per cent underspend; in 2017–18, a 13 per cent underspend; and in 2018–19, we are expecting around a 15 per cent underspend. I will ask Mr Barnes to answer that question further.

Mr M.A. Barnes: In cash terms, all of that underspend will basically be banked as part of the overall public bank account. Some of that will be in the consolidated account; some of it will be in agencies' own operating accounts. This is an underspend on the spend. The Department of Primary Industries and Regional Development, which obviously administers the royalties for regions program, will provide the cash for an RforR program to the relevant agency that is delivering the program. That agency may not necessarily spend all of that cash by 30 June as it had originally anticipated, and there is a lot of that happening here. That unspent cash will remain in that agency's own operating bank account until it is subsequently spent on their project in the next financial year. Some of it will be in the agencies' operating accounts; some of it will be in the consolidated account. It is all wrapped up in the overall public bank account.

DR M.D. NAHAN: There are two sources. One is from royalties for regions. Money is allocated to a department. It receives that money, but it has not spent it, so it puts it into its balances. The other one has not been allocated effectively. It is surplus to the fund of \$1 billion, and it goes into the consolidated account. How much money was transferred from the royalties for regions program to the consolidated account in 2018–19?

Mr B.S. WYATT: I do not think we can answer that at this point.

DR M.D. NAHAN: I am waiting for an answer.

Mr B.S. WYATT: I do not think I can answer that at this point.

Mr D.T. REDMAN: Can the Treasurer confirm that the consequence of having a \$319 million underspend in the 2018–19 year is that the consolidated account is now better off to the tune of \$319 million, and therefore it can be spent in metropolitan Perth?

Mr B.S. WYATT: No, the money from the royalties for regions program is not spent in metropolitan Perth. The 2018–19 underspend is not as large as the member seems to think it is.

Mr D.T. REDMAN: That is not the question I asked, Treasurer, with due respect.

Mr B.S. WYATT: We are expecting an underspend of \$143 million for royalties for regions in 2018–19, but I think that might even have been updated since then. I am sorry; the member is talking about the \$319 million, yes. Sorry, no.

Mr D.T. REDMAN: I said that the consequence of having an underspend, given that the royalties for regions fund is at the cap, is that there is effectively available now, in the new financial year, another \$319 million to the consolidated account.

Mr B.S. WYATT: What it highlights, I think—as I expect those large underspends in the first four or five years of royalties for regions highlighted—is that it is often difficult to spend the money, so it is sitting in bank accounts waiting to be spent. It will probably just re-profile the spend into another year.

Mr D.T. REDMAN: With due respect, in some of the early quotes that the Treasurer put in, the fund was not at the \$1 billion cap, which means that it remains in the royalties for regions fund. In this circumstance here, because the royalties for regions fund is at its cap—the budget papers reflect that and it was confirmed by the Under Treasurer—the consequence of an underspend in royalties for regions now means that there is, in this case, \$319 million extra available to the consolidated account without the normal constraints of royalties for regions.

Mr B.S. WYATT: The member says “royalties for regions now”. There has been no change in how it is dealt with since the cap has been hit. The cap has been hit now for quite some time—since at least early on in the former Liberal–National government. This is what the legislation does. There is no change. We have not amended the act.

Mr D.T. REDMAN: I know there is no change in the workings, but the consequence of where we are at now is actually very different.

Mr B.S. WYATT: No, the consequence is the same as it was in the previous government. There has been no change.

DR M.D. NAHAN: The issue is this: this government inherited that royalties for regions legislation that set up a cap and money going into it. The cap is full; therefore, any more money under the system that flows into that fund flows to the consolidated account. The government also has a significant underspend and the underspend flows out. Because of this system that the government inherited, and because of its decisions to spend, we are just asking how much money is flowing into the consolidated account? I just cannot understand why you are evading this question. It is quite simple.

Mr B.S. WYATT: I am not evading it. I have not gone to work it out, but I am sure you can work it out.

Dr M.D. NAHAN: No, no, no.

Mr B.S. WYATT: Yes, yes, yes.

The CHAIR: Members!

DR M.D. NAHAN: Can we have a supplementary question?

The CHAIR: Members! You are asking a question. I will wait for the minister to answer it, and then I will ask if you would like to seek anything further. Minister, have you finished your response?

Mr B.S. WYATT: No, I have not. There has been no change to the Royalties for Regions Act. It is operating in exactly the same way as it always has, unless the former government made any changes along the way. It is doing exactly as it was intended to do under the legislation that was passed by the Western Australian Parliament. If the member wants any sums calculated, I am sure he can do that.

DR M.D. NAHAN: I would like to ask again how much of the underspend in 2018–19 for royalties for regions flowed into the consolidated account?

Mr B.S. WYATT: I have not done that calculation.

DR M.D. NAHAN: Could the Treasurer provide that data?

Mr B.S. WYATT: No. I do not intend to do that calculation. I am sure you can work it out.

DR M.D. NAHAN: Why not? Gold standard accountability here.

Mr B.S. WYATT: You have the budget. I am not going to do your job for you.

Dr M.D. NAHAN: You could answer a question, mate.

[3.30 pm]

Mr D.T. REDMAN: I refer the Treasurer to page 185 of the *Economic and Fiscal Outlook*. Under “Health Infrastructure” in the “Royalties for Regions Expenditure” a range of projects is listed. I noticed not so much what is there but what is not there—Collie Hospital. Announcements about funding Collie Hospital were made during the federal election campaign. I saw a media release yesterday that the state government will fund Collie Hospital to the tune of \$2.2 million, and it made some reference to royalties for regions. Did that go through cabinet? Was there a business case for that project? Why is there no provision in the budget for this project, given that the budget was handed down only two weeks ago?

Mr B.S. WYATT: I read *Hansard* of the conversation I think the member or someone had with the Premier on that matter. I think he made it clear where that came from. I think he might have said it came under administered items because we had not seen the outcome of the federal election. Federal Labor committed to Collie Hospital. The federal coalition had not. Now that the federal election outcome is clear, that funding has been announced.

Mr D.T. REDMAN: Did that go through the cabinet process? Was there a business case for that?

Mr B.S. WYATT: There was.

Mr D.T. REDMAN: By extension, a number of federal projects were announced in a whole litany of papers for Western Australia in the Labor Party’s election platform. Are there any other projects that the government is intending to back-fund as a state? It would seem to be some sort of budget liability if that is the case.

Mr B.S. WYATT: Suffice to say both Labor and the coalition made a lot of federal election announcements. Now that we know the outcome, to be honest, trying to get an understanding of exactly what the commitments were will take us a bit of time, but we have started that process.

Dr M.D. NAHAN: I would like to change tack a bit. I refer to the fifth paragraph on page 143 of budget paper No 2, volume 1. I would like to understand Treasury's modelling for the government target to create an additional 150 000 jobs by 2023–24. I will paraphrase the paragraph —

... it will require an increase in employment growth from the current 1.1% (annual average growth to March 2019) to average growth of 1.8% per annum to 2023–24. This compares to long-run average employment growth in Western Australia ... of 2.1% ...

The minister might have to take this on notice as it involves some computations. I assume that the long-run average starts in 1989–90 and goes to current. It takes it over quite a few years. I want to understand the impact if we took out the impact of the boom, which saw record levels of employment growth that no-one would assume would eventuate again. What would the long-term average be? That is the first question.

Mr B.S. WYATT: I cannot answer that now, but suffice to say that that the fifth paragraph states —

This compares to long-run average employment growth in Western Australia (since 1989-90) of 2.1% ...

That clearly would have been influenced by that boom period as well. If we took out the period of extraordinary job creation, which must have been for at least five or six years, it would have an impact on that percentage. I do not know what it is at this point. Does the member want us to look at that period and assume that instead of record employment growth it had average employment growth?

Dr M.D. NAHAN: I will go through in some detail why I am asking this question. We move to 1.8 per cent growth per annum and then we say that that is not as large as the average over the last 30 years. My point is that I think the average over the past 30 years is seriously distorted by that unprecedented growth in employment; it was very high. I have forgotten what it was. It went from 2005 to 2012 or 2013. It went for almost eight years. But that is not the point. I am looking at the population growth estimates in the budget. I am seeing a substantial increase over the forward estimates in population growth, household consumption and business investments. I assume these things underpin growth in employment. Also, then there is very rapid forecast of payroll tax receipts, which I will come back to, in other revenue. I am struggling to see the sources of growth that the government is forecasting in the next forward estimates in the reality of today's very slow economy.

Mr B.S. WYATT: Ultimately, the member has opened up the big issue that I think we all have to look at. I made this point in my budget speech. The member is right. Globally, not just nationally, there are economic negatives. Our forecasts are broadly in line with others, whether they be from the commonwealth or the Chamber of Commerce and Industry. Deloitte also does some work and looks at the broader forecasts. I will not pretend for a minute that there are no risks with these assumptions. Of course, there are risks with these assumptions. But our forecasts are fairly consistent with those of bodies in Australia that produce broader forecasts.

Dr M.D. NAHAN: I am not criticising Treasury for this. I know how hard this is. But if we go back to the government's first budget in 2017 and its second budget in 2018, both forecast imminent recovery in the economy across a bunch of indicators. It did not happen. The government is doing the same thing here. Particularly in some areas, for instance, median house prices, all the published estimates that I have seen in Western Australia, whether they are for existing homes or apartments, forecast negative growth in the next 12 months. But the government has it going from negative 2.2 per cent, which I accept, to recovery. Then household consumption has been flat as a tack.

Mr B.S. WYATT: There is a lot here.

Dr M.D. NAHAN: Where is the impetus for growth that the government is forecasting, as it did in 2017 and in its first two budgets?

Mr B.S. WYATT: I will ask Mr Barnes to comment in a minute. Clearly, our exports will always drive us and they have been driving us. They are driving us into GSP growth this financial year and we expect that in 2019–20, the budget year, too. Why were they not as strong as we projected? I suspect it is similar to the last few budgets of the former government when, looking at the Under Treasurer, it was driven by budget declines in business investment that came in much larger than anything budgeted under the previous government. That has been happening with us as well; the actual decline in business investment has been larger than we budgeted for, which I suspect has driven some of that. We are now expecting business investment to grow, which is a significant driver of broader economic performance as well.

We are seeing our population data hold now for the first time in a while. Instead of declining—as in, reducing from what we budgeted—it is now holding to what we budgeted, which is another important driver. Does Mr Barnes want to add to some of those comments?

[3.40 pm]

Mr M.A. Barnes: I will briefly make a few comments. I think the member is right that parts of the domestic economy have remained flatter for longer than what we expected. That is the truth. Household consumption is foremost amongst that. Household consumption is the main reason that we have revised gross state product growth in 2018–19 from three per cent in the midyear review down to two per cent in this budget. The main driver for that has been a downward revision in household consumption growth. One of the factors is no doubt the negative

growth effect of declining house prices, but relatively flat wages growth at about 1.5 per cent is also a factor. Those factors, in particular, have stayed flatter for longer than we had expected. There is no doubt about that. The expected pick-up across the forward estimates is being driven by the rebounding business investment cycle, particularly from the resources sector. As the member is probably aware, \$16 billion worth of iron ore and lithium projects have received final investment approval in the last 12 months. Construction on most of those is already underway, and that will ramp up substantially in 2019–20. We no longer have a big drag on our business investment from the conclusion of spending on the mega LNG projects, so that has now washed through. Combined with the pick-up in spending on iron ore and lithium projects, it is like a double whammy effect. We are missing out on the drag from the winding up of spending on the LNG projects, and we are getting new spending kicking in on iron ore and lithium. We are already seeing that underway. That is flowing through into our monthly payroll tax receipts, for example. When we break down our payroll tax receipts by industry, we see a very sharp turn well and truly underway in the resources sector. That resources sector investment cycle is driving this expected pick-up across the forward estimates.

Mr D.C. NALDER: Budget paper No 2, on page 142, refers to the state-level economic outlook having deteriorated since the midyear review, and state final demand is estimated to contract by one per cent in 2018–19, compared with 0.5 per cent at the time of the midyear review. Business investment in the mining sector has been going on for longer than six months, and yet we have seen a further deterioration in the domestic economy. The forecast for the budget jumps from the contraction for this year in state final demand to start talking about growth in the gross state product. We know that the growth in GSP is driven by exports and all those things. There is also a jump from minus one per cent to three per cent growth in the next 12 months. I am trying to understand, given that business investment in the resources sector has been going on for a year or so—I must admit I have been surprised how it has not trickled through, but we have seen a further weakness, particularly in the housing industry and the retail sector—how we get three per cent growth. How do we get from a one per cent contraction to three per cent growth?

Mr B.S. WYATT: I will ask Mr Barnes to make some comments in a moment. Although the final investment decisions have been made on a range of projects that have been well publicised in the media, it is when they actually start spending that they will have the impact on the domestic economy. I expect that is driving that. To a certain extent, as well, the decline in business investment has been influenced by the come-off in LNG construction, now that Wheatstone is basically complete. The member is right. We have been talking about the decisions for at least a year, but the spending will start to ramp up from 2019–20. I will ask Mr Barnes whether I have got that analysis vaguely correct.

Mr M.A. Barnes: That is certainly correct. In the current financial year, 2018–19, we estimate that business investment will actually fall by 10 per cent. That is little change from what we were expecting at midyear review time, which was an 11 per cent fall in business investment. Spending has now stopped on the Prelude project, which is the last of the really big LNG projects. While that spending has been coming off, it has been a big drag on business investment and it has overwhelmed everything else. That come-off has come to an end, and spending on the new wave of projects—iron ore and lithium in particular—as the Treasurer said, is only just getting underway now, even though some of them were announced 12 months ago. The combination of those two things is driving that cycle. We think we are at the trough, right now, of the business investment cycle, and it is about to pick up.

Mr B.S. WYATT: To add to that, there was a time in maybe year 2 or 3 of the former government, when the domestic economy was having quarters of 15 per cent growth off the back of Gorgon contracts being issued into the economy. It is just ridiculous, but it does have quite dramatic impacts on those figures.

Mr D.C. NALDER: Further to that, we have a sensitivity analysis around iron ore prices and exchange rates, showing how a \$1 variation in the average price of iron ore will drive revenue of \$80 million, and a 1¢ variation in the exchange rate will drive revenue of \$101 million. Do we do a sensitivity analysis of the domestic economy to understand the impact on the financial flow for the state budget? If we have it wrong again, and we have flat growth—let us say zero—meaning we are three per cent out, what is the impact, from a sensitivity perspective, on delivering on revenue flows for the state budget?

Mr B.S. WYATT: I will ask Mr Barnes in a moment to make a comment on the sensitivity analysis being done, but there is, to a certain extent, almost a—disconnect is not the right word—funny scenario in which we are expecting revenue to hold, but we are expecting softness in the economy, internationally and nationally. We are in a fortunate position in which the main driver of our economy is in high demand. All that investment now is going to be delivering huge export growth. That will continue to drive GSP growth, but we will see the forecasts of revenue across the forward estimates do not match some of that. I will ask Mr Barnes to make comments about sensitivity.

Mr M.A. Barnes: We do not have a simple rule of thumb as we do for the iron ore price or the exchange rate that quantifies that sensitivity. Obviously, we have modelled in the past, and have determined, unsurprisingly, that there is quite a close correlation between growth in the domestic economy, as measured by state final demand, and particularly growth in our tax revenues, such as payroll tax. In fact, it is more the differential between state final demand and national final demand. When we are travelling well below the national economy, as we have been doing over the past five years, that drags down our population growth in the state and drags down our revenue

growth accordingly. As growth in our domestic economy gets back to the national mean, that situation reverses, and we see quite a close correlation between things such as business investment, unsurprisingly, and payroll tax. When businesses are investing and constructing new projects and employing additional labour, they are paying more wages, and payroll tax goes up, and that is what we are seeing now.

Mr B.S. WYATT: At page 59 of budget paper No 3 there are a couple of other sensitivity issues. The member highlighted the exchange rate and the iron ore price. For payroll tax collections, each one per cent increase or decrease in taxable wages or employment growth is a \$38 million impact. There are a few other revenue sensitivities based on, effectively, economic activity.

Mr D.C. NALDER: Can I just ask a basic question? The Treasurer talks about what has happened this year with state final demand, which is really the domestic economy, and the GSP brings in those broader elements, being the export of produce, yet his commentary talks about GSP growth but there is nothing about SFD growth in this whole three per cent. I find it strange that there is no commentary explaining the fact that we are going from an expected one per cent contraction to three per cent growth in the domestic economy. No information has been provided in the report whatsoever; all it discusses is the GSP growth. I find that a strange omission. It acknowledges the downturn this year, what that is worth and what the Treasurer thought, and that it deteriorated more in the past six months, yet there is absolutely no commentary on this sudden rebound next year from a one per cent contraction to three per cent growth in the state final demand. It is only about the GSP. I refer to page 142 and 143.

Mr B.S. WYATT: Obviously, budget paper No 3 has quite a lot on state final demand. It is something that I have been focused on for quite some time—for many years actually. Since the member specifically said he is concerned about the lack of references to state final demand on page 142, paragraph 2, at the bottom of the page, reads, in part —

As a result, the State's domestic economy (as measured by State Final Demand (SFD)) is estimated to contract by 1% in 2018–19 (this compares to a forecast 0.5% contraction in SFD at the time of the 2018–19 Mid-year Review).

Budget paper No 3, being the main economic report, spends a lot of time on state final demand. I am happy to put more of budget paper No 3 into budget paper No 2, if it will satisfy the member, but we spend a lot of time on state final demand.

Mr D.C. NALDER: What the Treasurer just quoted is in budget paper No 2. I said that the Treasurer has talked about the contraction, and how it is bigger than what he thought it would be, but he has not talked about the underlying elements that are underpinning the budget growth or the state final demand growth.

Mr B.S. WYATT: Of course we have, in budget paper No 3.

Mr D.C. NALDER: The Treasurer just mentioned that the contraction was bigger than what he thought it would be. That is what he read out.

Mr B.S. WYATT: I was not going to repeat everything in budget paper No 3 in budget paper No 2, but the member is worried about our assumptions around moving from a period of SFD contraction to a period of SFD growth, although it is fairly consistent with anyone who has been forecasting the WA economy. The main group, I guess, that does the broader analysis is the Chamber of Commerce and Industry of Western Australia, and it has a similar forecast.

[3.50 pm]

Dr M.D. NAHAN: I refer to the forecasts of population growth. I notice the government forecast a reduction then a slight move from losing people interstate to gaining them. Most of the growth in population the government has forecast is through overseas migration. Not much can be done about natural growth. Where will the growth in overseas migrants come from when the government has a regional migration program that greatly limits overseas migrants? The government's policy first moved Perth from being regional to being a capital. It then significantly reduced the number of categories for skilled migration. How can the government get growth in overseas migration when the commonwealth has a state-based policy of immigration, which I understand the current government is going to accentuate as a priority—that is, it is going to give more priority to the regional choices of state governments? How is the government forecasting a substantial growth in overseas migrants when it has a policy to inhibit that?

Mr B.S. WYATT: As conditions in the Western Australian economy and labour market improve, the state share of national net overseas migration is expected to gradually increase and return to its long-term average of 13.3 per cent by 2023–24. The 2019–20 commonwealth budget revised upwards its national net overseas migration assumptions and forecast relatively strong national net overseas migration across the forward estimates of around 260 000 to 270 000 people. However, our budget assumes national net overseas migration of 230 000 people. We have taken a more conservative approach than the commonwealth has taken. The Leader of the Opposition can put his complaints about specific policies to those ministers, but we have taken those policies of government into account and taken a position on net overseas migration. One point I will conclude with before the member no doubt has more to say is that net overseas migration troughed at 11 621 people in 2015–16, which was down from around 50 780 people in 2011–12. It rose slightly to 12 809 people in 2017–18.

Dr M.D. NAHAN: I understand that the commonwealth policy is to maintain the overall national level of migration at its current level. The commonwealth also has a policy to emphasise, as discussed in the commonwealth budget papers, a more regional focus to push people out of Sydney, Melbourne and maybe Brisbane. This government has a policy that it has enunciated over two years and is having an impact on migration now to limit overseas migration to Western Australia. How will the government get this recovery in population with the existing policy, or is the government assuming that it will do away with that policy in the near future?

Mr B.S. WYATT: Our population assumptions are based on existing policy settings. They are also based on, as they inevitably are, commonwealth budget settings. Although the commonwealth has given itself a cap, it will, effectively, as the member pointed out, maintain the current flows of overseas migration. The member is right that work is going on to encourage people out of Sydney and Melbourne into what are called regions, which we will qualify as. The Treasurers had only one meeting before the election, chaired by Treasurer Frydenberg, about developing a population policy. I do not think that work has concluded with the cap that the commonwealth has put on it. That work will hopefully continue because it is important.

Dr M.D. NAHAN: In summary, does the Treasurer not think that the McGowan government's changes to the regional migration scheme are going to inhibit migrants from coming to WA?

Mr B.S. WYATT: Unsurprisingly, we have a strong focus on creating local jobs for local people. We are very keen on that and will continue to do that. I think that has been working. I am also pro population growth, as is the government. It is undoubtedly the case that we get the majority of our population growth from overseas migration.

Dr M.D. NAHAN: But the government has a policy to do exactly the opposite.

Mr B.S. WYATT: The member says that. I accept that is his view.

Dr M.D. NAHAN: The government has reduced the categories for state-based migration from 187 categories to, I think, about 117 categories and shifted Perth from being a regional city to being a capital city, which is the same as Melbourne and Sydney. The objective of those changes and that policy was to reduce the potential for overseas migrants to come to Perth. Given that policy, I query why the government expects a substantial uplift in overseas migration to Western Australia.

Mr B.S. WYATT: Again, the member is incorrect. The purpose of the policy was to create local job opportunities for local Western Australians. The Leader of the Opposition may object to that, but we are very keen in the WA Labor government to create job opportunities for local Western Australians. We are also keen, as is every Treasurer around the nation, on population growth, because every expectation or hope of economic growth is built on population growth. In Australia and Western Australia, we need net overseas migration to take big components of that population growth. Our assumptions are based on our policies and the commonwealth government's policies, which have a much greater influence than anything on how many migrants can come to Australia and Western Australia. I am keen to work with Mr Frydenberg and the Prime Minister—whoever is involved—to ensure that people are encouraged to not just slide into Melbourne and Sydney, but to come west.

Dr M.D. NAHAN: How about changing the government's policy and talking to the boss, Mark McGowan? He is the one who is inhibiting them from coming here.

Mr B.S. WYATT: I know that is the Leader of the Opposition's view, but I emphasise again that the Labor government in Western Australia took a policy to the election of ensuring that Western Australians had the opportunity to take up jobs. That is and will continue to be our focus. That is not incompatible with ensuring that we continue to have population growth. When I became Treasurer, which was well before any of our policies were implemented, net overseas migration was going one way—down, and down heavily. I could, therefore, say that the previous government must have had a policy of ensuring that migrants could not come to Western Australia. I could quite easily say that.

Mr S.A. MILLMAN: Did it deliver more jobs?

Dr M.D. NAHAN: Yes, we did. We had the largest growth in jobs in history.

The CHAIR: Members on both sides! The minister is speaking. Please allow him to respond.

Mr B.S. WYATT: The Leader of the Opposition's use of ipso facto is incredibly misplaced. Thankfully, our assumptions on population growth are holding. Based on our policies and the commonwealth policies, we expected them to grow across the forward estimates. I hope that is the case because I support population growth and overseas migration.

Dr M.D. NAHAN: I refer to the table "Payroll Tax Revenue" on page 72 of budget paper No 3. This shows a very rapid uptick in payroll tax revenue. I understood what the Treasurer said—that is, that it largely relates to large business investment. However, I note that this is a very large increase and rapid growth. It shows that payroll tax revenue will grow to a level far exceeding the boom times of the early part of this decade. That is a very rapid and high level of payroll tax revenue expectation at a time when wages are flat as a tack, population growth is low and the global economy, as witnessed by the Reserve Bank of Australia, is slowing.

[4.00 pm]

Mr B.S. WYATT: I want to point out one thing. The member is looking at the graph on the right of page 72. He is quite correct about the number. I want to correct one thing. We are not expecting to get back up to the long-run average across the forward estimates, as the member can see with the growth on the left of the graph. That is an important distinction because during the boom period, as the member pointed out, payroll tax growth was huge. We are not expecting to get back to that level at all. We are not expecting the raw numbers to increase. From 2018–19 on, some of that will be influenced by the temporary payroll tax surcharge on the larger payrolls. I suspect when that flows in, we will start seeing it come out again.

Mr D.C. NALDER: Looking at the expense line for 2018–19, it appears that at the start of the year the government budgeted on 0.9 per cent growth. If I allow for accounting changes, that is about 2.4 per cent growth in expenses, which takes up all of next financial year's anticipated growth, if I head it back to the last budget. Can the Treasurer please tell me what drove the blowout in expenses by over \$400 million for 2018–19?

Mr B.S. WYATT: There are two components to that, allowing for the accounting changes, as the member pointed out. The major difference was the underspend the year before, which meant that the base was lower and we assume that is then spent beyond that. There is no net debt. Every year there is an underspend. I have tried to deal with an assumption around underspends. We budget for an expense and even though we are tracking well, a particular underspend will lower the base of one year and increase the spend of the other year. That has had an impact on about \$250 million of that \$400 million. The rest is money in, money out from the commonwealth, which hits both expense and revenue. That is the two main ones. I found it somewhat frustrating that underspends always have this impact on actual expense growth outcomes. We have factored an assumption around underspends each year to try to deal with that volatility.

Mr D.C. NALDER: I want to lead into that. I noticed that wages and salaries for the general public sector have gone up dramatically. If I apply that to the number of people in the general public service—which, on my numbers, in 2017–18 was 114 000—and if it was \$1 000 a head, that would be \$114 million, yet salaries have gone up to \$190 million. In fact, in the last two years, they have gone up close to \$450 million. Is it not a fair assumption that quite a sizeable component of the overspend is the FTE growth?

Mr B.S. WYATT: No. The member could say that but he would be incorrect. I have explained the difference in expense forecast versus expense outcomes. I said that a \$250 million underspend almost deals with all of the underspend. The rest is commonwealth money in and out. This is an area of expense growth that has been particularly successful for this government. For the record, I quote page 41 of budget paper No 3, which states —

Salaries costs represent 42% of total general government expenses in 2019–20 and remain the single largest expense for the sector. Total salary costs (including increases in employee numbers as well as wage rates) are forecast to increase by 1.6% in 2019–20 and 1.9% on average across the four years to 2022–23. These rates of growth are well below the decade average of 5.8% per annum, and largely reflect the success of the Government's \$1,000 wages policy.

That is why the wages policy is so important to the efforts around expense control.

Mr D.C. NALDER: Further to that, the government established a redundancy program to remove 3 000 FTE as part of an austerity measure to drive greater efficiency through the public service. Generally speaking, if a government is driving an efficiency measure and offering redundancies—the definition of redundancy means that the job no longer exists—how can there be salary and wages growth over and above the \$1 000 wages policy? It is not easy to track the FTE but they are in the footnotes of every line item for every department and agency. We calculate that during the government's time in office, by the end of next financial year, the total FTE will have climbed to 3 800. If I add to that the 3 000 FTE under the redundancy program, 6 800 FTE has been added through this government. Yet the government talks about austerity measures and driving redundancy programs to drive efficiency. How does it strike up one and not the other? How does that work?

Mr B.S. WYATT: It works the same way as when the previous government administered many different redundancy programs. From memory, about 4 000 FTE went out the door in some form of redundancy yet those numbers continued to increase.

Mr D.C. NALDER: Can the Treasurer show me that? I cannot see that anywhere.

The CHAIR: If you could let the Treasurer finish his response.

Mr D.C. NALDER: He is making a claim.

Mr B.S. WYATT: There was a range of redundancy programs during the term of the previous government. I think about 4 000 people took redundancies under the previous government. Even when a cap was imposed by the previous government, FTEs increased. Why is that? I am not sure what the member's numbers are but I will check. For example, we have seen—our education budget has been reflecting this for five years—kids flowing into our education system out of the private sector, the non-government schools. As a result, it is an equation driver in terms of how many teachers, assistants et cetera are needed in schools. Similarly, as we have seen, even though

we have kept health expenses under control, more possible activity drives more nurses. We assume that we are speaking to the same group of people. Across a public sector of 100 000 plus, a redundancy program of 3 000 does not mean it is the same 3 000 who may have come on or whatever. That redundancy program has been an important part of our budget repair measures.

Mr D.C. NALDER: The largest growth has been in the Public Transport Authority; it has grown 17 per cent. Why would Treasury sign off on 17 per cent growth in FTEs within the PTA?

Mr B.S. WYATT: I assume it is because we are doing a lot more work in the public transport space. We are keen to have more people catch public transport. When Forrestfield–Airport Link starts operating, people will be available to run it. The PTA is providing for that. We need to ensure that people are available to drive those trains, and put security on them et cetera. People will be needed for a range of things, including bus routes. The member should not forget that one of the things that has not been factored in is the transport issues around the new stadium. That has been a big success and we have accounted for that. A range of things are driving costs, including a requirement for more skills in the public transport space but that is a space we had a particular commitment to.

Mr D.C. NALDER: Further to that, the Treasurer mentioned FAL. Metronet is one of the reasons the PTA is potentially driving the FTE growth yet there are no operating expenditures for Metronet. If the PTA has this increased salary cost, which is aligned to Metronet, why is there no operating expense budget for Metronet?

Mr B.S. WYATT: FAL is in the budget; I assure the member of that. The operating subsidy is in the budget for FAL. It is large. If not the most expensive, it will be close to the most expensive train line to run in WA. We are not going to bring anything into the book until I know the costs of these things. I have learnt from previous governments around doing that. I expect, come the midyear review or, at the very latest, next year's budget, we will see other lines of Metronet come in as well.

Dr M.D. NAHAN: How much money was spent on the government's redundancy program? From memory, the target was \$185 million. Could the Treasurer confirm how much it was? How many people are exiting? On page 141 of budget paper No 2, volume 1, footnote (c) goes through that. It indicates that the government is on target, at least with the National Disability Insurance Scheme exits, to get the 3 000 target. Can the Treasurer confirm how much it cost to exit that many people—we assume from the footnote that there are 3 000. Could the Treasurer give us an indication of the growth or change in full-time equivalent numbers in the general government sector since the Labor Party has come into government?

[4.10 pm]

Mr B.S. WYATT: As at 8 April 2019, the total cost thus far of the voluntary targeted separation scheme is \$280 million and the total number of separations is 2 556.

Dr M.D. NAHAN: Does that include the NDIS?

Mr B.S. WYATT: No.

Dr M.D. NAHAN: Footnote (c) indicates that there are 300-plus separations yet to come with the NDIS.

Mr B.S. WYATT: A total of 2 556 separations of the 3 000 target of the VTSS have been achieved to date, with a further 390 separations expected.

Dr M.D. NAHAN: Was it the policy of the program, and they vary from time to time, to do away with the FTE positions that the redundancies paid for, although some of those were refilled?

Mr B.S. WYATT: Yes, but the member may recall that to incentivise agencies, they were able to keep 20 per cent of the savings to re-base their own skills. For example, they might have needed a different skill set in their agencies.

Dr M.D. NAHAN: Therefore, the policy was to a large extent the same as that of the previous government in that the FTE position was handed in?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: We calculated that there have been another 6 800 FTEs across almost every department, not just education and health. Has there been a policy to grow the public sector according to demand outside, and aside from, that redundancy program?

Mr B.S. WYATT: We never had a cap. A cap was never a policy we took or implemented. Ultimately, we want our schools to have the required number of teachers and hospitals to have the required number of nurses to do what they need to. We never had a cap. I cannot confirm the number of total FTEs that the member has given me, but I will have a look. We never had a cap. The 3 000 voluntary targeted separations have been an important part of budget repair, and even with apparent growth in the public sector, we are still keeping the cost of salaries at very low levels.

Dr M.D. NAHAN: The largest growth has been in the WA Sports Centre Trust, but I imagine that is because of the stadium.

Mr B.S. WYATT: It has probably gone from one to two people or something; I am not sure. What are the numbers?

Dr M.D. NAHAN: It is actually quite large. There are 600 people there.

Mr B.S. WYATT: It is the stadium operation.

Dr M.D. NAHAN: I assume it is the stadium operation. Treasury has one of the largest increases, growing by 28 per cent from our time in government.

Mr B.S. WYATT: As the Under Treasurer has whispered in my ear, about time!

Dr M.D. NAHAN: I hope that productivity is commensurate with the number of workers.

Mr B.S. WYATT: I might ask Mr Barnes to make some comments on that. We have given Treasury some extra resources in a couple of spaces—in our government trading enterprise and energy space.

Dr M.D. NAHAN: It has actually gone up by 21 per cent.

Mr B.S. WYATT: We are also responsible for Streamline WA. Mr Barnes might be able to provide the Leader of the Opposition with some more detail.

Mr M.A. Barnes: The most significant increase in activity level from 2018–19 to 2019–20 is for a new energy transformation implementation unit, which the Minister for Energy announced just the other day. There are an additional 18 FTEs to staff that unit. Those 18 FTEs are funded not by appropriation, but by a special one-off dividend from the three electricity GTEs, similar to the way the previous electricity market review was funded. In addition to those energy FTEs, there are three additional FTEs to create a permanent GTE governance and oversight unit, building on the GTE reforms currently underway, and a further three FTE to implement the government's Streamline WA initiative around improving regulation and assessing proposals that come in from the private sector and elsewhere for regulatory improvements.

Mr B.S. WYATT: I should have mentioned to the member for Bateman that we have also had a policy of converting contractors who have been in their roles for longer than two years to FTE. That has brought people effectively employed by the government who were not considered FTEs into the FTE count, and generally there is a lower cost.

Dr M.D. NAHAN: Could the Treasurer provide information about how many people have become permanent under the government's policy of converting casuals to full time?

Mr B.S. WYATT: I would if I could, but the member will have to put that to the Public Sector Commission. That is the PSC's role.

Mr D.T. REDMAN: I want to pick up on a topic we have already talked about, but I want to get some more information on it. I refer to royalties for regions expenditure on page 192 of the *Economic and Fiscal Outlook*. I want to talk about Collie Hospital. The line item "Administered Items" has a footnote that states —

Funding mainly for election commitments where further planning is required to deliver the proposals.

I want to confirm what I think the Treasurer said earlier that the Collie Hospital upgrade announced by the Premier yesterday went through cabinet on Monday. Can I confirm that first?

Mr B.S. WYATT: Yes, Collie went through cabinet.

Mr D.T. REDMAN: Did it go through cabinet on Monday?

Mr B.S. WYATT: It went through before Monday.

Mr D.T. REDMAN: Did it go through before Monday? So, the Collie Hospital upgrades went through cabinet, presumably with federal government funding, prior to the election. Was it not a commitment of the federal government to fund this, not the state government?

Mr B.S. WYATT: No.

Mr D.T. REDMAN: Would it have been a commitment of a federal Labor government?

Mr B.S. WYATT: No. Collie only became an election issue. Collie was an election commitment of federal Labor, not the coalition.

Mr D.T. REDMAN: That is right. So, someone took the submission to cabinet, presumably the health minister, before Monday and before the federal election, and I assume there was a commitment to fund it from federal funds.

Mr B.S. WYATT: No.

Mr D.T. REDMAN: Was it a state funding commitment in that cabinet submission?

Mr B.S. WYATT: That was what was announced yesterday by the Premier, yes. It is state government funding.

Mr D.T. REDMAN: Why was the commitment not made in the body of the budget papers rather than under administered items?

Mr B.S. WYATT: Reading through *Hansard* of what the Premier said yesterday, I note he made the point that there were a range of commitments both in the commonwealth budget, but also made in the election, which are obviously not the budget, that we wanted to ensure could continue to be made. For whatever reason, we did not want to limit capacity for any federal party to make election commitments.

Dr M.D. NAHAN: So, two weeks out from the budget, the government pulled money out from a slush fund of administrative items for royalties for regions for a project in Collie that the federal opposition said it was going to fund during the election campaign. The Treasury said the government did not want to announce that in the budget, because it did not want to limit the amount of money it might get from a future Shorten government; is that it?

Mr B.S. WYATT: If I had the draft *Hansard* of what the Premier said yesterday, which, of course, I could not quote, I would make the point —

Dr M.D. NAHAN: There was no *Hansard* yesterday. Did the Premier discuss this yesterday?

Mr B.S. WYATT: Yes, it was in *Hansard* yesterday. The conversation about this was with the member for Warren–Blackwood, I think. We wanted to maximise what we could achieve for Western Australia from either political party, and I think that has proven successful thus far.

Dr M.D. NAHAN: There was a whole raft of policies that the Shorten opposition promised—Ellenbrook and Collie, for example. Is the government going to back-fund those now? During the election campaign the Treasurer and the Premier campaigned on those projects also. The Labor Party has been campaigning on Ellenbrook for over 10 years. Will those projects impact the budget in any way—that is, the projects promised by the continued Labor Party opposition now it has not won government?

[4.20 pm]

Mr B.S. WYATT: We never brought to book anything that the federal Labor Party was committing to. We never assumed any commitments by the federal opposition in our budget; that would be risky and foolish to do so. We have only ever assumed in our budget what has been in the commonwealth budget.

Dr M.D. NAHAN: Where is the funding for the Ellenbrook line in the budget?

Mr S.A. MILLMAN: I think the member for Swan Hills is happy to answer that question.

Ms J.J. SHAW: I know where it is.

Mr B.S. WYATT: No doubt! On page 143 of budget paper No 3 there is a line item “Provision for Projects Under Development” with just over \$1 billion sitting there.

Dr M.D. NAHAN: What level of commonwealth funding does the Treasurer assume for that?

Mr B.S. WYATT: Just what the commonwealth government has made commitments to. We have not made any assumptions around Labor’s commitments—none. It was not in government, so we did not budget for them.

Mr D.T. REDMAN: Along the same lines, the government has the issue of remote community funding, which I assume the Treasurer will have to make some sort of adjustment for or shift the service that he is prepared to underlay. Under “Statement of Risks” the budget indicates that as emerging. Is the Treasurer intending to bolster the funding or is he intending to reduce the level of service delivery?

Mr B.S. WYATT: We will now have to deal with this over the next 12 months. One of the reasons I was hoping to see Pat Dodson as a federal Aboriginal affairs minister was his commitment around remote housing. That is not the case. The commonwealth budget has a \$120 million walkaway. That will keep work going for some time. In this space, just like it seems in a lot of areas in government, we will have difficulty spending the money in the years, so I suspect that will keep us rolling out projects for at least the next 18 months, but we will now have to react to that. Having said that, I will still do my best to try to convince the commonwealth government to come back here, but I will not assume that.

Mr D.T. REDMAN: Can I confirm that that is capital for house builds, it is not recurrent?

Mr B.S. WYATT: That is right. That is that capital space that the commonwealth is no longer involved in, as opposed to the ongoing maintenance spend. That will continue, but it is the new build that is the issue.

Dr M.D. NAHAN: The Treasurer is a student of recent history, of which he has lived. During his election campaign he had a debt reduction strategy that he promised to bring in in the form of legislation. I will give the Treasurer a little reminder. He said that the legislation will see 50 per cent of the iron ore royalty revenue directed to a new debt reduction account when the GST relativity gets above 65¢, which it is, and the iron ore price is above A\$85 a tonne, which it is. We debated this at the time. The Treasurer never thought that would be a possibility, given the GST arrangement. Now that the GST has had a floor put in it, will the Treasurer commit to this legislation and follow it through?

Mr B.S. WYATT: The relativity is still not at 65¢.

Dr M.D. NAHAN: Over the forward estimates it is.

The CHAIR: Member, just allow the minister to respond.

Mr B.S. WYATT: No, it is not—at no point. I have the media statement here myself, funnily enough.

Dr M.D. NAHAN: Are we going to see the legislation soon?

Mr B.S. WYATT: Our projected relativity across the forward estimates does not get anywhere near 65¢. In 2019–20, it is 0.518; in 2020–21, it is 0.44; in 2021–22, it is 0.446; and then it finally gets out there to 0.7 in 2022–23 but at no point do we get our average annual iron ore price where we need it. However, that has not stopped us doing what we need to do around debt reduction. No doubt the Leader of the Opposition has seen—I know the member for Bateman has seen it, because he commented on it in a most flattering way in his response to my budget speech—the reference to the special purpose account, our debt reduction account at pages 50 and 51. Thankfully, because of the very strong efforts of budget financial management of this government, the 2019–20 budget includes a total of \$5.1 billion flowing through the debt reduction account over the four years to 2022–23. I note the point made by the Leader of the Opposition in referencing my commitment to a debt reduction strategy around both relativity and iron ore price. Regardless of that, we will not get to either. The government has decided to take advantage of the top-up payments from the GST arrangement it has reached with the commonwealth. Nearly \$1.5 billion will be used to repay existing debt from those top-ups. I think that is a very good outcome for the people of WA. That means for the first time since Eric Ripper was Treasurer, we will be paying off debt.

Several members interjected.

[4.30 pm]

The CHAIR: Members from both sides, please!

Dr M.D. NAHAN: I refer to page 79 of budget paper No 3 and figure 7, headed “Commonwealth-funded 70% Floor and GST Grants”. I think the Treasurer said that in 2019–20 the GST floor will not get to 65 per cent.

Mr B.S. WYATT: Our relativity—no.

Dr M.D. NAHAN: What is it?

Mr B.S. WYATT: It is 0.518.

Dr M.D. NAHAN: Pardon me?

Mr B.S. WYATT: Our projected GST relativity —

Dr M.D. NAHAN: Is that including the top-up?

Mr B.S. WYATT: No—the relativity.

Several members interjected.

The CHAIR: Members!

Mr D.C. NALDER: You do not count that \$840 million.

Mr B.S. WYATT: I have already put that in. What more do you want me to do—spend it twice? I cannot spend a dollar twice.

Dr M.D. NAHAN: Treasurer, this is a new you-beaut strategy, and I support it now! Once you get to that, according to this graph, with GST grants and the commonwealth floor, it will be 65 per cent or above in 2019–20. There is this commitment on page 79 —

Mr B.S. WYATT: What is the other part of the commitment?

Dr M.D. NAHAN: — to pay 50 per cent of the total iron ore royalties into reducing existing debt.

Mr B.S. WYATT: What is the iron price?

Dr M.D. NAHAN: It is \$85.

The CHAIR: Member, have you finished your —

Mr B.S. WYATT: What is the forecast iron ore price?

Several members interjected.

The CHAIR: Members! Minister!

Dr M.D. NAHAN: You did not say Australian or US dollars.

The CHAIR: Member for Riverton, have you finished your question?

Dr M.D. NAHAN: No. I got rudely interrupted.

The CHAIR: If you could finish your question, I will then direct the minister to respond. Please continue your question.

Dr M.D. NAHAN: My reading of this graph is, and I will read it —

The Western Australian Department of Treasury estimates that the Commonwealth will provide \$5 billion in untied grants under the commitment to an effective 70% GST relativity floor over the period to 2021–22.

You are going to get there at \$85 a tonne, but the Treasurer did not differentiate between Australian or US dollars.

Mr B.S. WYATT: Who?

The CHAIR: Sorry, minister. Let him finish.

Dr M.D. NAHAN: Nonetheless, the Treasurer made a solemn commitment to the people of Western Australia that he would have a debt reduction strategy that would pay 50 per cent of the iron ore royalties income into paying down the existing stock of debt. Will the Treasurer commit to that now?

Mr B.S. WYATT: I have never come across anybody who references the iron ore price in Australian dollars. It is a US dollar-measured account. It always has been —

Dr M.D. NAHAN: It is \$100 today.

The CHAIR: Member, we have concluded your question. Please allow the minister to respond.

Mr B.S. WYATT: As awkward as it might be, we are not expecting the annual average price of iron ore to hit \$85. We expect that in 2019–20 it will be \$73.50, and we expect that to slowly decline to \$63.70. I know that that may disappoint the Leader of the Opposition, but the reality is we have, therefore, not done anything on debt reduction. We have established our debt reduction account. Upon going through that account, it is a greater amount than even I expected when I committed to our debt reduction strategy during the election campaign. I think this has been a success story. We have been able to take advantage of better fiscal management to ensure that we can actually, finally, start to take control of our debt trajectory. I am very pleased about that.

I have a couple of points to make. The relativity and the iron ore price does not trigger that commitment. But, as I said, we have not been idle and we have created a debt reduction strategy that I think over time Western Australians will be very pleased with.

Mr D.T. REDMAN: We are talking about the GST so I refer the Treasurer to page 77 of budget paper No 3, which contains the forward estimate relativities that the Treasurer just referred to a moment ago. Given the fairly significant iron ore boost that picked up an extra billion dollars in 2018–19, will that change the relativities in the out years since the budget papers were closed off?

Mr B.S. WYATT: If it holds where it currently is, then it will have an impact. In a minute, I will ask the Under Treasurer to specifically comment on what the impact might be. It will have an impact. Clearly, if the iron ore price stays at the current elevated level, it will have an impact on future years' relativities. We know that. But we do not assume that that will be the case. That has been the topic of conversation of everyone in the banks and the iron ore space at the moment. Tim Treadgold even commented today on his expectations about how long that will be around. We have deliberately assumed it will not be around for the long term and have forecast that to decline in a way that is prudent.

Mr D.T. REDMAN: Given the boost in iron ore revenue, I presume the impact is likely to push out the 70 per cent GST floor in 2022–23, which is described in the budget papers?

Mr B.S. WYATT: No. The legislated floor starts in 2022–23.

Mr D.T. REDMAN: That is a legislated floor. That is there irrespective.

Mr B.S. WYATT: It starts in 2022–23. At the moment it is top-ups all the way to 2022–23 and then the floor will effectively start.

Mr D.T. REDMAN: Along the same line, this will significantly impact on decisions such as the state's pursuit of changing the state agreement on the CITIC project. The outcome of that change will be an expansion, because CITIC is pursuing the expansion; it is currently being blocked by Mineralogy. If that expansion occurs, there will be a revenue benefit to the state in the flow of magnetite. Previously, 90 per cent of any iron ore increase would have eventually washed away to the commonwealth government. Given that we are butting up against that floor, will we get to hold 100 per cent of that royalty increase given that there is no downward pressure on that floor?

Mr B.S. WYATT: Basically, yes, is the answer. I do not know what the increase in CITIC's exports will be as a result; but, broadly, that is correct, in respect of increased iron ore royalties.

Mr D.T. REDMAN: Put simply, given the arrangements we have with the federal government for instituting a floor on the GST—reflected here in legislation and top-up payments between now and then—the government's pursuit of a change to state agreements will have a revenue bonus for the state.

Mr B.S. WYATT: I know what the member is asking. Let me take a step back. If the member is asking that if we change the revenue we get from iron ore miners, will we get to keep it, then the answer is yes.

Mr D.T. REDMAN: Yes. Therefore, if I take the logical step that the Treasurer is expecting me to take, if there is a change to things such as the special lease rental in state agreements, as a charge, it would be fair to say that the state would reap 100 per cent of that change and the lion's share of it would not be washed away due to the relativity issue?

Mr B.S. WYATT: Yes, that is right, but that assumes all other things remain equal. That does not have an impact on capital investment by those miners.

Dr M.D. NAHAN: I refer to page 43, budget paper No 3. Table 6 shows the summary of financial statements for the total public sector. It illustrates that since 2017–18, the government has received quite a sharp turnaround in the net operating balance, which has been driven overwhelmingly by large revenue increases. Indeed, it has been able to offer a net operating balance over that period of \$7.3 billion or \$7.4 billion. They are very large surpluses. What is the government doing with those surpluses? If we look at net debt in the last column, we see that during that period net debt goes up. The government will have \$7.2 billion worth of cash surpluses from the operating account, but debt will go up. Can the Treasurer explain that?

[4.40 pm]

Mr B.S. WYATT: Yes. That is the difference, of course, between a cash deficit/surplus and a non-cash deficit/surplus. To be clear, we have not changed the way we measure our net operating balance. I think that has been consistent since Richard Court was Premier. That has not been changed. The reason is that we continue to spend on our asset investment program, which we think is very important at this time, not only because we had and still have a large commitment to public roads and rail in particular, but also we see that it is important at this time to underwrite what the state can do around jobs. That is why the asset investment program is starting to increase again. Somewhere in there is a graph that shows that the asset investment program is starting to increase again after a long period of about five years of decline. It is not increasing hugely, but it is starting to increase again. That is important. One of the critiques I made of the previous government was that the debt and deficits it had accumulated would have an impact on a future government's capacity to respond to the economic times in which it found itself—and that is clearly the case. I would like to be spending more on our asset investment program. Indeed, I noted on the front page of most newspapers today that the governor of the Reserve Bank of Australia is calling on the governments of Australia, state and federal, to increase their asset investment spend, because of the nature of the jobs market and the economic growth in Australia. We are increasing that, and that is the difference—to answer the end of the Leader of the Opposition's question—between the net operating balance and the actual debt trajectory.

Dr M.D. NAHAN: I understand the accounting treatments. In the Treasurer's history lessons to us he talks a lot about this government inheriting \$44 billion in debt. Of course, that was on the forward estimates. That was assuming continued large deficits. Those are gone now, according to your estimates, largely because of iron ore royalties, GST and other grants from the commonwealth generating \$7.4 billion in surpluses. Obviously, therefore, the government did not inherit \$40 billion in debt; indeed, the fact that debt is going to \$40 billion is because of this government's decision to significantly increase its asset development program. It is this government's debt.

Mr B.S. WYATT: We did inherit a trajectory heading to \$40 billion of debt. I have said in this place a number of times, in response to the argument the member puts to me, I would give the member some credence if he had left operating surplus positions across the forward estimates, but he did not. He left some large operating deficit positions. Yes, we are in the process of turning those around, which is good. I think everybody is happy with that turnaround. However, as the member points out, it is not all on a cash position. This is something that we have explained at some length during this budget period. I remember the term "surplus" got Eric Ripper into trouble in the end; people thought it was unused money that Eric Ripper had. That is not the case. But we are continuing asset investment spend for the reasons I outlined before. It is increasing—not a lot, but it is increasing slightly from the decline of the last four or five years. There is a chart in budget paper No 3 that can outline that. The fact that we can do that and peak out debt and hopefully commence its decline, as we are projecting, I think is a good thing.

Dr M.D. NAHAN: The government has received the GST top-up rewards, of course topped up with iron ore, and as the Treasurer has just said, because of the floor, the margin now received will be 100 per cent of any growth of iron ore royalties. I might add that the iron ore price today is \$A145, which is pretty good. That is great; all good. But the government is choosing not to pay down the stock of debt that it inherited—that is its decision—but to spend it on more capital; indeed, on top of that, it is borrowing more. Yes, that is what the state government has been encouraged to do by the commonwealth, which will match any grants. The policy—it is the correct policy—is to spend more on infrastructure, whatever it might be. I accept that, but also—I will go through the debt reduction plan that emphasises this—the government has to accept that it is overwhelmingly using its windfall gains to fund more capital investment rather than to pay down debt.

Mr B.S. WYATT: A couple of points. I reject the characterisation "windfall gain". The GST top-ups were effectively spent by Mr Porter when he was Treasurer. In his budget speech, he made the point that the former government would continue to spend because it was assuming that GST fix. That never arrived. We saw what that did to debt and in the end to the operating balance. Therefore, I reject the characterisation of the GST return as a windfall. I think it is something that has been well deserved by Western Australians.

The second point I make is that, yes, right now, iron ore is high, but I have not assumed that in the budget.

Mr D.C. NALDER: You are holding it up for the next 12 months.

The CHAIR: Members!

Mr B.S. WYATT: I am assuming it is declining to \$73 for 2019–20 and \$63 by the end of the forward estimates. I have taken, I think, a fairly prudent position. I do not want to do what the previous government did and lock in an artificially high iron ore price across the forward estimates, because you guys knew how to spend. It was all spent, then when it disappeared, there were large operating deficits. That is why we have taken that approach. I know members opposite do not like to talk about the issue of expense control, but I will. I think there is a chart in there somewhere that makes the point. If we had just stuck to the average expense growth of the former government when we came to power, which we could have done, because spending is easy, there would not be one projected operating surplus there—not one. It is at page 63; there it is. If we had just taken that assumption and spent accordingly, there would be not one operating surplus projected. It is a combination of, yes, the Leader of the Opposition is right—GST top-ups have helped, and the floor in the final year will help—but in the blink of an eye, those surpluses can disappear if expense growth cannot be constrained. That is where the work will continue.

I think the member made the point about asset investment, and he is right: we are still spending on our asset investment program, and will continue to do so, because it is important in the current market for jobs. I think the member said that he supports that; I hope he does. We need to create and maintain jobs in Western Australia. Unfortunately, the reality has come to pass, as I expected when I sat over there on the other side of the chamber, that we are limited to how much we can do on the asset investment side of things, because of the state of the balance sheet. But I think it is generally understood and accepted, whether it be Western Australians or credit rating agencies, that we have the balance sheet in a much better position than it was when I inherited it.

Dr M.D. NAHAN: Is it not the case that your improvement in 2018–19—that is not quite finished yet—is totally due to additional revenue, whereas the Treasurer’s expenditure growth is actually above his budget forecast, even after the accounting change?

Mr B.S. WYATT: No. There are two components there. That is not correct. As I was explaining to the member for Bateman, the increase in expense was from the rebase of the underspend. That has an impact.

Dr M.D. NAHAN: You overspent the previous year.

Mr B.S. WYATT: Correct; that is what happens. That is why we have now provided an ongoing assumption around underspend to try to even this out. We have underspent. That reduces the base of one year, and it flows on to the next and inflates the next year’s base. That is the next year’s spend. There has also been some commonwealth money in and out that hits both revenue and expense. That is what has had that impact there. But the Leader of the Opposition is right. In terms of revenue, there have been two things: first, the iron ore at \$US100 has helped this year, because that is real money in real time; and second, an early payment of the 2019–20 GST top-up. There is no question that that has helped. Importantly, it would not take much for that projected operating surplus to become a deficit.

Dr M.D. NAHAN: Indeed. Just to put it in, over the forward estimates for the years of this government to 2020–21, it has received \$8.8 billion more than it expected from GST and general-purpose grants, tied grants that come above the line, and iron ore prices, accepting the Treasurer’s iron ore forecast. Most of that has been used for additional below-the-line spending.

Mr B.S. WYATT: Most of the commonwealth is matching.

Dr M.D. NAHAN: Yes, I accept that.

Mr B.S. WYATT: We have no choice on that. We could say no, but then I would not be training Western Australians; I would not be building roads; I would not be funding rail; and I would not be putting activity in hospitals. There are all sorts of things I would not be doing. I do not think members opposite would be articulating that position, but we do by and large have matching funding requirements with the commonwealth, and we are continuing to do that. We are doing a range of things. This is what happens when we have tight management of the finances; we can walk and chew gum at the same time.

[4.50 pm]

Dr M.D. NAHAN: Where is the tight management in the accounts? I do not see it.

Mr B.S. WYATT: Where is the what?

Dr M.D. NAHAN: I see a forecast for tight expenditure growth. In fact, I see almost zero expenditure growth in the election year 2020–21. I do not think that anyone believes that.

Mr B.S. WYATT: I find it amusing that I am getting comments on expenditure growth from the Treasurer of the largest spending government in the history of Western Australia. In its first year, it had 13.5 per cent expense growth followed by 10 per cent. The first term of the Barnett government had 10 per cent average expense growth. Over the entirety of the eight and a half years, it had 6.8 per cent expense growth. For us, expense growth in 2017–18 came in at 2.3 per cent. The former government could have only dreamed of delivering that sort of outcome. It has

not been easy, and the work will continue. I say now that I am not going to sit here and cop it on expenditure growth from a Treasurer of the former Liberal–National government that had no self-discipline when spending money or managing the broader economy of WA. That is why when I became Treasurer, we had our only recorded recession and the economy was contracting.

Mr D.C. NALDER: It contracted last year.

Mr B.S. WYATT: The economy was contracting—not state final demand. The rest of the economy was contracting. The only year we have had GSP —

Mr D.C. NALDER: The domestic economy contracted last year.

Dr M.D. NAHAN: We were in a recession last year.

The CHAIR: Members!

Mr B.S. WYATT: No, this is important because the member for Bateman is confused. The only year GSP contracted was the final year of the former government.

Mr D.C. NALDER: SFD.

Dr M.D. NAHAN: No.

The CHAIR: Member, you can ask a question in a second.

Mr B.S. WYATT: At no point while the Leader of the Opposition was Treasurer did state final demand grow, member for Bateman—at no point.

Mr D.C. NALDER: But it contracted last year.

The CHAIR: Member!

Mr D.C. NALDER: We had a recession last year.

Mr B.S. WYATT: But the economy, the actual recession —

The CHAIR: Member for Bateman!

Mr B.S. WYATT: Since we are on this topic, the Leader of the Opposition quite usefully talked about a recession. This is how he described it on 21 May 2014 —

A technical recession is two consecutive quarters of negative growth in GSP; we would struggle to have a technical recession in this economy, given that exports are growing very rapidly.

However, he still delivered one. That was the 2016–17 year, when I came in and had to take on that GSP recession after four years of state final demand contraction. State final demand grew in the first year we were in government. It has contracted —

Mr D.C. NALDER: GSP is all about iron ore.

Mr B.S. WYATT: It does not matter what it is. The economy was contracting under the former government.

Mr D.C. NALDER: The Treasurer is trying to take credit for something that is out of his control.

Mr B.S. WYATT: The member for Bateman was the Minister for Finance. What was he doing in the cabinet?

Mr D.C. NALDER: Stop trying to take credit for something that you have nothing to do with.

Mr B.S. WYATT: He was sitting there wandering around the place not worrying about the economy or employment.

Mr D.C. NALDER: The Treasurer is trying to take all the credit.

Mr B.S. WYATT: I looked at the member's speeches back then. Was he worrying about housing prices? There was not one mention. Was he worried about SFD back then? There was not one mention, despite the fact there had been four years of contraction during that time. Was he worrying about negative equity?

Mr D.C. NALDER: Now you are worrying because of the job I am doing as an opposition.

Mr B.S. WYATT: There was not one mention, despite the fact that 80 per cent of the house decline in Western Australia occurred while the member for Bateman sat on this side of the chamber.

Mr D.C. NALDER: SFD declined last year and it has got worse.

Mr B.S. WYATT: I find the member for Bateman's sudden awareness of the data of the economy amusing, because at no point when he sat on this side of the house did he worry about it.

The CHAIR: To clarify, the minister is responding to a question from the member for Riverton. I have a new question from the member for Warren–Blackwood. I have a follow-up question from the member for Riverton and then the member for Bateman can ask his question.

Dr M.D. NAHAN: I know the Treasurer likes to go back in history as far as he can go. I tell the Treasurer what: let us wager. I brought down three budgets. The Treasurer has brought down three but they have not finished yet, to be fair. I wager, without any changes to assumptions, that expenditure growth on my three budgets is lower than the expenditure growth on the Treasurer's three.

The CHAIR: Are you finished?

Dr M.D. NAHAN: Look at page 40 —

Ms J.J. SHAW: Is that a question?

Dr M.D. NAHAN: I want him to respond. Yes, it is a question.

The CHAIR: Member for Riverton, have you finished?

Dr M.D. NAHAN: Yes; I am waiting for a response.

Mr B.S. WYATT: It was not a question, but I will reflect on that. When I became Treasurer, the economy was in recession. That meant that during the second term of the Barnett Liberal–National government, not one job was created in Western Australia. Over that four-year period, the net position of jobs in WA contracted by nearly 700 jobs.

Dr M.D. NAHAN: I thought Prelude was ending and Prelude started and finished —

The CHAIR: Member, an important response is being given. Please wait. Then you can ask a follow-up question.

Mr B.S. WYATT: I was given an interesting comment and I will give an even more interesting response. Not one job had been created during the four years of the second term of the Barnett Liberal–National government. Western Australians demanded to have some form of aspiration around getting a job in this state. When we came in, we created some confidence; we proved that we could look after things. We could bring expense growth under control. Rather than sitting at 6.8 per cent a year, we could bring that down, and we have done that. We could get ourselves to a position at which we could get control of debt rather than it increasing each and every year to \$40 billion or \$44 billion, whatever number we want to use. The relationship between the previous state government and the federal government had been so poisonous that they were not speaking. My first Treasury meeting made that crystal clear to me, but as a result we managed to secure—this has been the success of the Premier—not only the GST outcome, but also a significant investment in WA by the commonwealth government in infrastructure spend on a range of different projects. As a result, we are seeing jobs being created in WA.

Where are we now? I think more than 40 000 jobs have been created in WA since we came to government. Again, in the entire four years of the second term of the former government not one job was created. That is not bad. People are feeling more confident again. People are coming back into the workforce. People feel as though the adults are in charge in Western Australia again. I think this is a good thing in WA. That is why we will continue to work around this space. I find it interesting that the opposition is now opposed to asset investment spend, but we will continue to invest in Western Australia not only because we need that infrastructure, but also because it ensures that our job creation will continue in the 2019–20 year, which is why we are expecting employment growth, from memory, at 1.75 per cent. This is what we will do, and we will not be ashamed of that effort. If the opposition wants to continue to oppose those things, it can oppose those things. However, if it comes to a comparison of the record of this government and the former, I am happy to have that conversation any day of the week.

Mr D.C. NALDER: I refer to page 4 of budget paper 3. I have jumped a couple of pages because that will lead to my question. Treasury is projecting \$9 billion of surpluses over five years with debt reduction of \$680 million, which reinforces that the government is spending a lot of these surpluses. Page 51 of budget paper No 3 reinforces that \$5.1 million, as the minister quite rightly spoke to earlier, is flowing through the debt reduction account. However, the government has decided not to use that \$5.1 million to pay down debt in the debt reduction account; only \$1.4 million is being used to pay down debt and the government has decided to spend the other \$3.7 million and is dressing it up as avoidance of new debt. The question that comes from this goes to page 236 of budget paper No 3, which shows transfers from the debt reduction account under “Revenue” in the “Consolidated Account Transactions” table, and that \$3.724 million will be transferred out. Why is this classified as revenue in the consolidated account? Does that artificially inflate the government's operating surpluses in 2020–21 and 2021–22?

Mr B.S. WYATT: The answer is no. As the member quite correctly points out, it is the avoidance of taking on further debt.

Mr D.C. NALDER: It is really spending. The government is spending.

Mr B.S. WYATT: It is the avoidance of taking on further debt.

[5.00 pm]

Mr D.C. NALDER: It is really spending—you are spending it.

Mr B.S. WYATT: It is the avoidance of taking on further debt to fund asset investment. As I have said, when I sat on the other side of the chamber I would often make the point that the arrogance of the former government was that it felt it could take the capacity of future governments. There was no sense of obligation under the former government that it had to govern for future Western Australians—that is, prepare the way for economic times that

perhaps would not be so good. Under the previous government we saw a scenario where the government was spending incredibly heavily on a current capital basis, in an environment when our economy was going gangbusters. We were competing with the private sector for labour, and as a result we saw the outcome. The governor of the Reserve Bank of Australia has said, as reported on the front page of *The Australian Financial Review*, that state governments should engage in asset investment to underwrite the economy and create jobs, which is what we are doing. We do not have the capacity to do it to the extent that I would like to because of the debt that was left to me. That is the reality. I am glad the member for Bateman drew attention to the debt reduction account; it is something I am very proud of. It highlights the efforts of this government to reduce debt, and therefore reduce the interest payments that have become an ongoing expense for Western Australians. Perhaps we should talk more about this. Perhaps I will make my third reading response on the budget all about the debt reduction account. I am quite looking forward to it. The point is that we are now managing to walk the lines of returning to surplus, getting debt under control, investing in the assets of the state and creating jobs. As I said, 44 000 jobs created under this government versus a net loss of 700 jobs in the entire second term of the former government says it all.

Mr D.C. NALDER: I think the Treasurer has just acknowledged that he is spending \$3.7 billion of the debt reduction account. I think that is what he did. The issue that I have is not the fact that he is doing it, but rather the window dressing he is putting around it. He is trying to hide it. I do not necessarily deny that, at times, for economic reasons, the government needs to invest in infrastructure to support the economy. I have no qualms about that, but I have a problem with the fact that the Treasurer is window dressing this as debt avoidance, instead of transferring the money out and spending it. I would also like to draw the Treasurer's attention to the fact that he just referred to the capital expenditure of the former government, and that it did not save enough. Let me remind the Treasurer that he can now go back and look at the Treasury analyses of 2008 and 2013, which indicated that, had Labor won the elections back then, it would have spent \$1.1 billion more than the coalition government. Here he is, criticising the former government for its capital spend—he referred to capital spend, and I am sticking to that—when, had Labor been in power, it would have spent more during that time, because that is what the Treasury analysis indicated at the time.

Mr B.S. WYATT: If, if, if—I guess in the end history will show. The Labor Party did not win that election, and unfortunately it showed the hypotheticals versus the reality. The reality is that the former Liberal–National government could not control itself, and, despite record revenues, spent all of that plus some, and as a result it is bedevilling this government, and we will continue to have to make decisions around how I pay for the spending of the former government. However, we can do that, we are grown up now, and also continue to roll out an asset investment program of our own. The way the budget has been well received highlights that we can do all those things.

Mr D.T. REDMAN: I refer to page 72 of budget paper No 3, which refers, in the second paragraph under the heading “Total Transfer Duty”, to total transfer duty being forecast to grow by 6.8 per cent, supported by a full-year impact of the foreign buyer surcharge. Could the Treasurer give us an indication of the expected returns on the foreign buyer tax versus what is now being predicted as the returns of the surcharge?

Mr B.S. WYATT: At midyear review, we wrote down all our land transfer duty, et cetera, well before the foreign buyer duty surcharge came into operation. The forecast revenue from foreign buyer duty for 2018–19 was \$6 million; for 2019–20, \$19 million; for 2020–21, \$22 million; for 2021–22, \$23 million; and for 2022–23, \$24 million, bringing the total to \$94 million.

Mr D.T. REDMAN: Was the first figure a full year—the \$6 million?

Mr B.S. WYATT: No, it only came into operation on 1 January.

Dr M.D. NAHAN: What was the original forecast?

Mr B.S. WYATT: That would have been in the media statement—about \$120 million.

Mr D.T. REDMAN: Is there any analysis showing that that results simply from a depressed property market as distinct from an exit of foreign buyers from the marketplace?

Mr B.S. WYATT: I expect it is probably a combination. I think I went through this during the matter of public interest or suspension debate last week. We have seen a decline in foreign investors over about four years in Western Australia. I will ask Mr Barnes to comment about this, but it is driven more by the housing sector generally. I will ask Mr Barnes to make some more comments.

Mr M.A. Barnes: General market conditions have clearly been the predominant factor, so at midyear review time we wrote down the transfer duty forecast by about \$1 billion over the forward estimates period in total. We took a big hit to our transfer duty forecast at midyear review time. In this budget, we have only had a further marginal revision downwards. When we did that downward revision at midyear review time of \$1 billion over the forward estimates period, that was when we revised down the expected revenue from the foreign buyer duty surcharge from about \$120 million to \$94 million. That is predominantly as a result of the general market conditions. In addition, as the Treasurer said, based on the Foreign Investment Review Board data, the number of FIRB approvals in WA has been trending down in recent years this. For example, in 2015–16, there were over 1 600 FIRB approvals in WA, and in 2017–18 that had fallen to about 700. We have seen a trend there for a few years now. There are a variety of reasons for that, which I will not go through now, but it is a combination of the two factors.

Mr D.T. REDMAN: Is it fair to say that, despite what the Treasurer said about a bit of a spark coming back into the economy, and consumption picking up, the revenue expected from this was massively overstated when it was put in place and is likely to be a significant negative signal to home buyers?

Mr B.S. WYATT: I think that is a fair question. We thought there was an improvement in the housing sector in late 2017, and there seemed to be, but then it came off again throughout 2018. As to a massive overstatement—\$123 million to \$94 million—we will not know until we get through those years and find out. I think that is just reflective of the broader market. We have been writing down land-related tax revenue now for quite a few years, including under the former government, as it came off, and I suspect that Victoria and New South Wales are about to go through a pretty painful process doing exactly the same thing. We are hoping that this is it for those large writedowns—I hope there is not another big one like we saw at the midyear review—of the land and property-related taxes. I think the member for Bateman, or the Leader of the Opposition—I cannot remember now—made the point during the budget debate that we have seen a tightening rental market over the past couple of years, but it has not flowed into what we have historically seen. If we go back and look at the percentage of rental vacancies, we will see —

Mr D.T. REDMAN: The rental vacancy rate is about 3.5 per cent or something. The vacancy rate has come right down.

[5.10 pm]

Mr B.S. WYATT: It is down to about 2.5 per cent. It has come down quickly. In 2017 it was about seven per cent, and it has come down to 2.5 per cent. Historically, when it is at that level, we see an uptick in finance applications, building approvals and commencements, which has not happened. Why is that? When we speak to property groups and property developers they tell us it is access to finance. They tell me that they are getting offers, but the percentage of offers that are falling over due to lack of finance is very significant—hence the Keystart announcement and, I suspect, the freshly elected Prime Minister’s announcement about providing easier access to a deposit to get into the housing market. That is what we have tried to influence with the levers we have.

Mr D.T. REDMAN: Given the concern in the housing market—the Under Treasurer talked about the significant reduction in Foreign Investment Review Board approvals—and the Treasury projections of what will happen in the out years of this policy as a revenue source as being massively understated, has the government seriously considered removing the levy and saying that it needs whatever stimulus it can get right now? The property sector is one of those areas in which we would like to see investment in Western Australia.

Mr B.S. WYATT: Compared with all other states, the percentage of foreign investment in the residential property market is very low.

Mr D.T. REDMAN: Save your pennies and the pounds look after themselves.

Mr B.S. WYATT: The member’s question is whether the policy is distorting things. Depending on the year, the percentage of foreign investment in the WA residential property sector is about one per cent or two per cent. I suspect it is higher in some places. I know it is—other than perhaps South Australia, I think it is higher in all other states. It is a large story in New South Wales and Victoria. All the states have moved down this path of a foreign buyer levy and we are the last to get to it. I will watch this closely. At the moment we are still seeing offers come through. I noted the comments that Michelle Bullock, the Deputy Governor of the Reserve Bank of Australia, made not quite a month ago. She commented that there are much more significant things at play that influence how people invest. I think I quoted her in this chamber last week. She said that restrictions imposed on getting money out of other countries is having a bigger impact. China in particular is being very strict about how people can get money around the world and into Australia. Today there was a story that in the last three years, Chinese investment in Australia has gone from \$16 billion down to about \$3 billion or \$4 billion, so we can see the influence of the Chinese government’s decision. Other factors are certainly at play. I am very aware of the property sector and I am aware of what has happened. With the low level of rental vacancy and with population growth holding, economic growth and population growth will resolve this with time. The state government ultimately has only certain levers. Even the commonwealth government has limited levers, and it has a better ones than I do.

Dr M.D. NAHAN: I refer to page 273 of budget paper No 3.

The CHAIR: As the member is asking a new question, I remind members that we also have divisions 13, 14 and 20, and the Insurance Commission of WA and the Western Australian Treasury Corporation, to get through before 6.00 pm. I remind members to allow them time for their questions.

Dr M.D. NAHAN: I wanted to get some information on the line item “Government Support Package—Koolyanobbing Iron Ore” under Southern Ports Authority on page 273. Was Treasury involved in the decision to allow Cliffs Natural Resources to be exempt from the \$50.2 million termination payment that was due to the Southern Ports Authority? I raised this question with the authority yesterday. It did not know, but, to be fair, it is getting back to me. Did Treasury compensate the Southern Ports Authority for the loss of the \$50.2 million compensation payment?

Mr B.S. WYATT: Yes, Treasury was involved. I will ask Mr Barnes to make some comments.

Mr M.A. Barnes: The answers are yes and yes. Treasury was involved in helping to put together this package for consideration by the Expenditure Review Committee and cabinet. As part of the package, the Southern Ports Authority received an operating subsidy to offset that \$50.2 million termination payment.

Dr M.D. NAHAN: We were told last night that the operating subsidy was potentially in two parts. The first part was compensation for the loss of the termination payment. The second part was that the agreement was to keep the workforce related to iron ore in Esperance stationary and in whole during the transition from Cliffs to Mineral Resources—for six months.

Mr M.A. Barnes: Yes.

Dr M.D. NAHAN: So there are two parts to the assistance to the Southern Ports Authority. Is that all included in the data on page 273?

Mr M.A. Barnes: Yes. In fact, there are three components of the operating subsidy to the Southern Ports Authority that makes up this support package. One is the \$50.2 million subsidy for the loss of the termination payment. The second is an operating subsidy of \$9 million to keep the stevedoring staff on during that six-month transition period. The third is an operating subsidy to the Southern Ports Authority for the value of the discounted port fees it is charging Mineral Resources. Those three components make up the operating subsidy to the SPA.

Dr M.D. NAHAN: Was the subsidy tied to the iron ore price in some way, as it was for Atlas and the junior miners some years ago?

Mr B.S. WYATT: No, I do not think it was. I am trying to think back through the detail.

Dr M.D. NAHAN: Why not? The policy in the past has been that when assistance is given to junior miners, it is tied to the iron ore price, particularly if it is caused by a price collapse. We did this for Atlas Iron and all the junior miners, which the Treasurer is aware of. Now that the iron ore price is sky high, and will hopefully remain that way, why would the government deviate from existing policy and not tie the operating cost for Mineral Resources to the iron ore price?

Mr B.S. WYATT: I do not mean to be evasive, but the member will probably have to put these questions to the Premier. The life of that mine was particularly short.

Dr M.D. NAHAN: It was five years.

Mr B.S. WYATT: It was five years. I suspect that would be the reason. It is a big decision by government and a lot of effort went into it, but we think we struck a balance. If we had done nothing there would have been significant cost to the state.

Mr D.T. REDMAN: Did Mineral Resources also get a royalty reduction on that? Is it for the whole five-year period?

Mr M.A. Barnes: Yes.

Mr D.T. REDMAN: That is not included in these numbers, is it?

Mr M.A. Barnes: No, not in that.

Mr D.T. REDMAN: That is lost revenue.

Dr M.D. NAHAN: The puzzle we have is that we were told that Cliffs announced in February that it would leave, officially told the port in March that it would leave, and shipped its last volume of ore in late June. The agreement was in August. Why did we not collect the \$50.2 million termination payment from that firm?

Mr B.S. WYATT: I would have to go back and get information.

Dr M.D. NAHAN: Does the responsibility lie with the Department of State Development?

Mr B.S. WYATT: Yes.

Mr D.C. NALDER: I refer to the Synergy dividends and income tax expense on page 266 of budget paper No 3. Why is it that Synergy is not making any tax payments or dividends in the out years? Is it because it is running at a loss? If so, what is the forecast loss by Synergy for each of these years of the forward estimates?

Mr B.S. WYATT: The member is correct. It is because it is not making a profit. I think the Minister for Energy will be here tomorrow. The Minister for Energy will be in a better position to answer the question about the out years. The reason will be that it is not making a profit.

[5.20 pm]

The CHAIR: The member asked earlier whether it would be appropriate to ask the questions. Because it is a broad comment on other aspects, we will ask the Treasurer if he wishes to reply.

Mr B.S. WYATT: I will reply as much as I can. I will need to get specific information from relevant ministers.

Mr D.C. NALDER: We will follow that up with the Minister for Energy. Have any concerns been expressed to Treasury about insolvency of the business if it is making these losses?

Mr B.S. WYATT: I have concerns about Synergy's performance that I had when I was energy minister and I continue to have them as Treasurer. The board knows that. The board is taking its cost base seriously and trying to do what it can to get back to a position of profitability. That is as general as I can go.

Mr D.C. NALDER: We will ask the minister. I have one more follow-up question on that. Why was no operating subsidy provided to Synergy—I am interested from a budget perspective—given that it is selling electricity below the cost of production and when other government trading enterprises receive a subsidy or community service obligation for operating in a non-commercial manner? That would be a Treasury decision, I think.

Mr B.S. WYATT: The tariff adjustment payment was paid in 2017–18. We made a decision to stop paying that. In 2018–19, it was due to be \$50 million or thereabouts. We made the decision that it can go about dealing with its own internals to get to cost reflectivity. Of course, now it has other issues at play as well. That is what the board is now having to deal with.

Dr M.D. NAHAN: Synergy is in a tough industry. In the government's first budget, the government took quite a bit of additional money out of its cash balances; it stripped quite a bit of money off it and left it more vulnerable, with less capacity to withstand losses. The government has now lowered tariff increases in this budget, which cumulates. The TAP is very large this time. It comes down to Synergy. It decreases over the forward estimates but it is very large this year. If we add it up, there must be huge pressures on Synergy just as an operating business. That is Treasury's responsibility. There has also been talk about shutting down coalfields eventually—four or five years hence. That is a big issue. There is no capital expenditure for Synergy other than ongoing maintenance. Is Treasury worried about the financial viability of Synergy going forward in this environment?

Mr B.S. WYATT: I am worried about it. As I said a minute ago to the member for Bateman, I am worried about the financial performance of Synergy. It is facing incredible pressures in the energy environment. There is no question about that. I think everyone acknowledges the environment in which Synergy operates. The board is well aware of that; hence, that is why a lot of work is going on and why we gave Treasury more resources around the energy transformation unit. I am probably being as broad as I can around this but, yes, of course we in Treasury are worried about Synergy. It is a state-owned asset, so it is one that we will pay a lot of attention to.

Dr M.D. NAHAN: Synergy does not make a profit and has not for a while; therefore, it does not pay a dividend. The government has lowered Synergy's non-contestable tariff. It is a very difficult environment out there, but there is no TAP. Is Synergy booking losses; and, if so, given that it has very few liquid assets, is it facing significant issues going forward from the perspective of Treasury managing a government business enterprise?

Mr B.S. WYATT: To a certain extent, yes, it will be booking losses, clearly.

Dr M.D. NAHAN: How much?

Mr B.S. WYATT: Again, I am not sure when the energy minister will be appearing. Apparently, it is tomorrow.

Dr M.D. NAHAN: This is a Treasury issue.

Mr B.S. WYATT: The member should put that question to him. Effectively, Synergy legislation—the retail generation act or whatever it is called—undoubtedly means that the state stands behind it as an organisation. With respect to the costs of Synergy, the board is working overtime on this. I am well aware of Synergy's issues and the concerns of the government. It will take a lot of effort to get Synergy back to where we want it.

Dr M.D. NAHAN: From a Treasury perspective, this is a risk to the budget. As a former energy minister, I know that these can be large. Treasury has responsibility for managing government business enterprises, of which Synergy is one of the largest. That gives some indication of the magnitude. My concern is that if I go to the energy minister, he might not have the same analysis and data that, indeed, Treasury has, as an independent overseer of government business enterprises. We will explore it with the minister. If we add these things up, they do not add up. If we put them together, they do not add up. Synergy has to be accumulating losses this year and throughout the forward estimates. They are perhaps substantial losses. It does not have the physical capacity to accumulate very much.

Mr B.S. WYATT: I am kind of in agreement with the member about accumulating losses. We need to do what we can to make sure they are as small as they possibly can be. Ultimately, the energy minister will no doubt give the member a broader explanation of what Synergy is doing in response to that, which he is certainly well placed to do. If, for whatever reason, the member needs more information, I am sure questions on notice can resolve it.

Dr M.D. NAHAN: I have a question relating to this, which is probably straightforward. I refer to page 280 of budget paper No 3, which sets out the published tariffs. There are two types of contestable tariffs, for which there is a 30 per cent increase and a 28 per cent increase respectively over the forward estimates. This is a very large increase in tariffs by any stretch of the imagination, and much larger than the forward estimates of last year. Could the member give me an indication of why they are such large increases?

Mr B.S. WYATT: It is the cost of Synergy, to be frank. The member is talking about the contestable tariff of eight per cent. It is an interesting one, because the Economic Regulation Authority's draft decision for Synergy on the fourth access arrangement initially had the distribution tariffs falling by an average of 2.2 per cent over the life of the AA4, but its final decision had it increasing by three, four and nearly two per cent. There was quite

a considerable change. These tariffs, in respect of this contestable space that we are talking about here—L3 and L4—are set with reference to Synergy's costs, and the price paths that are reflected in the budget. This is not maintaining cost reflectivity, which will further expose Synergy to the issues that we were just talking about around cost. In that contestable space, Synergy is under pressure.

Dr M.D. NAHAN: Yes, but if a business is under pressure in a competitive market and it increase its prices by 32 per cent, we know what happens.

Mr B.S. WYATT: Correct, and this is the issue around contestability in this space. The contestability is strong. We have declining consumption under these tariffs as well, so the fixed costs are spread amongst a thinner base and the higher network costs are as a result of the fourth access arrangement. This is the reality when we have a contestable environment, unlike when we own it and we can set it. We can do that for Western Australia, and those medium businesses have the opportunity to look around.

Dr M.D. NAHAN: My understanding is that these prices are fixed prices for small businesses that have long-term contracts with Synergy. They are really sticky; they are not sensitive to price increases. My experience is that if they are jacked up too high, they will leave. Increases of 32 per cent and 28 per cent are huge. We could see a very large share of Synergy's purchases evaporate overnight in competition with others. Who set these prices at this level?

[5.30 pm]

Mr B.S. WYATT: The AA4 has the impact on the revenue that can be recovered by Western Power, and then that flows through to Synergy. That is the point I made about the draft decision and the final decision, which were dramatically different. That made it very difficult for Synergy to deal with. It was very lumpy—there were some significant increases—so we smoothed things as best we could to get to that. But the points the member makes are valid.

Mr D.T. REDMAN: I have a broader question. I have been struggling to understand where in the broader budget the district allowances lie. These district allowances have been paid to people who work in regional areas in the general government sector, with the exception of teachers, because they have particular industrial relations arrangements. There have been references to some small changes spattered through the budget, which in some cases were not big enough to trigger a line item. I wonder where they are. Are they funded out of the agencies' costs, or is there an external reference to what the figure should be and a central payment arrangement? I noted in answer to questions yesterday to the Department of Regional Development that mention was made of a regional price index survey that was used every two years to measure the cost of living in the regions, and different district allowances were applied to different regions. Can the Treasurer give me an indication of how they are applied across government agencies and the mechanism of how that works?

Mr B.S. WYATT: I would have thought it would have been at the agency level, but I am looking around for some confirmation from someone.

Mr A.D. Jones: They are in the agency budgets. The policy is set under delegation through public sector labour relations. The member may remember from previous times that a determination is made of what that district allowance is. They are wrapped up in the agencies' employee benefit costs. If the member wants to find a breakdown of them, I suspect he would have to ask for it, rather than get it from the budget papers.

Mr D.T. REDMAN: A question on notice, yes.

Dr M.D. NAHAN: I have a couple of questions on public transport subsidies. I refer to page 139 of budget paper No 2, volume 1. There is a line item for the Public Transport Authority of Western Australia under "Operating Subsidy Payments". The figure goes up sharply in 2019–20, but is basically stationary to declining over the rest of the time. Given the government has great expectations of expanding the public transport network and patronage, I am surprised by the decline in the subsidy. Could the Treasurer explain that?

Mr B.S. WYATT: I suspect the increase is driven by bringing in Forrestfield–Airport Link into 2019–20 for a start. I also expect that it is due to the operations of transport to the stadium. I suspect that FAL is the reason for the majority of the increase. It is a good question about the decline across the forward estimates. Perhaps assumptions have been made about patronage, but I cannot tell the member. I will have to come back to him.

Dr M.D. NAHAN: Will FAL come online and into operation in 2019–20?

Mr D.C. NALDER: It is late 2021, is it not?

Mr B.S. WYATT: Let me just confirm that. It is not 2019–20.

Mr D.C. NALDER: Late 2021 is written in the budget papers, so it is not 2020.

Mr B.S. WYATT: That is wrong. I apologise for what I said. The figure for 2019–20 does not include the operating subsidy for FAL—it starts from 2021 or 2022. The increase would then be due to a range of things such as patronage numbers and other factors. I suspect the stadium has also gone into that. I have found something of some use. The operating subsidy will increase in 2019–20 compared with the estimate in 2018–19. The main drivers are cost escalation for bus service contracts, other service contracts, railcar infrastructure maintenance and

cleaning, and labour costs. FAL does make up a component, which is around recruiting, but it is \$12 million. There is a range of factors there, including expenses associated with design and technical assessment work for platform extensions on the Armadale rail line, and a range of other issues. I will have to come back to the member about the assumptions in the out years.

Dr M.D. NAHAN: I understand. Going forward to 2022–23, the figure goes up in 2021, and then down. My real issue is that the government has grand plans for expanding the rail system with the Yanchep and Cockburn–Thornlie lines, and I understand they will be operating by that time. Are the subsidies in the budget for those two expansions?

Mr B.S. WYATT: No, there are not.

Dr M.D. NAHAN: Why not?

Mr B.S. WYATT: Because we have not finalised those costs yet. The figures for the Yanchep line and the Cockburn link are not in the budget yet. They will likely come in in the midyear review, but at the latest in the next budget.

Dr M.D. NAHAN: Why is that?

Mr B.S. WYATT: We have to work out the costs.

Dr M.D. NAHAN: What about the Ellenbrook line?

Mr B.S. WYATT: We are at the point of starting the tender and still have to get an understanding of costs. They will come in then. It is the same with Ellenbrook. That is at an earlier stage of development than those two projects, and it will come in in due course, too.

Dr M.D. NAHAN: Has Treasury done some modelling on expectations of increases of operating subsidies to those three expansions?

Mr B.S. WYATT: We have done preliminary work for Yanchep and Cockburn, because we are a lot more progressed. As I have said, chances are we might be able to bring them to book in the midyear review, but not yet for Ellenbrook.

Dr M.D. NAHAN: Will the Treasurer let us know what he thinks the broad magnitude of the increase in subsidy would be?

Mr B.S. WYATT: No, I cannot yet. I could not give a reliable number at this point.

Mr D.T. REDMAN: I refer to the government's asset investment program referred to on pages 260 and 261 of budget paper No 3, the *Economic and Fiscal Outlook*, and specifically page 262. Two things on that page stand out as interesting. One is the provision for slippage. What is the basis for that, given the Treasurer has a chance to stick in the numbers of what he thinks the play is going to do and is already writing a cost to it, which I find interesting?

Mr B.S. WYATT: This is a historical underspend. As the member will see, we do not assume a net debt benefit from that. We effectively assume it is spent across the forward estimates over 2020–21, 2021–22 and 2022–23. This is similar to the issue I raised before about trying to get some form of accurate calibration of general government underspend. I think that is about right, is it, Mr Barnes?

Mr M.A. Barnes: Yes, that is correct. We have had underspends in the asset investment program of that sort of magnitude, or even more, for many consecutive years. Agencies typically—in fact, always—in aggregate are over-optimistic in terms of their spending intentions and the timing of those spending intentions, so we have built in for many years an underspend provision in the asset investment program. We are now calling it a “slippage” provision, because we assume that it will be caught up in the subsequent years.

Mr D.T. REDMAN: I have another point about the same table. The bottom of the table lists one of the expected sources of funding as land and property sales. As a former lands minister, I know how absolutely challenging it is to get land out the door, for a whole range of reasons. I suspect, and the Treasurer can probably confirm, that some of these numbers are probably loaded with what the Minister for Transport might describe as “uplift”. How much uplift in land values has been factored into these numbers, and how is that going so far?

[5.40 pm]

Mr B.S. WYATT: The member's first comment about getting land out the door is right. The member may recall that there was a small writedown in the budget and a big one at the midyear review. Is the member's question about what we are assuming around an increase in value?

Mr D.T. REDMAN: There are two things: the integrity of the numbers and how much of those numbers is land uplift. Train lines are going through what the Treasurer has described as activity centres, and there are going to be asset sales around that that will presumably get a benefit.

Mr B.S. WYATT: I could not tell the member. I expect not a lot, to be honest. I expect that most of those figures have been arrived at just at current value. That is why we have been writing them down.

Mr D.T. REDMAN: The land assets referred to in the budget are the general government land assets that might be held by the Water Corporation and other agencies, as distinct from train line uplift from property sales of government.

Mr B.S. WYATT: Correct.

Mr D.T. REDMAN: I suspect the Treasurer is going to find that challenging.

Mr B.S. WYATT: Yes. I suspect the member is right.

Dr M.D. NAHAN: The Treasurer inherited a situation in which the government had put a lot of money aside for a National Disability Insurance Scheme Western Australian model. The government backed out of that; that was its decision. That is moving a large number of people out of the public sector. It made some changes to the budget last time. Is it possible to get some aggregates, taking the NDIS out of it, so that we have comparability over time? The NDIS, or disability services, was a major source of growth of our expenditure, and over our watch it grew by 120 per cent. It is huge. Now it is out of the government's budget to a large extent, so it is a major growth factor, but is also in and out in different ways. Maybe the Treasurer has done it, but could he give us some indication of the aggregates over time, taking the NDIS or disability services out?

Mr B.S. WYATT: Can I come back to the member on that one? I have some information, but I am not sure whether it is relevant.

Dr M.D. NAHAN: The Treasurer can come back to me; that is fine. I did not think it was going to be easy.

Mr B.S. WYATT: I know what the Leader of the Opposition is asking. It is just going to be complicated; that is all.

Mr D.T. REDMAN: I refer to page 64 of the *Economic and Fiscal Outlook*, under "Spending Risks". One of those risks is contaminated soil from the Forrestfield–Airport Link. There has been a bit of public commentary about the Minister for Transport engaging with the person who was at the time the deputy chair of the Peel Development Commission, to try to find a home for pretty significant amounts of contaminated soil. How big is this risk, and what are the likely numbers? I assume Treasury would have been given some indication, given that Treasurer has seen fit to include it in this part of the budget papers. Can the Treasurer give us some idea of the quantum in and around that risk?

Mr B.S. WYATT: The first point I will make, obviously, is that the deputy chair of the Peel Development Commission had some artistic licence in that well-reported conversation.

Mr D.T. REDMAN: In an FOI request, there is a letter that makes reference to the minister discussing it with him.

Mr B.S. WYATT: There may be letters, but what he said had some artistic licence. I do not have the cost yet.

Mr D.T. REDMAN: What is the threshold of numbers that —

The CHAIR: I think the minister is still clarifying that, and he might have an answer for you.

Mr B.S. WYATT: The Forrestfield–Airport line has a contingency for all sorts of things, including this. We hope that the risk that is being identified here might be bigger than the contingency to spend. That has not yet eventuated, but Treasury is highlighting that it is a concern. We are still working that one through.

Mr D.T. REDMAN: If the anticipated risk was \$2 million or \$3 million, I cannot imagine that the Treasurer would have bothered to include it in here.

Mr B.S. WYATT: No. The member is probably right. The risk is that it might be significant.

Mr D.T. REDMAN: Are we anticipating something in the hundreds of millions of dollars?

Mr B.S. WYATT: I would not say hundreds, but perhaps tens. It might get to that point. At the moment we do not know, but the risk is that there is a set budget; there is contingency. Treasury is highlighting the point that there is a risk that that budget will not be enough to cover that contingency. We still do not know. Ultimately, a lot of work is still going into what we can do with this.

Mr D.T. REDMAN: Can the Treasurer remind me what the contingency is?

Mr B.S. WYATT: No, I cannot. Again, if I had the Minister for Transport sitting next to me, I could probably tell the member, but I can get it via supplementary information if the member wants it. I will provide the member for Warren–Blackwood, by way of supplementary information, the contingency budget of the Forrestfield–Airport line.

[*Supplementary Information No A17.*]

Mr D.C. NALDER: I refer to page 144 in budget paper No 2 and the fourteenth point, which states —

Treasury, working with other State agencies, will continue to press for a fair outcome from the Commonwealth Grants Commission's review of its methods for distributing GST ...

It states that there is a commission draft report expected in May, and I wonder whether that has been received. I am also intrigued about what we are trying to seek improvements on. Is it to do with things such as local gas, on the basis that if other states are locking up their gas reserves and not fracking it, we would appeal that we should

not have our revenues taken into account by GST grants because other states have the ability to do those things? Is that the sort of thing that the Treasurer is looking to do? What other examples does the Treasurer have that he is trying to change with GST grants?

Mr B.S. WYATT: I will ask Mr Barnes to comment, but the member may recall that the Productivity Commission identified a range of other things around how the Commonwealth Grants Commission processes worked. One thing that I found strange or frustrating is that the Commonwealth Grants Commission will not give us, for better terminology, a draft ruling. We cannot say, “If we make this policy change, how will the Commonwealth Grants Commission consider that?” It will not tell us. It will say, “Go and do it, and then we’ll let you know”. As a result, the Productivity Commission recommended that it have a process of draft ruling so that states could get a better idea of how that could be considered. It is more around the transparency side of things. We are still pursuing a range of other recommendations from the Productivity Commission. On that, I will ask Mr Barnes to make some further comments.

Mr M.A. Barnes: To the member’s first question, we have not received that draft report yet. The issue at hand relates to the whole range of methodological issues that the grants commission examines. We deliberately highlighted that because I think there is a general perception that with the GST reform deal, which is done, there is now no risk to WA from any methodology changes, whereas in fact in the future there is. Once our normal relativity gets to above 70 per cent, which at some point in the future it will, then we are still exposed to these sorts of methodological changes by the grants commission. In fact, late last year, the day after the GST reform legislation passed the Senate, the Commonwealth Grants Commission put out a discussion paper flagging several different options for changing the way it assesses royalty revenue-raising capacity. Some of those options, in the future, could have a material impact on WA’s GST relativity. That is one example. Other examples are the methodology it uses to calculate wage costs or the way it assesses our health spending needs. These are technical methodological issues that we have been concerned about for a while. We still have concerns and they still pose a risk to our future GST relativity. Those are the sorts of issues that we are flagging.

Mr B.S. WYATT: It is a complicated beast that Commonwealth Grants Commission. I have never come across an organisation like it before.

Mr D.C. NALDER: It is over-complicated. It should be simple.

Dr M.D. NAHAN: What is the Treasurer’s assumption on wages growth beyond the four-year period set in the government’s current wages policy? He has a wages policy that goes for four years. I think it finishes within this forward estimates. For the last year the Treasurer has to make an assumption. What is the Treasurer’s assumption?

Mr B.S. WYATT: We have not made any change to the assumptions around it.

Dr M.D. NAHAN: So it is \$1 000?

Mr B.S. WYATT: At some point we will have to make a decision as a government about what happens post that policy.

The appropriation was recommended.

[5.50 pm]

Division 13: Office of the Auditor General, \$8 816 000 —

The appropriation was recommended.

Division 14: Finance, \$419 591 000 —

The appropriation was recommended.

Division 20: Economic Regulation Authority, \$2 439 000 —

Mr T.J. Healy, Chair.

Mr B.S. Wyatt, Treasurer.

Ms J. Gardner, Chief Executive Officer.

Mr R. Sarawat, Executive Director, Energy Markets.

Mr P. Kelly, Executive Director, Regulation and Inquiries.

Mr R. Pullella, Principal Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The Treasurer 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 Treasurer 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 Treasurer's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May 2019. I caution members that if the Treasurer asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Riverton.

Dr M.D. NAHAN: I refer to page 254 of budget paper No 2, volume 1. The second paragraph under "Significant Issues Impacting the Agency" states —

The Authority has finalised its investigation into Synergy's pricing behaviour in the Wholesale Electricity Market ... and concluded that there was a potential breach of the WEM rules.

That is in the Western Australian energy market. Is the Economic Regulation Authority concerned that Synergy's residential tariffs are not cost reflective and that Synergy is not receiving a tariff adjustment payment? Is the ERA concerned that, first, Synergy has been operating inappropriately in the wholesale market; and, second, that current residential tariffs are not cost reflective and, at the same time, Synergy is not receiving a tariff adjustment payment?

Mr B.S. WYATT: I ask Mr Sarawat to respond.

Mr R. Sarawat: As far as the first question is concerned, we looked at the wholesale energy market and found Synergy to be in breach of a rule within the wholesale energy market rules. As far as the retail tariff is concerned, the ERA does not and did not look into retail tariffs; accordingly, we did not look at the TAP.

Dr M.D. NAHAN: What was the nature of the breach? What is the effect of the breach and the effect of the ERA finding that there was a breach?

Mr B.S. WYATT: I will again ask Mr Sarawat to answer. Obviously, the Electricity Review Board will have a role to play in this process.

Mr R. Sarawat: Rule 7A.2.17 of the Wholesale Electricity Market Rules requires market participants to bid in accordance with the short-run marginal cost of generation. The ERA found that Synergy had bid above what was considered to be the short-run marginal cost and that that behaviour relates to Synergy's market power.

Dr M.D. NAHAN: What is the outcome of that finding?

Mr B.S. WYATT: Again, I note the role of the ERB.

Mr R. Sarawat: We found it to be in breach and have now referred the matter to the Electricity Review Board. We are waiting for the process of the Electricity Review Board to make a decision.

Mr B.S. WYATT: The Electricity Review Board will ultimately decide whether that is the case. A process still needs to be gone through before a final determination will be made about Synergy's behaviour.

Dr M.D. NAHAN: Essentially, did the ERA find that Synergy was charging above the regulated price, the low-run marginal cost, in the wholesale market in which it is by far the dominant player?

Mr R. Sarawat: That is correct.

Mr D.T. REDMAN: I know that the Economic Regulation Authority has just resolved access arrangement 4 with Western Power. My question goes to the new facilities investment test and how the ERA will treat Western Power in an environment in which distributed energy resources are coming on substantially. There are a number of pilots around the state in which DER is playing out as a cost-effective solution. How does the ERA treat the new facilities investment test, given the significance of these changes? Does it consider meeting a service standard as critical to a DER alternative to a poles and wires solution?

Mr B.S. WYATT: That is a good question. I expect it is based on similar efficiency matters. However, Mr Püllella is better placed to answer that than I am.

Mr R. Püllella: The situation with the code is that there is a regulatory test that determines an appropriate solution for delivering services, particularly increased services. That test needs to be passed. That is the threshold for any investment in increasing service levels. That goes to solutions that are not poles and wires. It can include demand response or generation, but that test does not apply to DER, and DER was not necessarily envisaged because it is not in the asset base of Western Power. Western Power's assets are poles and wires. It does not have, as I understand it, the mandate for generation.

Mr D.T. REDMAN: Is it fair to say that decisions that are being made now, including the regulatory oversight from the ERA, will potentially come up with sub-optimal solutions, given the regulatory constraints?

Mr R. Püllella: When the member says "sub-optimal" —

Mr D.T. REDMAN: I will give an example. The community of Walpole had massive issues with power outages throughout Easter. The poles and wires from Walpole to Denmark and Albany have trees all over them. Meeting a service commitment for Walpole is very difficult. Alternative solutions could be presented, but they might be very difficult for Western Power to achieve, given the ERA's oversight.

Mr B.S. WYATT: Before I refer that question to Mr Pullella, I think that some of that is probably unreasonable for him to deal with. However, the question of whether the ERA is allowing what might be sub-optimal investment is probably the best question for Mr Pullella to answer.

Mr R. Pullella: The ERA is not allowing sub-optimal investment, but it has nothing to say about DER at this point because it is not in the asset base that we are responsible for regulating. Those decisions are currently not addressed under the access code directly.

Mr B.S. WYATT: Therefore, as a result, the member can extrapolate his own view about DER and where we are on the access code.

Mr D.T. REDMAN: That will be the importance of some regulatory reform.

Dr M.D. NAHAN: On 17 November, the ERA looked at the efficient costs and tariffs of the Water Corporation. It found that a typical Perth customer could be about \$400 better off if there was a regulated price. Can the Treasurer give me an estimate of what the price of water would have to drop on average to get full cost reflectivity?

Mr B.S. WYATT: In the metropolitan area?

Dr M.D. NAHAN: Yes.

Mr B.S. WYATT: I refer that to Mr Kelly.

Mr P. Kelly: Unfortunately, I do not think we can give the member that figure.

Dr M.D. NAHAN: The authority cannot?

Mr P. Kelly: No. We do not have it.

Dr M.D. NAHAN: The ERA came up with an estimate of what the rate of return would be and how Water Corp is overcharging. We know what tariff is levied now.

The CHAIR: I have to put the question.

The appropriation was recommended.

Insurance Commission of Western Australia —

The CHAIR: I note for the minutes that the Insurance Commission of WA was not examined.

Western Australian Treasury Corporation —

The CHAIR: I note for the minutes that the Western Australian Treasury Corporation was not examined.

Meeting suspended from 6.00 to 7.00 pm

Division 41: Planning, Lands and Heritage — Services 2 and 4, Lands, \$70 850 000—

Mr I.C. Blayney, Chair.

Mr B.S. Wyatt, Minister for Lands.

Ms G.D. McGowan, Director General.

Mr M. Hanrahan, Chief Finance Officer.

Mr M. Darcey, Assistant Director General, Land Use Management.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

The member for North West Central.

Mr V.A. CATANIA: I refer to page 608 of budget paper No 2, volume 2. The first paragraph under “Significant Issues Impacting the Agency” makes reference to building 150 000 new homes and unlocking land around Metronet stations and infrastructure. Can the minister confirm the total amount of land area expected for planning use change as a direct result of Metronet?

Mr B.S. WYATT: Does the member mean planning change by zoning changes?

Mr V.A. CATANIA: I refer to zoning changes and how much land the state government will be required to purchase to fulfil that.

Mr B.S. WYATT: That question is more for the Minister for Planning, so the member might want to put that question specifically to her. I cannot remember the exact number, but I know that over 90 per cent of the required land has already been purchased.

Mr V.A. CATANIA: The minister says 90 per cent of land has already been purchased, so what is the total cost of that land purchase? Is that in the minister’s area of responsibility?

Mr B.S. WYATT: The vast majority would have been purchased over time through the metropolitan region improvement tax et cetera, because a lot of those rail corridors were established years ago. The Metronet land sales program—if that is something of interest—has a target of \$305 million, which will be generated by the sale of land assets unlocked for disposal by Metronet infrastructure and planning. Of the \$305 million target, \$205 million has been earmarked to be sold to LandCorp and the Department of Communities for development. But I do not think that actually answered the question the member asked. In terms of the percentage of land that requires zoning changes, the member will have to ask the Minister for Planning.

Mr V.A. CATANIA: Does the modelling to show the government how much it has purchased the land for and how much it is going to sell it for come under the minister’s jurisdiction, or is that under the Minister for Planning’s jurisdiction?

Mr B.S. WYATT: That is Minister Saffioti’s jurisdiction.

Mr D.C. NALDER: I refer to page 607 and “Spending Changes”. Under “New Initiatives” is the “Geraldton Alternative Settlement Agreement”, which has an estimated actual of \$552 000 in 2018–19, a budget estimate of \$2.082 million in 2019–20, and around \$5 million for each year of the forward estimates. I do not know what that is, and I could not find any notes on it. What is that spending change and what does it relate to?

Mr B.S. WYATT: Those are good questions. The Noongar native title agreement was negotiated under the previous government, and then, obviously, we have had some obstacles with the registration and court process. The Geraldton native title settlement will be the second largest in the state. I will put that on the record while I can. The Department of the Premier and Cabinet is leading negotiations with the traditional owner negotiation team, the State Solicitor’s Office and others. Currently, the traditional owner negotiation team consists of 12 representatives from the southern Yamatji, Widi mob, Hutt River, and Mullewa Wadjari applicants. This has been a long-term native title—originally a dispute, now a negotiation. It took a long time to resolve the boundaries with the different groups, but that has now been resolved.

Mr D.C. NALDER: This tribe was in the Yamatji group?

Mr B.S. WYATT: That is correct. This is the biggest component of the Yamatji native title claims. It will be significant because it is based around Geraldton and surrounding areas. The government has so far committed \$47.4 million over 10 years in implementation costs, of which \$18.42 million—which is what the member can see in the forward estimate—is really about delivering the land and heritage benefits under the proposed Indigenous land use agreement. We have a fairly tight time frame imposed on us by the Federal Court. We are required to reach an in-principle agreement by 30 July this year and then have it authorised by the end of December this year. This has been a long-term effort that is now reaching the pointy end. That is what that money is for. If we can do this, it will be the second largest settlement of native title in terms of size in WA. Of course, like Noongar deals with a very large percentage of the population of WA, Geraldton also deals with a significant portion. There is a lot of freehold land and farming tenure. It is going well, but the court has imposed a very tight time frame on the state.

[7.10 pm]

Mrs L.M. HARVEY: Under the “Land Asset Sales Program” on page 609, the government is looking at managing the divestment of surplus or underutilised state property. This might be too specific a question for estimates, but I notice that the Graylands site has been decommissioned. Adjacent to the Graylands site is the disabled horseriding facility. Does the minister have any information on whether the Graylands site may be amalgamated with the disabled horseriding site?

Mr B.S. WYATT: That is a very specific question. I can come back to it, but I suspect that supplementary information might provide a generic answer.

Mrs L.M. HARVEY: I will put it on notice. I thought it might be a bit too specific. I understand that the site is adjacent to Graylands. There was a police-owned site in the vicinity. That particular not-for-profit organisation really cannot relocate anywhere else and is a bit concerned about being moved on from that site. If it is amalgamated, it will be quite a big parcel of land.

Mr B.S. WYATT: I do not know, but I will look into it.

Mrs L.M. HARVEY: I will put it on notice.

Mr B.S. WYATT: Thank you.

Mr D.C. NALDER: My question relates to asset sales and mistakes of previous governments. I am not politicising it because I think it has happened on both sides. Demographic changes in communities have meant primary schools have closed down. Governments of the day have said, “We don’t need it, we’ll sell it”, and then, a generation later, when demographics change—people have passed on and new families move in—all of a sudden we are short of schools and we are trying to acquire land. Sometimes there is a short-term gain to be made by governments saying, “We can realise \$300 million here” and they tend to grab it and leave the problem for the future. How do we ensure there is proper strategic planning in government departments to ensure that land is not being sold off that may be required in 10 or 20 years?

Mr B.S. WYATT: That is a good question. I can probably make some general comments around Education in particular. I will provide an example from my own electorate. When I was in high school, student numbers at Lathlain Primary School were down and the department was keen to sell that land. There was a bit of a local backlash to that. At that time, Lathlain was an older area but it has now fundamentally changed. It is now a very young area and the school is bursting at the seams. Agencies need to get better at modelling their own requirements around land use. What traditionally happens is that agencies will come through us for land sales without thinking about their own requirements. I suspect it is one of those things that governments will get right by and large, but along the way they occasionally get it wrong. It is a fair question that, I think, over time, we get better at managing. One thing I find is that we are forever putting money into the education budget to buy land in the outer suburbs of Perth that was effectively sold by the state to a developer. At some point along the way we could have made a different decision. It is a fair call.

Mr D.C. NALDER: The department of planning undertook an analysis through the population being at 3.5 million and beyond in the future. When I was a minister I tried to get the Department of Transport to work alongside that to understand the strategic planning. Is there a need for Lands to ensure that Education has undertaken this work so that we do not make some of those obvious errors in the future? Is that occurring; that is, long-term strategic planning on where primary schools need to be located, if the population is still expected to grow towards three million by 2050, and five million by the late 2060s and early 2070s?

Mr B.S. WYATT: It is a good question. I will ask the director general to make some comments, but ultimately the purpose of Perth and Peel@3.5 million and the plethora of planning documents et cetera—not just through Planning but through the agencies, whether it be Transport et cetera—is supposed to do that work. I will ask the director general to make some more specific comments.

Ms G.D. McGowan: Although it is a question for the Minister for Planning, as recently as about a fortnight ago, I, along with some of my senior staff members, met with the director general of Education and staff to talk about that very topic, at the request of government. There have also been ministerial-level meetings. We are now working quite closely with Education on school sites more generally in the planning for both primary and high school sites, looking at how we can do a little more work in that space. A lot of active work is going on.

Mr D.C. NALDER: It is not just education. It makes sense to me, if we are planning a city for 30 years’ time, that the elements of hospitals, schools, police stations, courthouses, prisons, whatever it might be, are taken into account. We need to know where they should be located over that same sort of time frame so that it is mapped out. We would then understand where public transport needs to feed to and where the key activity centres are. All these things need to be done well in advance so that we are not paying a premium for that land in 30 years’ time when it becomes a crisis to build it. Too often governments from both sides are crisis managing and are very focused on this. How do we ensure we lay those foundations? Referring to the population being at three million in the future, how certain is the minister that due consideration has been given to land requirements for the state to ensure we are not selling off an asset that we will have to spend a lot more on? Is the minister comfortable that those decisions have been made in the right manner or is that work in progress as the department goes through that?

Mr B.S. WYATT: I think it is. Perth and Peel@3.5 million is to do that very thing. The efforts of Metronet et cetera is to ensure that land is utilised well. The key person sitting around here at the moment is the director general so I will let her provide some comments.

Ms G.D. McGowan: Thank you, minister. We have really increased the level of spatial mapping across the metropolitan area that actually includes infrastructure. There is current and potential future provision in there as well. That, combined with looking at surplus government land or land that is under the control of the state, is very much part and parcel of what we are doing for Metronet. Obviously there is legislation before Parliament at the

moment to establish Infrastructure WA. We would see the infrastructure coordinating group, or a subset of the Western Australian Planning Commission, still doing the lower-order coordination; that is, projects of less than \$100 million or whatever threshold Infrastructure WA finishes at. We are now able to map the impacts of any demographic change where we see the future population that is outlined in Perth and Peel@3.5 million and what that will mean in terms of infrastructure provisions, including schools and hospitals. My favourite is always cemeteries, because that is one we often overlook.

Mr V.A. CATANIA: Is there a spike in FTEs in the department because of the infrastructure bill that has gone through, and perhaps a number of FTEs have been recouped to the Infrastructure WA side of things?

Ms G.D. McGowan: I would love there to be a spike to that degree, but no. There are a couple of changes in the FTE provisions. We have some staff in relation to the implementation of the south west settlement and the Geraldton alternative settlement, but in this particular budget the main provision has been around the Metronet provision. From memory, it is about \$8.5 million, which will provide another seven staff. We currently have about 10 staff, from both the land use management side and the land use planning side of the agency, working with the Metronet team. Metronet itself has only a few core staff and the rest have been supplemented by placements from agencies. The other addition to that is an intake of seven graduates a couple of months ago added to the spike. It is actually settling down with the coming together of the agencies.

Mr V.A. CATANIA: I refer to “Details of Controlled Grants and Subsidies” on page 618 of the *Budget Statements* and the line item “Bushfire Risk Management Planning”. Can the minister confirm whether funding for this program ceases at the end of 2019–20 and has not been allocated from elsewhere in the budget thereafter?

[7.20 pm]

Mr B.S. WYATT: That is in respect of this component but the emergency services levy funding component of \$35 million carries on.

Mr V.A. CATANIA: Of the \$5.76 million allocated next year, how much is for risk management on regional crown land?

Mr M. Darcey: All of it. The money is distributed through the Department of Fire and Emergency Services and the Department of Biodiversity, Conservation and Attractions for the management of crown land primarily inside of town sites but also adjacent to towns in the regional context.

Mr V.A. CATANIA: Is the minister able to provide a forward plan of the bushfire risk mitigation spend for the year ahead?

Mr B.S. WYATT: The funding comes this way but DFES plans how it is rolled out.

The appropriation was recommended.

Division 43: Western Australian Land Information Authority, \$33 744 000—

Mr I.C. Blayney, Chair.

Mr B.S. Wyatt, Minister for Lands.

Mr G. Gammie, Chief Executive Officer.

Mr G. Dewar, Chief Finance Officer.

Mr E. Soares, General Manager, Business Enablement and Location Data Services.

[Witnesses introduced.]

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I give the call to the member for Scarborough.

Mrs L.M. HARVEY: I refer to page 635 and the divestment of the state’s PEXA shareholding. How much money did the sale of PEXA return to the government and where has that profit been invested?

Mr B.S. WYATT: Landgate held an 11.83 per cent shareholding in PEXA on behalf of the state government. The Landgate board and the Minister for Lands; Treasurer accepted a trade sale of the shareholding resulting in total proceeds of \$185.5 million. The Expenditure Review Committee approved that 100 per cent of the proceeds of the sale of the PEXA Ltd shareholding be returned to the consolidated account, which has been done by two payment methods. The gain on sale was subject to a 30 per cent corporate tax equivalent payment with the post-tax proceeds returned to the consolidated account via the recommendation of the board of an interim dividend; so most of it was paid by way of dividend through Landgate under the Land Information Authority Act 2006. In total, \$185.3 million was returned to government in the 2018–19 financial year via the income tax payment of \$43.9 million and an interim dividend payment of \$141.4 million.

Mrs L.M. HARVEY: So it all went into the consolidated revenue account?

Mr B.S. WYATT: Yes.

Mr V.A. CATANIA: I refer to page 634, “Spending Changes”, and to “Landgate Partial Commercialisation Project”, with the funding for Investec Australia rounding out to \$416 000 in 2019–20. I have tried to get briefings about this from the Treasurer’s office but have been refused. Can the minister provide an update on the expressions-of-interest process, which closed on 12 February this year?

Mr B.S. WYATT: The member sought briefings from my office?

Mr V.A. CATANIA: Yes.

Mr B.S. WYATT: That can be arranged. I was not aware. I will give the member a quick rundown of where it is at. The state announced that it would commercialise or restrict part of Landgate’s automated services. This has been led by Treasury, but Landgate is actively engaged in this process. The state is seeking to appoint a service provider via a staged competitive process. The first stage commenced with the release of an invitation for expressions of interest, which was publicly advertised from 8 January to 12 February 2019. The second stage of the process called for indicative offers from the parties that progressed from the expression-of-interest stage. The deadline for indicative offers was 6 May and these are currently being considered and assessed by the project’s steering committee and Landgate board before a final decision is made by the minister to progress proponents through to the final stage of the process. That is where we are up to. The third and final stage of the process will be a request for binding offers. That is where we are at at the moment. Mr Gammie, do you want to add anything else?

Mr G. Gammie: No; that explains the current situation.

Mr V.A. CATANIA: Has the fact that Perth has hit a 10-year low in housing sales impacted the EOI process at all?

Mr B.S. WYATT: That is something we keep assessing around, for example, retention values and things like that, bearing in mind that the proposed period is quite long—40 to 50 years—and I suspect that there will be cycles in that period, but that will be an issue of course for the state when it makes a decision about the retention value and ensures that an appropriate price is paid.

[7.30 pm]

Mr G. Gammie: Both the state and any proponents will do their own economic analysis. From the state’s perspective, it is looking at future property transactions or document levels over the next 40 to 50-year time frame and determining, based on the macroeconomic view, what the outlook looks like. That will help the state determine retention value and reserve price for the sale. On the other side, proponents who are looking to purchase will do similar studies themselves to work out their valuation for the opportunity.

Mr V.A. CATANIA: Given the fact that the government has moved away from a total sale of Landgate and is now going down the road of a partial sale, can the minister guarantee the security of Western Australia’s property titles when the transaction will be in private sector hands?

Mr B.S. WYATT: The security will be protected in exactly the same way as it is today, and over time will be updated as technologies emerge.

Mr V.A. CATANIA: Were respondents from outside Australia given the opportunity to respond to an expression-of-interest process?

Mr B.S. WYATT: Yes; obviously there would have to be a Foreign Investment Review Board process for them to get there.

Mr V.A. CATANIA: What revenue does the government expect to get from the partial sale of Landgate?

Mr B.S. WYATT: Suffice to say I am not going to set a figure now, but the work we are doing, as Mr Gammie said, in understanding the retention value and therefore setting what we view as a reserve price is fundamental. I am not interested if it is below retention value; there would be no point. That is something that we are keen on getting right, and a lot of effort is going into that.

Mr V.A. CATANIA: What will that money be used for? Say the government gets \$1 billion or \$2 billion out of it, will it be used to pay down debt or as more spending on Metronet?

Mr B.S. WYATT: When we announced this, it was to fund our obligations with the lifting of the statute of limitations in respect of child abuse; that is, to fund our exposure to that.

Mr V.A. CATANIA: Is that it, when it comes to commercialising Landgate? Are there any other aspects of Landgate that the government may sell off to obviously put in the coffers?

Mr B.S. WYATT: No, I do not anticipate that. What has been chosen is perhaps the more obvious part. I do not see, at this point, that there is any opportunity to go any further than we are going.

Mrs L.M. HARVEY: What is the government selling? Is it selling state guarantees?

Mr B.S. WYATT: No, the guarantees will still be in place as per the legislation. Mr Gammie might make some more comment around that. The land titles register will continue to be owned by the state. The statutory roles of the Western Australian Registrar of Titles and the Commissioner of Titles will remain unchanged. Indeed, the registrar and commissioner are intimately involved in the process, because they will continue to be responsible for the accuracy and integrity of the register. As a result, indefeasibility of title will continue to be guaranteed by the state. That is fundamental to the Torrens system we have.

Mr G. Gammie: Perhaps a way to understand the nature of the transaction is that it is essentially a large information and communications technology contract under which a service provider will take on board the responsibility of operating and improving over time the state's registry. As the minister mentioned, the registry itself—all the data and processes—remains the property of the state and will continue in the transparent way that people are used to. The service provider will essentially look after the system that supports the registry and the transactions in the registry.

Mrs L.M. HARVEY: In effect, the government is selling the transactions. Is it also selling access to data, or is the proponent not able to use the data for any purpose except the one transaction that occurs with the sale of land and the registration of a title?

Mr G. Gammie: The service provider will have access to data and the opportunity to commercialise that data, as many other value-added resellers do today. In other words, they will have the ability to access data that is publicly available now and provide it to other resellers of that data. Any product that they may choose to develop and offer will be subject to the approval of the state.

Mrs L.M. HARVEY: Presumably all of the data currently available on a strata title certificate—caveats, mortgage information and all of that sort of information—will be able to be used by the new owner of the service. Previously, anyone who wanted to use that had to pay a transaction fee to the state government. Now, the owner of this data will be able to use it and commercialise it, and presumably charge other people for access to it.

Mr B.S. WYATT: Correct; it is in that revenue stream.

Mr G. Gammie: Correct. It is the same as some of our existing value-added resellers already providing that service publicly using the very same data. It is basically providing the service, provided with the same use and access to that data as others already in that market.

Mrs L.M. HARVEY: Is this commercialisation going to be constructed so that the state manages to get a clip on each of the transactions and a return of revenue to the state, or are we looking at just a bulk up-front sale of data and then the operators can do pretty much what they like with it? If they want to increase fees and charges or commercialise the data, I hope the state will get some kind of commission on any added value that the provider will achieve. Is that how we are looking at constructing it?

Mr B.S. WYATT: With respect to the pricing, I will ask Mr Gammie to comment, because I think quite an interesting thing is being done around this. There will be pricing safeguards. We are capping the pricing. We are effectively asking the market to give us services at CPI or CPI plus one per cent, to see what values can be provided with that. Mr Gammie might want to add to that around the issue of whether the state will continue to get a revenue stream.

Mr G. Gammie: Yes, it would be a similar process as we currently use with value-added resellers that access state data and on-sell it to the government. Where the state receives a royalty, it would be a similar arrangement for the service provider.

Mr V.A. CATANIA: I want to understand this. The government is going to sell the registry, the titles.

Mr B.S. WYATT: We are not selling the registry.

Mr V.A. CATANIA: Is the government selling the information?

Mr B.S. WYATT: We are selling the capacity. At the moment, as the member for Scarborough pointed out, the information is effectively there already. A revenue stream is created and effectively that is being commercialised to that third party.

Mr V.A. CATANIA: Does the state have to pay to access that information?

Mr G. Gammie: No.

Mr V.A. CATANIA: So, it is a sugar hit? The government is going to allow a company to purchase that information, and that company is then allowed to on-sell that information? Is it private information at the moment?

Mr B.S. WYATT: It is the same privacy that currently exists.

Mr V.A. CATANIA: It is still public, but someone has to make a purchase to be able to get that information.

Mr B.S. WYATT: Which anybody can.

Mr V.A. CATANIA: Still, I suppose some people would say that it is a risk that information goes to anyone out there.

Mr B.S. WYATT: Anybody out there can get it. It is already there, for anyone.

Mrs L.M. HARVEY: People can just pay and get it online.

Mr V.A. CATANIA: I just want to make a point.

Mr B.S. WYATT: The issue is important, because all of the information is available for anyone to go online and purchase it. Existing privacy rules and laws will continue to apply, but this is public information that people effectively buy now.

[7.40 pm]

Mr V.A. CATANIA: I suppose the point I am trying to make is that companies can onsell that information and it will be used more widely. Individuals who want to find out about their property titles will pay for that information—they will source that information as an individual—whereas, if it is sold to a company that can on-sell all that information, people could be barraged by companies that have purchased that information to sell their goods or whatever the case may be.

Mr B.S. WYATT: A good example is that every now and then we all get flyers in the letterbox from the local real estate agent saying, “Did you know that on your block in the last year, these properties sold at this price?” That information comes from this data. Similarly, there are apps people can get that give them a rundown on prices, time of sale and who sold the property. Effectively, third parties are collating that data now and they are paying for that data. As is often the case with open-data policies, they use it in more effective ways than perhaps others have done.

Mrs L.M. HARVEY: It is my understanding that at the moment other government agencies need to access the data held by the land registry; for example, the Departments of Housing and Communities. Will government continue to have unfettered access to the data or will it need to pay to access the data after the sale?

Mr B.S. WYATT: No, we have learnt from New South Wales; they got themselves in all sorts of trouble.

Mrs L.M. HARVEY: Good. With respect to the revenue stream that the government is expecting from the commission on sales and the commercialised products or whatever else, obviously this part of Landgate’s business subsidises a range of other services that it needs to provide to the community. Can the minister give a guarantee that we will not see a massive cutback in the services Landgate currently provides as a result of the sale? Will the government take a portion of the proceeds of the sale and quarantine it to cover the provision of services into the future?

Mr B.S. WYATT: That is a good question. We want to ensure that those other services are sustainable. I am trying to be careful because I note the status of where the process is up to, but I am sure I can say, Mr Gammie, that suffice to say those things are being considered, so that Landgate can continue to provide those other services.

Mr D.C. NALDER: Further to that, I can see, as the minister stated, that the \$250 million that comes through shows the increase in revenue from the sale.

Mr B.S. WYATT: Sorry, where is the reference?

Mr D.C. NALDER: It is page 638 of budget paper No 2. The estimated actual is \$251 million against the 2018–19 budget of \$104 million. That has to be the proceeds from the sale; is it not?

Mr B.S. WYATT: No.

Mr D.C. NALDER: What is the difference between the \$251 million and the \$104 million?

Mr B.S. WYATT: It is the Property Exchange Australia sale.

Mr D.C. NALDER: That is the PEXA sale. Will there be an impact on the state’s revenue stream at all from the sale of PEXA?

Mr B.S. WYATT: No. It has not made any money yet, so there has been no dividend.

Mr D.C. NALDER: But it is expected to make money in the future, so we are selling it before it makes money.

Mr B.S. WYATT: Possibly, but it now enters a competitive world to go off and try to do that.

Mr D.C. NALDER: On the competitive nature, it has always been a fear that someone will come in. Think about online share trading—the stock exchange retains control of the platform, but lots of providers can come in and leverage that platform. We have sold, if you like, a platform and then said that others can come in and create a platform. Is it possible that the market can be competitive in this way?

Mr B.S. WYATT: I will ask Mr Gammie to answer.

Mr G. Gammie: The state had only an 11 per cent share of PEXA, which was the first vehicle established to enable electronic conveyancing. It currently runs a monopoly, but new players are coming into that marketplace. At the moment, Landgate is working with a new electronic lodgement organisation to join up and be able to transact off the Western Australian registry. It is likely that in the future there will be further competitors to PEXA in that marketplace, which will provide choice to people who are settling properties because they can choose which conveyancer they settle their property through.

Mr V.A. CATANIA: Can the minister guarantee that there will not be a massive increase for the consumer of the day through the PEXA sale or the commercialisation of the register? How can the minister guarantee that prices will not go through the roof?

Mr B.S. WYATT: We have guaranteed that with the price capping on the Landgate commercialisation. We are seeking two offers, if you like, with one capped at CPI and one capped at CPI plus one per cent. If there is any increased value, that is worth it. That is how we are regulating that.

Mr V.A. CATANIA: Over the 40 years?

Mr B.S. WYATT: Correct, whereas I expect PEXA's entry into the competitive environment of service delivery will probably provide better choice for organisations.

Mr D.C. NALDER: Is it that we have capitalised a lower cost platform in the sense that by going to an electronic platform we are looking to lower our cost base, because it is not such a manual process and fewer people are involved and it simplifies the process? We have gone to electronic conveyancing, which will ultimately reduce costs for administration, but instead of necessarily passing lower cost administration through to users of those services, we have kept the costs up and therefore capitalised that, which is what increases its value from a \$32 million investment, or whatever, to now making \$150 million or \$180 million out of it. Is that a fair assumption?

Mr B.S. WYATT: Bearing in mind the 11 per cent shareholding we had, to a certain extent we were a master of our own destiny in that regard. I think with PEXA—I do not know the names of the other entrants into this space, but there are others now—it provides the opportunity for organisations like Landgate to find other cost savings in their structures and pass those back.

Mrs L.M. HARVEY: With the commercialisation of Landgate, obviously the state government has spent a lot of money developing the intellectual property for the management of the registry. Presumably, as part of the sale, the IP has a value attached to it as well the data. Are we selling the intellectual property or just the data?

Mr B.S. WYATT: We are keeping the intellectual property; it is the data.

The appropriation was recommended.

Western Australian Land Authority —

Mr I.C. Blayney, Chair.

Mr B.S. Wyatt, Minister for Lands.

Mr F. Marra, Chief Executive Officer, LandCorp.

Ms F. Barclay, Chief Financial Officer, LandCorp.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. 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 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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

The member for Scarborough.

[7.50 pm]

Mrs L.M. HARVEY: I refer to page 170 of budget paper No 3. There is a reference under "Other Spending" to "Latitude 32 Hardship Cases", and to \$20 million being spent over the next two years to acquire higher priority Latitude 32 hardship cases. Could the minister explain who the hardship cases are? Who will be the recipients of that funding?

Mr B.S. WYATT: Mr Marra might have to give the member a bit of background on who they are, because this goes back a way. A not insignificant number of people have had their land effectively “quarantined”, which is the best way to describe it, and are unable to sell it or to do much else with it, so they have effectively been in limbo for a long time. We provided an amount of \$20 million in the budget to continue acquiring from those people some of that land. When we say “hardship cases”, it means that they have been prioritised if they are older and have had some health issues et cetera. I know that a few people there want to sell up and move into aged care, for example, and we want to enable them to do that. This does not deal with them all; it just enables us to keep moving with this process. As Mr Marra can explain, the history of Latitude 32 goes back a way.

Mr F. Marra: The project commenced in 1999. Latitude 32 is the trading name of the Hope Valley–Wattleup redevelopment project. Over that time the state has taken over planning control for that area of land. It initially purchased the two town sites of Hope Valley and Wattleup. In the remaining area, the state controls about 20 per cent of the landholdings, with 80 per cent owned by private landowners. The state is progressively replanning the area. Until that planning is complete, individuals will not be able to further develop their landholdings. Ultimately, the land will be rezoned to industrial purposes and further infrastructure will be brought to the land. Until that is complete, individual landowners in the area can continue to use their land as they have, but they cannot further develop it. Certain landowners there—typically ones who have been there for an extended time and use it as a market garden and their home site—as they get older and their health deteriorates, want to exit their property. At this moment private developers are not willing to come into the area because planning is not complete, so the state stands in the market to allow these individuals to exit. As the minister indicated, we prioritise on the basis of age, health, financial circumstances and other conditions like that. Those with the highest priority are acquired at market valuation.

Mrs L.M. HARVEY: They are acquired at market valuation. How is a market valuation arrived at if it really has an uplift value as a potential industrial site? I am just curious to know how a market value is worked out for that.

Mr B.S. WYATT: Mr Marra.

Mr F. Marra: We seek two valuations in each instance—one by the state, and then we provide funding to the landowner so that they can seek their own valuation. There is a common brief. The brief is based on the land being used as each future purpose, so the valuation takes into account what could possibly occur with that land. There is quite a bit of evidence now, because we have been undertaking this over a number of years, and the valuers are able to see through the market in this space.

Mr B.S. WYATT: The member had that first question on Ocean Reef Marina. Did he want Mr Marra to deal with that?

Mr D.C. NALDER: I will ask that question around —

The CHAIR: Hold on. Can we come back to that? The member for North West Central has a question.

Mr V.A. CATANIA: I will make mine really quick. I refer to page 645 of budget paper No 2 and the \$89 million that is allocated for Port Hedland Spoilbank Marina. How much of the total allocated amount has been funded by royalties for regions? Is the minister comfortable that the community has given its tick of approval to the scaled-back project, given that under the previous Liberal–National government the commitment was for \$112 million rather than the current \$89 million? Is there any continued pressure coming from BHP about the location of the development, which I understand is within a dust-affected zone?

Mr B.S. WYATT: The royalties for regions contribution is \$64.5 million and the consolidated account also contributes a significant amount. I will get that for the member in a minute; it is another \$24 million. Yes, Minister MacTiernan led the community consultation around the alternative proposal. That seems to have been supported by the council, bearing in mind that the original proposal was very extensive and would have been a very significant liability on the council’s balance sheet. As far as I am aware, BHP has worked pretty well with Minister MacTiernan on this. I have not heard anything to the contrary.

Mr V.A. CATANIA: There are no dust issues around what the minister has been proposing?

Mr B.S. WYATT: I am not familiar with that. Again, the member would have to put specific issues around dust and that site to Minister MacTiernan.

Mr D.C. NALDER: I have a question on the Ocean Reef Marina. I refer to page 170 of budget paper No 3. I notice there has been a sizeable shift, and I assume the project has been brought forward. Instead of the negative \$31 million being spent that year, I imagine the government is now bringing it into 2020–21 and 2021–22. Can I just confirm that that is the case and ask what has happened there? Why is this one being sped up? What is the reason for it?

Mr B.S. WYATT: Mr Marra can provide useful information.

Mr F. Marra: As this project progresses and we obtain further approvals and get further engineering advice, we are able to refine the time frames as to when we are going to be undertaking the project. It is a re-flow, as the member points out, with some additional construction expenditure brought forward early. As we continue to get further information from the engineers on the optimum way to deliver the project, we will further refine that. But the total quantum of cost is the same; it is just that the period when it is undertaken has changed.

Mr D.C. NALDER: I am just trying to understand what the intent is with Ocean Reef Marina—whether the state will continue to be the landlord in the future, once it is constructed, or whether it is going to be sold. Will the state consider selling it to the private sector?

Mr B.S. WYATT: Mr Marra.

Mr F. Marra: The project business case is based on the state implementing all the infrastructure for the project. The state, through both the consolidated fund and LandCorp, will invest considerable sums in preparing the land and the marina water body. The proposal then is that the water body component, the breakwaters and the pens et cetera, will be transferred to the Department of Transport to manage as a public marina on behalf of the state. It may further provide leases to some of the clubs that will go into the area, but the head lease will be by the state. The land that is created will, in the main, be provided for private development. There may well be a mix of leases and freehold up-front, but in the long run the state will divest its interest to recoup the value of the investment it makes.

Mr D.C. NALDER: Is that project expected to be completed by 2021–22? Is that what I now read into these financials?

Mr B.S. WYATT: It will not be completed by then, no, but Mr Marra can give the member a run-down on that.

Mr F. Marra: The project will continue well beyond the forward estimates, yes.

Mr D.C. NALDER: I get it with land development and all those things, yes, but from a marina perspective, that is all the construction of the whole marina then. It is just the development of the buildings.

Mr B.S. WYATT: Yes, but the actual development of the private sector component will take time.

Mr F. Marra: It is predicated on the approvals process, so that is still underway at the moment.

Mr B.S. WYATT: The Environmental Protection Authority process.

Mr D.C. NALDER: Is it going through that now?

Mr B.S. WYATT: Yes.

The CHAIR: That completes the examination of the Western Australian Land Authority, LandCorp. Thank you.

[8.00 pm]

Division 15: Jobs, Tourism, Science and Innovation — Service 1, Asian Engagement, \$109 324 000 —

Mr I.C. Blayney, Chair.

Mr P.C. Tinley, Minister for Asian Engagement.

Ms R. Brown, Director General.

Ms C. Ginbey, Executive Director, Infrastructure and Land Planning.

Mr S. Melville, Director, Corporate Services.

[Witnesses introduced.]

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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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

I give the call to the member for Churchlands.

Mr S.K. L'ESTRANGE: I refer the minister to page 190 of budget paper No 2, volume 1. Paragraph 8 refers to international education, trade and investment. The minister is aiming to implement an international engagement strategy to increase the number of international students coming to Perth. I note that the number of international students commencing study in Western Australia fell by 12 per cent, or 1 300 students, in the year immediately after the McGowan government had Western Australia removed as a regional migration centre, which some pundits say has cost this state's economy more than \$50 million. How does the minister expect to turn that around and improve international student numbers to above what they were before the McGowan government came into power?

Mr P.C. TINLEY: From the outset, I might start by talking about this portfolio. My responsibility in this portfolio is around Asian engagement. For the benefit of those who are not quite sure what that means, I am the minister supporting the Premier in business development by another name or the state of Western Australia in the Asian market. I have an interest in many lanes. Although specific strategies such as this one are not within my ministerial line of sight, they are not outside my area of interest. I know that the Premier fielded some questions on this yesterday. I am going to rely on his answers, save and except to say that the issue around international student attraction is significant for the state's future for a range of reasons. Firstly, it is a conduit into emerging markets. I refer to the agency's recent trip to Vietnam to engage a local employee for the purposes of developing that strategy to increase the flow of Vietnamese international students. That is important for two reasons: firstly, it starts a conversation about a relationship between Western Australia and a hitherto untapped market; and, secondly, it creates a diversified market approach. A fundamental plank of the Asian engagement intention is to make sure that we look at emerging markets. Places like Vietnam and the middle-power countries with a 6.5 per cent growth in gross domestic product are a fundamentally important opportunity for us away from the three major trading partners of Korea, Japan and China. I will rely on the answers that the Premier gave yesterday and leave it at that.

Mr S.K. L'ESTRANGE: The minister said in his answer that one of his key focus areas is to increase the number of Vietnamese international students coming to Western Australia. Given that Western Australia has been removed as a regional migration centre, how does the minister think not having that regional migration status will impact on his efforts?

Mr P.C. TINLEY: I have not contemplated that too much. This is about my experience and how I see those markets. It was not raised with me when I engaged with those markets or certainly when I was travelling. No doubt, the Premier has a particular focus, as does the relevant minister, the Minister for Education and Training, Sue Ellery, who is responsible for StudyPerth and that strategy. The assessment at this stage is that the demand is so great that there is a niche within that that is not reliant on the skilled migration arrangements or what the member is actually talking about, which is the post-training, post-qualification potential for employment. This should not be confused with the skilled migration allocation for the state.

Mr S.K. L'ESTRANGE: The minister mentioned in his answer that the demand is so great; is that the demand from the Vietnamese market?

Mr P.C. TINLEY: No, I am talking about all the emerging economies. We know, from a range of different public sources with which the member would be familiar, that there is always a thirst for training from a premium destination such as Western Australia. In any market statement, there is always room for quality. The quality of the tertiary and vocational training sector in Western Australia, not to overuse the cliché, is genuinely world class and, certainly, within the region, it is seen that way.

[8.10 pm]

Mr S.K. L'ESTRANGE: In his answer the minister said that demand is so great because this is such a quality destination for international students to come to. Why have we seen a reduction in the number of international students coming to Western Australia and not an increase?

Mr P.C. TINLEY: I will not speculate on that. Again, that is getting into the detail, unless the director general wants to respond. I do not think I can add anything further than what the Premier said.

Mr S.K. L'ESTRANGE: I need to receive a response from the minister in his capacity as Minister for Asian Engagement. I am sure my parliamentary colleagues would have done their best to get a response from the Premier in whatever portfolios he held relative to international relations or economics with Asia. However, I am specifically interested in the minister's answer as he is the Minister for Asian Engagement. A key aspect of that Asian engagement is the international education strategy in his own budget on page 190. I really am very interested in his answer and not the Premier's about his strategy for increasing the demand for international students to come from Vietnam or anywhere else in Asia to study in Western Australia and how he will improve those international student numbers as part of his Asian engagement strategy.

Mr P.C. TINLEY: By way of answering that question, I do not have carriage of the international education strategy directly. I have an interest in it. My role as the Asian engagement minister is to support the Premier and the relevant ministers, in this case the Minister for Education and Training, in the prosecution of that strategy where possible. For example, we decided in opposition that an Asian engagement minister would provide ministerial representation in Asian markets in our region and raise the opportunity across ministerial portfolios to promote these strategies at every chance. This is one. Other strategies relevant to our markets will be announced throughout this year. I will give the member another example. When a minister of the Crown travels offshore, they carry the intentions of the government as a whole, not necessarily the particular portfolio. Yes, they will have specific needs and opportunities. One of my roles is to offer opportunities through the Department of Jobs, Tourism, Science and Innovation to the relevant ministers to hold meetings and to promote a range of strategies.

One minister with one particular portfolio interest is not incapable of holding meetings and encouraging outcomes when they are set up across areas outside their portfolio.

When I was in Vietnam, I travelled with our education representative in that country. I spoke with people from education institutions such as RMIT and Murdoch University, who happened to be there at the time, and a few of the Vietnamese training institutions, to get further discovery about their needs and wants. I bring that back and feed it through JTSI and directly with the minister about what we discovered and what we thought the opportunities were. For example, in one of the provinces, Ba Ria Vung Tau, there was a desire to—we did not know this—get to a level of memorandum of understanding between that province, one of the 63 provinces of Vietnam, and Western Australia. That was unknown to us. I brought that information back. We are considering the potential and opportunities inside that MOU for prosecuting the needs of vocational and tertiary education requirements for that province. That is just one example. We promote the idea when other ministers travel that when they are in the various destinations they use and tap into the alumni of the various universities, particularly those who remain active, of former students within those jurisdictions. When the Premier was in China, he held a sundowner event for Western Australian alumni. I think in the order of 400 people turned up for that. They had studied at an institution here in Western Australia and it was an outstanding opportunity to continue the promotion and build the network. My role is across portfolios to find opportunities for all ministers to create the circumstances that will meet the end of the strategy. As the member will know, the strategy is the start of the conversation, not the end. The tactics are the decisions we make along the way to achieve that strategy.

Mr S.K. L'ESTRANGE: The minister gave quite an extensive answer that related to the outcomes he tries to achieve broadly as the Minister for Asian Engagement on behalf of his cabinet colleagues and the government of Western Australia. It led me to think carefully about outcomes and key effectiveness indicators. I know it is a separate area of the budget but he was relating quite specifically to what he was trying to do. I notice that in the outcome and key effectiveness indicators on page 193, there is nothing to do with Asian engagement.

When the minister carries out these international visits to Asian countries and engages with universities and industry leaders to try to develop Asian engagement, obviously it costs money—taxpayers' money—for him to go to those countries, to pay for his advisers to go with him and to be housed, fed and watered et cetera. No doubt an extensive amount of money is spent there. However, I cannot see in his budget any outcomes or key effectiveness indicators for that money to be held accountable to. Can he help me understand why there are no outcomes and key effectiveness indicators that outline to the people of Western Australia and us critiquing his performance in this estimates committee? Why are there no outcome and key effectiveness indicators?

Mr P.C. TINLEY: The outcomes and key effectiveness indicators the member is talking about are enshrined within the international education strategy, which the Premier has already responded to. My role and that of every other cabinet minister is entirely consistent with the achievement of that strategy.

Mr S.K. L'ESTRANGE: Are there any specific outcomes and key effectiveness indicators relating to the ministerial portfolio? Let us not forget that. The minister is not a parliamentary secretary to the Premier nor to the Minister for Education and Training. He is the Minister for Asian Engagement. Are there any outcomes and key effectiveness indicators for that portfolio for the minister to be held accountable to?

Mr P.C. TINLEY: Yes, there are.

Mr S.K. L'ESTRANGE: Where can I find them?

Mr P.C. TINLEY: They are in the international education strategy.

Mr S.K. L'ESTRANGE: I have to look at another minister's section of the budget to find your —

Mr P.C. TINLEY: No, it is a government document for which, as I said, we are all responsible for prosecuting to the best of our ability. For example—if I might continue—a trade and investment strategy is due out this year. Enshrined in that will be a multi-tiered approach to ensure that we are creating the best set of circumstances for trade and investment. It might surprise the member to learn that this government, particularly through the machinery-of-government changes—it should be self-evident—intends to have as much as possible a collective impact through joined-up policy and processes so that we do not have what was happening in the past in this and other jurisdictions whereby ministers travel to these markets prosecuting a singular, narrow focus within their particular line of responsibility without carrying the wider message. The international education strategy is one of those cases in point that sits as a government objective. Like every other government minister, I am very interested to see it be successful, just as tangentially if the member wants to take it that way, the Minister for Transport is intimately interested in the precincts arrangements and the residential housing build around Metronet precincts. They are not unaligned.

Mr S.K. L'ESTRANGE: I will finish on this final question, so my colleagues can have some time.

I bring the minister back to the start of my question regarding item 8 on page 190. Can the minister provide us with a copy of his international education strategy?

[8.20 pm]

Mr P.C. TINLEY: I defer to the director general.

Ms R. Brown: The international education strategy was released late last year, in 2018. Subsequent to that, StudyPerth, which is funded to deliver on the strategy with other government agencies, released an action plan earlier this year. There are tangible actions against which StudyPerth and other agencies are measured. Within the Department of Jobs, Tourism, Science and Innovation budget, there is an allocation of approximately \$9 million over three years towards supporting both the delivery of the actions and broader destination marketing undertaken by StudyPerth, including in key Asian markets. It currently has a pilot underway in China to engage digitally with a range of interested students, migration agents and others.

Mr S.K. L'ESTRANGE: Is there a publication of that action plan?

Ms R. Brown: Yes.

Mr S.K. L'ESTRANGE: Is that available now?

Mr P.C. TINLEY: It is on the web.

Ms R. Brown: Both the strategy and the action plan are publicly released. As announced through the budget process, additional funding of \$4.5 million was provided to enable StudyPerth to implement its plan and secure more international students to Perth. As part of that, the universities are also working through their contribution to that increased marketing.

Mrs A.K. HAYDEN: I refer to page 190 of volume 1 of budget paper No 2 and the international education and training investment. Can the minister advise when the Asian engagement strategy will be completed?

Mr P.C. TINLEY: Is the member referring to paragraph 8?

Mrs A.K. HAYDEN: Paragraph 9.

Mr P.C. TINLEY: The Asian engagement strategy is in its final stages. We anticipate it being launched in the next month or so—August.

Mrs A.K. HAYDEN: How much has been invested in the Asian engagement strategy to date and how much is intended to be invested?

Mr P.C. TINLEY: In developing the strategy?

Mrs A.K. HAYDEN: Yes.

Mr P.C. TINLEY: I do not have the number on me.

Ms R. Brown: The strategy has been developed through existing resources within the Department of Jobs, Tourism, Science and Innovation, but also in an extensive consultation process.

Mrs A.K. HAYDEN: Is there any intention of spending further on that strategy? What is the budget for that strategy once completed?

Mr P.C. TINLEY: Once we launch it? That is still being determined. There is a range of possible methods of funding it, but, again, the strategy is yet to have its full resourcing piece applied to it, so we will have to wait until it is closer to August.

Mrs A.K. HAYDEN: So should we expect to see that in the midyear review?

Mr P.C. TINLEY: I would think so, yes.

Mr S.K. L'ESTRANGE: I refer the minister to page 194 of volume 1 of budget paper No 2, and I note the expenditure in 2017–18 and 2019–20 outlined on that page. The minister mentioned earlier a fair bit of engagement that he has done overseas in this portfolio on behalf of government. Can he outline the number of trips that were undertaken by the minister and the former minister from whom he took over this portfolio, where they were to, how much they cost and the outcomes arising from those trips?

Mr P.C. TINLEY: I have undertaken only one overseas trip since coming to the portfolio. My original intention was, obviously, to do more. Just out of interest, my first port of call was going to be Indonesia, but due to the elections, particularly the East Java government elections, that was deferred on advice. I cannot speak for the previous minister. That expenditure would have been undertaken in part in this year. I do not have those numbers or the detail of his trips. There was another part to the question.

Mr S.K. L'ESTRANGE: The outcomes.

Mr P.C. TINLEY: The outcomes will be tabled in Parliament in the coming weeks when I table my report.

Mr S.K. L'ESTRANGE: As this budget obviously relates to the year ahead, can the minister outline his engagement strategy for his overseas visits, where he will visit and what he hopes to achieve?

Mr P.C. TINLEY: Yes, absolutely. With the member's indulgence, I might just step back a bit. It is not so much characterised by what trips I take or where I take them, although that is material and I will come to that in a moment. Much of the work that has been done to date, and the reason I have not travelled more this year, is due to two reasons, one of which is the Asian engagement strategy development, which has involved a significant amount of consultation with various groups, target-specific business councils and/or interested stakeholders. We have engaged with them in, for example, India, Vietnam, Korea and Indonesia. I have been engaged in all of that. One thing we forget about Asian engagement is that some of our best opportunities are with Asian-born Western Australians, and that diaspora who live here are significantly connected to their home countries and they provide us with a significant amount of intelligence. I spend a lot of my time engaging with the Australia–China Council, the Western Australian Chinese Chamber of Commerce and even the Chung Wah Association in the China market. That is the basis on which I determine where a range of opportunities happen. Once the Asian engagement strategy is launched in August, it will have the hooks, if you like, that will talk about the consequential workflows or action plan. It will have a targeted market strategy; that is, outside the three major trading partners into those emerging markets, we will have to set priorities, and that will determine the travel arrangements—it is not just me; it is across government—which ministers will travel to those markets, what they will do and what else they could do. Again, I go back to the point—I belabour this point—that there is no reason why the Minister for Agriculture and Food could not have a meeting in a particular destination with a CEO of an airline and talk about direct flights. There is nothing wrong with that; it is just about doing business. To be more specific to the question, my approach to those destinations and their outcomes will be consequential to the Asian engagement strategy and the action plan that comes from it. That is probably the best way I can answer the question.

Mr S.K. L'ESTRANGE: In an earlier answer, the minister talked about how Asian engagement has a whole-of-government approach, and he just highlighted how another minister can complete some of the outcomes of an engagement strategy. Is the Minister for Asian Engagement the key central point of contact for coordinating how ministerial visits will occur?

Mr P.C. TINLEY: No; that is the Premier. He is the sole arbiter of that. He takes advice from JTSI of course, but the single coordinating agency in this is JTSI. As the minister supporting the Premier, I make sure that I work where he cannot across all those portfolios, particularly through their offices, to make sure we are getting joined-up messaging.

Mr S.K. L'ESTRANGE: In my engagement with organisations such as the Perth USAsia Centre, which I know the minister engages with on a regular basis—some of the international visitors who come to those types of think tanks, for want of a better term, and other Asian representatives in Western Australia such as consuls et cetera—some of the feedback that I have picked up on indicates that the best way for Western Australia to be better received by Asian countries is by face-to-face contact with representatives at senior levels. One of the things that they look to is Parliament, and, I suppose, parliamentary committees can engage with them. As part of the minister's engagement strategy, is he trying to engage more closely with some of the relevant parliamentary committees so that there is a cross-party representation in engagement?

[8.30 pm]

Mr P.C. TINLEY: That is absolutely correct, member. Thank you for raising it. Part of the strategy is making sure I am seen as a conduit to raising capabilities right across the Parliament. We often lament the lack of attention from our business community in getting involved in Asia. It is a difficult business and part of that is making sure that parliamentarians are better educated, or educated as best as possible, and therefore better aligned to what the opportunities are in our time zone. Under this arrangement, I have had conversations with the Perth USAsia Centre and a few of the other larger stakeholders to see whether we can start a parliamentary education program, perhaps in sitting weeks. It would be a voluntary program in which members could be exposed to some very high quality people that the Perth USAsia Centre brings to town, and other companies. The large trading partners bring very senior delegations down. There is no reason that our parliamentarians should not be exposed to it. I will be seeking support from the opposition for a program, probably starting midyear and continuing through the next couple of years, to make sure that we are offering genuine opportunities for that exposure.

Mrs A.K. HAYDEN: I refer to page 193 of budget paper No 2, volume 1, the first line item under “Service Summary”, “Development of Industry Sectors and Facilitate Development”. The figure of \$109.324 million in 2019–20 drops to \$90.156 million in 2020–21. What proportion of that figure is going toward government Asian engagement activities?

Mr P.C. TINLEY: The short answer is: I probably cannot answer that, but I will see if the department can.

Ms R. Brown: The “Development of Industry Sectors and Facilitate Investment” represents the larger portion of the department, excluding tourism. The Asian engagement initiatives, without doing the numbers, would be a very small proportion and pretty much focused on two elements—the government's election commitments around the priority sector program for the Association of South-East Asian Nations dialogue conference, and the Asian business house, both of which have been progressed. The other point is that a number of resources within the department are aligned to delivering on another number of government strategies that also relate to Asia, but the change itself would be very minor in the Asian engagement space.

Mrs A.K. HAYDEN: Can I confirm what was just said by the director general? A very small amount of that \$109.324 million is allocated to Asian engagement. I do not know whether that figure can be provided down the track through supplementary information, but the drop going onto the forward estimates will have a very small, insignificant impact.

Ms R. Brown: We will take on notice what proportion relates to specific Asian engagement initiatives, which are largely election commitments. It would be quite a small proportion of the larger budget and there would probably be minimal change. As I said, the other part relates more to staffing costs within the department that deliver on a range of strategies that involve Asian countries.

Mrs A.K. HAYDEN: Can I get that through supplementary information?

Mr P.C. TINLEY: Yes.

The CHAIR: Can the minister define what he is going to provide as supplementary information?

Mr P.C. TINLEY: The intention is to provide the level of expenditure in the development of industry sectors and facilitate investment that relates to Asian engagement.

[*Supplementary Information No A18.*]

The appropriation was recommended.

Division 33: Communities — Services 7 to 9, Housing; Veterans Issues; Youth, \$1 314 486 000 —

Mr I. Blayney, Chair.

Mr P.C. Tinley, Minister for Housing; Veterans Issues; Youth.

Ms M.J. Andrews, Director General.

Ms H. Nys, Assistant Director General, Policy and Service Design.

Mr L. Carren, Executive Director, Finance and Business Services.

Mr M. Richardson, Director, Management, Accounting and Financial Analysis.

Mrs J. Tang, Assistant Director General, Service Delivery, Metropolitan Communities.

Mrs R. Green, Assistant Director General, Service Delivery, Regional and Remote.

Mr P.S. Isaachsen, Assistant Director General, Strategy and Transformation.

Mr B.P. Jolly, Acting Assistant Director General, Commissioning and Sector Engagement.

Mr G.M. Cash, Assistant Director General, Commercial Operations.

Mr S. Ward, Chief of Staff, Minister for Housing; Veterans Issues; Youth.

[Witnesses introduced.]

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Member for Darling Range, do you have a question?

[8.40 pm]

Mrs A.K. HAYDEN: I certainly do; thank you, Mr Chair.

We are on the youth portfolio. I refer to the bottom of page 460 in volume 2 of budget paper No 2 and the line item "Youth Support Grants" under "Details of Controlled Grants and Subsidies".

Mr P.C. TINLEY: Yes.

Mrs A.K. HAYDEN: Is the minister able to provide by way of supplementary information a list of the grants and amounts that were funded through this program in 2017–18 and 2018–19?

Mr P.C. TINLEY: Yes.

Mrs A.K. HAYDEN: Excellent; thank you.

Mr P.C. TINLEY: I undertake to provide a breakdown of the grant recipients as identified for the years—say that again, member.

Mrs A.K. HAYDEN: For 2017–18 and 2018–19.

Mr P.C. TINLEY: Yes.

Mrs A.K. HAYDEN: And the amount per grant.

Mr P.C. TINLEY: Yes.

[Supplementary Information No A19.]

Mrs A.K. HAYDEN: I note that the estimates spend for youth support grants in 2017–18—in last year’s budget—was \$105 000, but the actual spend in the 2017–18 budget went up to \$441 000. Can the minister explain the \$336 000 difference in overspend and the list of grants awarded that saw that budget extended?

Mr P.C. TINLEY: As the year progresses, in some parts of the portfolio—not just in youth because it does not have a discrete funding source other than for specific purposes—there are underspends in various initiatives and programs, as happens across government from time to time. That represents the ad hoc opportunities, so one-offs, if you like, as they presented, and surplus capacity is applied from other programs that are underspent to achieve particular outcomes or ambitions. The information the member will get will highlight that. Obviously, \$441 000 will show a larger number. Be prepared for a lot of paper because there are a lot of micro-grants right through to some larger grants. The forecast is the forecast. This is a great location, when there is underspend across the portfolio, to bring it to bear on particular knotty issues or particular opportunities, and pilots and trials. It is a unique opportunity, and the member will see that in the information.

Mrs A.K. HAYDEN: So the minister is happy to provide that by way of supplementary information?

Mr P.C. TINLEY: Yes. That will all be contained in the previous supplementary information.

Mrs A.K. HAYDEN: Excellent. Thank you.

The CHAIR: To be clear, the information the member requires will actually be given under the previous supplementary information—is that right?

Mrs A.K. HAYDEN: Yes.

Mr P.C. TINLEY: It is a list of grants, who they went to and how much.

Mrs A.K. HAYDEN: That is right. That will be perfect.

The CHAIR: That was allocated A19.

Mrs A.K. HAYDEN: Given there was an overspend, the minister said he saved money in other portfolios —

Mr P.C. TINLEY: It was not necessarily saved money, it was just an underspend. There is a difference.

Mrs A.K. HAYDEN: Underspend—sorry, I do not want to change the minister’s wording. It has now gone back to just \$105 000 over the next forward estimates. Does the minister think it will stay at that figure or will we have a lot of people who are on pilot programs as a result of this extra spend, or gift, seeking to extend that pilot program but there will be no money in the budget to allow that?

Mr P.C. TINLEY: I can assure the member that there is no end of people coming into my office with great ideas. I do not go to a function where somebody does not have one. They are genuinely great ideas. I, like every other minister, troll through the department like a poacher trying to find anything that is redundant or surplus to need, to drag it across to my particular area of interest. I am no different from any other minister. The answer is that I hope so. I hope I have additional ullage in the out years to draw that to the attention of the particular ambitions I have in some areas. The member’s own area, for example, may have a particularly knotty issue. There might be the opportunity to lend a hand and do something quite useful.

Mrs A.K. HAYDEN: If there is a great pilot program, it would be a shame to lose it.

We have established it is \$105 000 over the forward estimates. The minister is hoping he might be able to find some more from elsewhere at the end of each budget. Considering the consumer price index is expected to increase by 2.5 per cent over that period, obviously there will be an ongoing issue unless that is increased along with CPI. Will that be updated or are we going to have to take it ad hoc and hope the minister finds extra cash lying around?

Mr P.C. TINLEY: As the member knows, through the whole budget cycle there are midyear reviews that look at adjustments. I will be making the case at those midyear reviews as required. That will be balanced against whether there is any additional capacity and, more importantly, if there is any unexpected need. That also goes through that midyear process. I fully expect, as the member will see in next year’s budget, an adjustment up or down—I would hope up—that is relevant to the program. The \$105 000 is a working number. It is consistent with the expectation for expenditure, but around that particular formula of the normal process of grants and the scheme for grants. The machinery-of-government changes, to be fair, have taken the time that they have taken because the department has had to carefully ensure it has matched like for like as those departments came together. For the member’s benefit, I might defer to Mr Jolly on how the criteria that comes with that number is applied.

Mr B.P. Jolly: I am not sure of the question.

Mr P.C. TINLEY: What is the criteria by which the grants that have come out of this account are applied? What is the process for assessment?

Mr B.P. Jolly: Youth engagement grants are the primary grants programs funded under this area. That makes small amounts of funding available to local governments and community organisations to run activities that support youth development. Just picking up on the minister's earlier comment about the application of discretionary funding, in the course of the 2018–19 financial year there has also been —

Mrs A.K. HAYDEN: Sorry, through the Chair: we can hardly hear. I do not know whether the microphone is on up the back.

Mr B.P. Jolly: It appears to be on but I will lean in a bit closer; sorry.

To pick up on the minister's earlier point about the ad hoc application of underspends in particular program areas, we have been able to provide expenditure of about \$60 000 in Youth Week grants in the 2018–19 financial year as well. Quite small amounts of funding are available to community organisations to enable various celebrations to occur during Youth Week.

Mrs A.K. HAYDEN: Still on page 460, I refer to Cadets WA under "Youth". Again, I have similar questions. Can the minister provide by way of supplementary information a total list of the grants and amounts funded for Cadets WA in 2017–18 and 2018–19?

Mr P.C. TINLEY: I am happy to do the same. The undertaking is to provide a list of grant recipients and the amount for Cadets WA for 2017–18 and 2018–19.

[Supplementary Information No A20.]

[8.50 pm]

Mrs A.K. HAYDEN: I am guessing the minister's answer to my next question will be the same as it was for the youth support grants. I refer to the overspend in Cadets WA. Can the minister confirm that it is similar, in that extra money was found to help Cadets WA?

Mr P.C. TINLEY: It is a slightly different answer in that this is a formulaic calculation on the basis of the number of cadets in each of the units. As the member knows, a range of different styles of cadets, including police, rangers and emergency services, are attached to a school, and as the population comes and goes, that has an impact on funding arrangements at the time of calculation. Again, I expect that when we are sitting here next year, there will be a different figure than what is forecast on the basis of the variations in cadet numbers. Mr Jolly, was I close?

Mr B.P. Jolly: Yes, minister. I have some figures here for each of the program areas for 2018–19.

Mr P.C. TINLEY: Let us hear some.

Mr B.P. Jolly: Thank you, minister, and thanks to the member for the question. I can provide the total funding levels for each of the cadet units in the 2018–19 financial year. The Australian Air Force Cadets has 15 units with total funding of \$783 326.22 for the 2018–19 year. The Australian Army Cadets has 27 units with total funding of \$81 535.60 for the 2018–19 year. The Australian Navy Cadets has 11 units with total funding of \$28 017.02 for the 2018–19 year. The Bush Rangers cadets has 61 units with total funding of \$1 769 658 for the 2018–19 financial year. The Emergency Services Cadet Corps has 39 units with total funding of \$1 087 664 for the 2018–19 financial year. The Police Rangers cadets has 16 units with total funding of \$309 137.50 for the 2018–19 year. The River Rangers cadets has 16 units with total funding of \$307 645 for the 2018–19 year. Finally, the Surf Life Saving Cadets has seven units with total funding of \$327 830 for the 2018–19 year.

Mr P.C. TINLEY: I just might add that I will let the supplementary stand, because that will give the member a better breakdown.

Mrs A.K. HAYDEN: Thank you, minister. The minister is saying that this is worked out as a formulaic calculation that is over what was done with the youth support grants. It was over by \$314 000, yet the forward estimates have it at \$869 000. Is the minister saying that the forward estimates are not reflective of the true cost of Cadets WA?

Mr P.C. TINLEY: I restate my point that it is based on student numbers for a year at the point of calculation— a student census, if you like. The other point to note is that we want to align the expiry of the calculation with the end of the school year, because the current expiry of the calculation has proven difficult for schools. It has previously closed midyear, but we want to push that through to the end of the year, and that will have a relative impact on the opportunity there. I might get Mr Jolly to expand on that.

Mr B.P. Jolly: A couple of pieces of work have been undertaken in the cadets program area over the course of the last year, one of which was a review of the program itself. The review identified a number of strengths in the cadets program, including opportunities to learn outside the traditional school environment and for cadets to develop leadership skills, independence and resilience. It also identified opportunities for improvements in the program.

Each of the findings from the review has been shared with the host organisations. We will work through that program to progressively implement the review findings. In addition, we have undertaken a review of the funding model. Again, we have done that in conjunction with each of the agencies that hosts the cadet units to which I referred earlier. Essentially, we will bring the funding levels for each of the units into line with the appropriation, but in a manner that adequately takes into account the needs of each of the units.

Mrs A.K. HAYDEN: So that I can try to summarise what was just said, basically the department is short \$314 000 for the next forward estimates, which it will try to fix in the midyear review.

Mr P.C. TINLEY: No. Mr Jolly, do you want to explain further?

Mr B.P. JOLLY: As the minister quite correctly pointed out, as it stands at the moment, funding is applied to the cadets program on a per student basis with no ceiling. That creates the budgetary issues that the member correctly identified; namely, the inability to control the amount of money spent from year to year. That is quite unusual in programs of this kind. What we have sought to do, in conjunction with each of the agencies that host cadet units around the state, is to look at options to revise the funding levels to bring the total funding across the cadet units in line with the appropriation, and we will be providing advice to the minister on that point shortly.

Mrs A.K. HAYDEN: Just for clarification, the department is now reviewing the way that Cadets WA is funded and it will change the model so that it is not funded on a per person model. When will the review be completed, and is there a time frame for when the announcement will be made?

Mr P.C. TINLEY: It commenced in December last year, so it would be very close. Mr Jolly, do you have a date for that?

Mr B.P. JOLLY: Again, as the minister correctly identified, we will extend the existing service agreements for cadet units until 31 December this year. As the minister identified, that is largely to bring the funding into line with the school year. Funding ceases on an annual basis midway through the school year, so we will take the opportunity to extend the existing program to the end of this calendar year. Between now and the end of the calendar year, we will provide advice to the minister on a range of options that have been, as I have said, developed in conjunction with each one of the units that host cadet programs around the state.

Mrs A.K. HAYDEN: The minister will review funding of Cadets WA. It has security up until 31 December this year, but after that, funding will depend on what comes out of the review and whether the department changes the funding model so that it is not paid per person. The \$869 000 is the forward estimate. Does the minister anticipate increasing or reducing funding for Cadets WA?

[9.00 pm]

Mr P.C. TINLEY: Again, once the review is concluded, I will have a briefing note. No doubt, there will be a range of options in that review, and we will consider those at the time. Long before we get to that expiry date, nobody will be left in any doubt where they sit.

Mrs A.K. HAYDEN: Will the review be made public?

Mr P.C. TINLEY: Yes.

Mrs A.K. HAYDEN: I refer to page 63 and police and community youth centres, which are under the Department of the Premier and Cabinet. Is the funding for PCYCs in the minister's portfolio?

Mr P.C. TINLEY: No, it is not.

Mr Z.R.F. KIRKUP: I refer to page 447 of budget paper No 2, volume 2, and the service summary. I have a couple of questions about expenditure for land and housing supply.

Mr P.C. TINLEY: What is the line item?

Mr Z.R.F. KIRKUP: It is line 9 under "Expense". Is the minister in a position to walk us through the process by which the government identifies and procures land lots and then moves to an investment decision to develop that land into an estate for sale? How does the Housing Authority buy land to develop? I am keen to understand the very start of that process—the procurement. How does the authority identify land to be developed?

Mr P.C. TINLEY: To ensure that I have the member's line of inquiry right, is the member interested in understanding how the Housing Authority, under the act, acquires land and how it moves that land through the deal flow, if you like, to create the outcomes we want?

Mr Z.R.F. KIRKUP: Yes.

Mr P.C. TINLEY: I might defer to Greg Cash.

Mr G.M. Cash: Thank you, minister. We have a range of mechanisms for engaging with the market to identify opportunities to acquire broadacre land or small development sites. Proponents can approach us through an open call for submissions process and we assess proposals for small-scale development opportunities. Through our annual acquisitions budget, we also seek to identify opportunities either individually or in partnership with the

private sector. Once we identify an opportunity, we assess, through a number of stage-gate processes, whether the opportunity is fit for purpose for achieving our policy and financial objectives. We have a number of internal assessment panels. We have a development committee that assesses whether the policy and strategic alignment to the overall strategic asset plan for the organisation is consistent with that potential acquisition and determines whether we will get sufficient affordable housing outcomes and indicative commercial returns. Then a final recommendation panel goes through our investment advisory panel prior to a recommendation being submitted to the director general for her sign-off. The investment advisory panel will assess the commercial terms under which we have negotiated the potential acquisition.

Mr Z.R.F. KIRKUP: I appreciate Mr Cash's response. At the very start of the pipeline and the initial land procurement, does the state often look favourably at its existing holdings or the Housing Authority's land bank? Obviously, the state of Western Australia owns different swathes of land. Does the agency look at sourcing land within existing government-held assets or does it often look to an investor to develop a privately held asset?

Mr P.C. TINLEY: There is a combination answer to that question. It is not beyond the agency; it has a remit to acquire land off the market, and it does that in small and large forms as well. It is not just large greenfield estates; increasingly, particularly with our Metronet precincts, we are looking at crown land and/or privately owned land that, when amalgamated, could give us the precinct outcome we are looking for. That is well within the range of what the agency looks at. We are grappling with trying to reduce the rate of urban sprawl, as we all identify, and the challenge for the Housing Authority, and the Department of Communities more broadly, is to identify increasingly more complex land amalgamation issues, and bring them to book to create the sort of outcomes that we need in a densified city.

Mr Z.R.F. KIRKUP: As part of that infill approach, does the Housing Authority have the opportunity to interact with other agencies? For example, if the Western Australian Planning Commission owns a land lot, or even if the state of Western Australia is the titleholder, does the Housing Authority have the ability to interact with those agencies to possibly purchase or develop that land on behalf the state?

Mr P.C. TINLEY: Yes, absolutely. Again, as I said, as that more complex land assembly increases, particularly around infill—the 13-kilometre ring from where we sit—the agency is collaborating more often than not with WAPC, LandCorp and the Metropolitan Redevelopment Authority to ensure that we are meeting those objectives. The authority absolutely does that, and increasingly more so, as the MRA and LandCorp align in their outcomes and we bring it all together.

As I said before, I am always driving past empty pieces of dirt wondering who owns it. I will go back to the office with a list of areas. Greg will get a phone call from me asking what is going on, particularly about former school sites, for example. Quite often—this is a feature of the past as much as the present—when there is a closed school site or former government institution, there is a fair degree of cost to bring that to market as a developed parcel of land, because there has been a single user in the school context delivering the reticulated services into that area, and subdivision is a difficult exercise. The government is at the mercy of the market and no different from any other land developer.

Mr Z.R.F. KIRKUP: My inquiry, for what it is worth, is tailored more to my electorate, although I appreciate that information. A number of sites in my electorate, which, for those who are not familiar, is bound by water on all sides effectively—most of it is an island. A number of sites owned by the state are not encumbered, so they are not parks or recreation grounds; it is effectively just land, but they sit in a somewhat residential environment. The infill question might come about. Some of it is relatively prime land—that is, estuary facing or something like that. I am keen to understand the likelihood of the department looking at that land for possible development down the track. Is it possible to get an indication of whether that land could be developed at any time in the future or whether that could be ruled out?

Mr P.C. TINLEY: I will raise an issue that intersects with this question, and again talk to the complexity of land, and how it is related to not only inner urban renewal but also the Perth and Peel assessment. The previous government inherited 93 federal places of national environmental significance, which are areas of interest on the national agenda for either flora or fauna that require assessment. Minister Saffioti is engaged in that process. As much as Metronet, that will shape development. We cannot get away from those assessments and the protection of nationally significant species. We also need to ensure that we preserve the food bowl, as areas of urban development, the sprawl, creeps into arable land that produces our food, and then, of course, there is the dreaded market. As the member would appreciate, in the current market that land would be very difficult to assemble, bring to market and then get a return and an outcome on. I might defer to Greg to see if there is anything further he wants to add to that.

[9.10 pm]

Mr G.M. Cash: I think the issue is actually in seeking to understand the variety of roles that the Housing Authority plays in the marketplace. Clearly, the supply of social housing is a critical driver for our activity, but ensuring that the market flows efficiently at the affordable end of the housing marketplace is also important, right across the metropolitan area and regional Western Australia. In respect of which parcels of land we go after and seek to

develop, we seek to balance our effort right across the metropolitan area, based on the prevailing market conditions in any particular location. In certain corridors in the metropolitan area there is more or less activity, depending on the nature of the normal market and to what extent we can assist the efficient flow of that market to deliver an affordable housing product, while also managing the market risk and the commercial returns required to achieve the social policy outcomes that we seek to achieve, so there is a balance of that. We have the opportunity to engage with our counterparts in other agencies to access other parcels of land. That is obviously a particular focus when our existing land bank does not actually cover the demand that we identify in that particular area and does not meet our long-term strategic priorities. In the member's corridor, the south west corridor, we have a development just north of Mandurah in Golden Bay. There are small pockets of infill development around Mandurah that we continue to explore and execute. The member's electorate is probably on the fringe of where our activity is, so we have not at this stage explored any of those development sites that the member talked about, but that is open to us.

Mr Z.R.F. KIRKUP: I appreciate that. I have a final question, and I appreciate my colleagues' forbearance. The example I am most concerned about is a 2.69-hectare site in Oaklands Avenue, Halls Head. It is quite a significant site and was recently zoned for residential development. It is owned by the state of Western Australia, so I am keen to understand whether or not that is going to be developed by the Housing Authority for the supply of social and affordable housing.

Mr P.C. TINLEY: I make the point that anything the Housing Authority does will always attend to the social and affordable. To give the member a snapshot, in 2019–20 the Department of Communities is targeting production of around 1 400 housing lots. That will address housing affordability, including about 900 lots that we will develop with our joint venture partners. As the member knows, when we partner with the private sector, it is very much market-facing and cross-subsidised, so one in nine will typically be social. Members on both sides of the house have learnt during their time in government that concentration of social housing helps no-one, but we still do not retreat from the requirement to provide both social and affordable housing. One of the things we are targeting amongst that 1 400—again, as an example, and this is conditional upon where we are in the market at the moment—is for at least 80 per cent of the lots to be sold below the median price, and for at least 30 per cent to be in the lower quartile of the market. If that is consistent with what the market will bear in that particular area, and we develop it, that is the sort of outcome we would want to see.

Mr D.C. NALDER: Just on the point the minister talked about, I know that new developments work on about 10 or 11 per cent maximum social housing within a community, yet we have some older communities that still have considerably more. I have one in my electorate that is of real concern; it is up around 17 to 18 per cent. We do not seem to have a position, from a state government perspective, on what we are doing with those mature suburbs—whether they should be around a similar cap, or whether, over time, we should reduce the number to get the balance more evenly spread around the community.

Mr P.C. TINLEY: That is a good question, and it is a chestnut, if you like, that we have all had to try to grapple with over time. Again, speaking for my own seat of Willagee, the suburb of Willagee was created as 100 per cent public housing for workers; even Army married quarters were in there at one point. It has, obviously, therefore been on the glide path to reduction; I do not know what the current percentage is. The problem with the older suburbs—I am talking about the 13-kilometre ring, which includes a lot of our seats—is that it is not the actual quantum that is the challenge; it is concentration inside and it is how many there are on any given street. The next issue is: how many, of which type? We have in these 70-year-old suburbs an ageing population—the originals, if we want to put it in those terms. It makes no difference if it is public or private; they still want to downsize. The largest cohort we have in public housing is single older women, in significant numbers, living in houses that they do not want to live in, to tell you the truth. But they will not put their hand up for a transfer because there is the potential that they will have to leave the district. Sure, they will downsize to a more manageable property, but they will move away from their social networks and all those sorts of things. We are acutely aware of that desire and, quite frankly, as a social landlord, of making sure that, wherever possible, we provide a similar downsizing option. The target in the member's area is to de-concentrate within the streets as opposed to within the whole suburb, but also to create the sort of housing options—units, if you like—to ensure we have the capacity to house a changing demographic. Greg might have more to add to that.

Mr G.M. Cash: We have a strong commitment to breaking down those concentrations of social housing, and we have largely done so in Western Australia. Our counterparts in other jurisdictions are very envious of the low levels of density that we have to deal with, but there are small pockets that continue to be an opportunity for us to continue to improve and adapt through the initiatives we have in the budget. We have a redevelopment program through the asset investment program that targets that small infill-type activity where we are able to adapt the accommodation, as the minister talked about. Similarly, the estate improvement land development program is an urban renewal investment activity where we are adapting and changing existing suburbs. Bentley and Beaconsfield are examples of that. By using investment activity to deliver a different outcome, we are targeting—through the Metronet housing and jobs package that was funded as part of last year's budget, flowing through this year—some of those infill sites to adapt that accommodation as well.

Mr V.A. CATANIA: The minister mentioned Metronet and the package, and that there were funds available in the last financial year and this financial year. What is the overall cost of the 1 390 new transit-aligned homes —

Mr P.C. TINLEY: What line are we on?

Mr V.A. CATANIA: This is page 456 and the reference to the Metronet social and affordable housing and jobs package. Can the minister give me the total of how much 320 social housing dwellings and 400 affordable purchase opportunities are going to cost? What is the total cost to taxpayers of this Metronet social and affordable housing and jobs package?

Mr P.C. TINLEY: Through the out years, it is cashflowed out. I do not have the actual total, because it is too late in the night for me to add up all these numbers! In 2018–19 it is \$32.55 million; I think it is all listed, is it not? The development and construction of the \$394 million package is to be funded. The Department of Communities' own land contribution is worth \$53 million, so everything gets priced in, regardless of who owns it. There is a government land contribution of \$3 million—that is specifically Forrestfield and Redcliffe. There is Department of Communities' cash of \$9 million within the existing forward estimates; a \$120 million loan facility to Department of Communities, repayable in 2022; and \$209 million of private sector capital. The member will see that that creates private sector capital, because we joined with the private sector to do these developments, which is a fundamental lift. It creates a level of economic activity that is continually understated. The level of economic activity through that spend, particularly using the private sector, is not insignificant.

[9.20 pm]

Mr V.A. CATANIA: Is that for the completed Metronet? Is it all the land that could potentially be used in the six stages of the entirety of Metronet?

Mr P.C. TINLEY: No, it is not. We are working through the identifiable packages now. As the member can appreciate, no two Metronet precincts are the same. For example, Forrestfield versus Bayswater —

Mr V.A. CATANIA: What is the \$390 million for that the minister just talked about?

Mr P.C. TINLEY: Mr Cash can answer that.

Mr G.M. Cash: Given that Metronet will present new transport opportunities to people and social and affordable housing within walking distance of train stations and transport nodes, it is a great opportunity to target and focus our investment activities to activate those areas and maximise the investment that government is providing through Metronet. We have identified four streams of activity to target our efforts around our social and affordable housing program to deliver a better uplift for the community. We will be working on four streams, one of which will be high-density development. For example, the City of Perth commissioners recently supported putting forward a site to the Western Australian Planning Commission to develop 184 units in Pier Street with a private sector partner.

Mr V.A. CATANIA: Sorry to interrupt. I understand all that. What I am after is: what amount of money is being spent now on the Metronet social and affordable housing, and at what stages are those developments? Can the minister tell me by way of supplementary information where along the lines the land has been identified to do what he is saying needs to be done; what is the cost involved; have areas for future Metronet lines been identified; and can I have a rough indication of the cost of social housing and developing land along the other lines? The government has allocated \$390 million or so to this. What stages does this allocation incorporate and can the minister provide a map with the associated land on it?

Mr P.C. TINLEY: The answer is no because a significant amount of design work and allocation still needs to be done across those sites. I cannot tell the member what the Whiteman Park station or the station that will be on the Ellenbrook line will look like. The variables would be of no help to the member because we could not be accurate enough. I am not inclined to even attempt to provide that information. But I can tell the member what is happening now—just indulge me for two seconds. Builders have been allocated 933 dwellings across 193 sites. Design and planning work is well progressed on those sites. Although that is the rate of effort in that area, the bulk of the work will commence in 2020–21. Construction has commenced now on 35 new social housing developments and 92 new affordable homes. That equates to 217 jobs and \$59 million of economic activity, which I identified in those global numbers. I am confining my answer to the package itself because the other is outside and not yet identified or resourced. The package remains on target to meet delivery yields of around 500 class 2 apartments and 250 group dwellings by June 2020–21. The bulk of that will create \$293 or \$294 million worth of broader economic activity, which is about 1 069 jobs from that package alone. My answer to the member is unfortunately not as complete as the member wants, but it is related to the allocated funds for that particular program of works in the identified opportunities.

The other point to make is that that is also flexible because, as the member knows, the property market is a fickle beast, particularly at this point of the cycle. We might intend to do something next year, but by the time we get there we might be switching to a different cycle. It will be site-specific and depend on what the market yield is doing for us.

Mr V.A. CATANIA: I am trying to get the true cost of Metronet. It is very hard to get the true cost because we do not know what the next stages will entail and how much it will cost taxpayers in terms of land development or acquisition or building more social housing. I suppose the minister understands where I am coming from. There are a lot of variations in the figures that he has put forward. The market goes up and the market falls, so how strong really are the figures that are being put forward? I suppose the minister is having a good guess, but a guess nonetheless, that the market will be buoyant in 2020–21.

Mr P.C. TINLEY: As I have always said, the Housing Authority inside the Department of Communities is a market-facing commercial operation. Before it was amalgamated in the machinery-of-government changes, it had the lowest take on the consolidated accounts across government. Eight per cent of the funding for the Housing Authority came from consolidated accounts. The reason that has been so low and the envy of other jurisdictions is that we cross-subsidise. The downside is that we are part of the market players. The industry loves it that way because we engage with it, as the member knows. The alternative position is that government just keeps writing a cheque and it becomes a social exercise as opposed to a commercial opportunity, and Keystart also makes a contribution in the \$70 million range. The point is that the numbers, as they are shown in the budget, are the committed numbers: \$394 million for the Metronet housing jobs package. I will leave the numbers for the Metronet program itself to the relevant minister, but the budget numbers are the budget numbers. Does Mr Cash want to add anything more to that?

Mr G.M. Cash: I suggest that these activities are aligned to Metronet; they are not directly related to the project. They are not a project expense from Metronet. They are aligned to the activity to maximise the benefit of the opportunity by connecting our clients and the market to the opportunity of the infrastructure investment that is occurring. In terms of the market-facing elements of this program —

Mr V.A. CATANIA: It is a direct result of Metronet providing the department with these opportunities.

Mr G.M. Cash: Yes, and in relation to the market-facing elements of it, the target sales numbers that we are putting into the market are consistently below our historical sales numbers, so we do not believe that there is any significant concern about our ability to meet the overall numbers, albeit that individual sites may or may not proceed depending on market conditions.

Mr D.C. NALDER: Now for a change of direction. I refer to page 453 and “Rental Housing”. Using that as an example, I would like to understand, particularly around the revenue side of things, why there is a budget of \$569 million but an estimated actual of \$831 million. Has that been driven by federal grants or —

Mr P.C. TINLEY: Sorry, member, is that on page 553?

Mr D.C. NALDER: I refer to page 569 and the budgeted 2018–19 income. I am more interested in the income side than the cost side. I would like to understand the income side. Does the budget include commonwealth grants and those sorts of things, or home owners paying a form of rent to the state, or a combination of the two?

Mr P.C. TINLEY: I will let Mr Carren answer that question.

[9.30 pm]

Mr L. Carren: As I was writing my note out for the minister I missed the member’s question, so I have to ask him to repeat it, sorry.

Mr D.C. NALDER: In 2018–19, the budget has \$569 million as income. There is an estimated actual of \$831 million, so that is some \$260 million more income. What does the income comprise? Is it commonwealth grants and other things or is it renters paying a form of rent to the state in this circumstance or is it a combination of both? What has driven that \$260 million extra above budget?

Mr L. Carren: In answer to the member’s first question, it was the third option, which is a combination of the commonwealth and rental proceeds from tenants. That figure appears there for both. The fluctuation relates to the commonwealth grants that fluctuated through discussions the states have with the commonwealth. Most recently, the commonwealth has made a \$121 million payment to the state for remote housing.

Mr D.C. NALDER: The excess above budget is \$260 million. You said \$120 million so there is still \$140 million left. What has driven the extra \$140 million?

Mr L. Carren: I do not have a complete breakdown of that. Certainly, the predominant issue has been the \$121 million payment from the commonwealth.

Mr D.C. NALDER: Can that be put on notice to get a more accurate breakdown? It is a big number; it is a quarter of a billion dollars in variation. I am surprised that there was no footnote to explain that.

Mr P.C. TINLEY: My undertaking is to give a breakdown of the cost of service in 2017–18 and 2018–19 years.

Mr D.C. NALDER: I particularly want the income changes.

Mr L. Carren: I can clarify that. I refer to item 2 at the bottom of page 453 and the third paragraph, which reads —
The 2018–19 Estimated Actual varies from the 2019–20 Budget largely due to the receipt of \$121 million in Commonwealth funding for remote housing in 2018–19 along with the remaining \$130 million under the National Partnership ...

Mr D.C. NALDER: I have it. We do not have to get supplementary information. Thank you.

I would like to understand, roughly, what level of revenue the state collects in rental income. I also want to explore that a little further, in that, when there is higher unemployment and difficult economic conditions, people often fail to pay their rent. I want to understand what the process is for the department dealing with people who default or do not pay. Obviously, there is an accumulation of doubtful debts and, ultimately, there would be bad debts written off. I do not see anything anywhere. It looks like it is folded into overs and unders within the income and expense budget. However, I would appreciate some indication of what is happening with bad and doubtful debts and the process for managing them and how that may be changing given the tougher economic conditions Western Australia is in.

Mr P.C. TINLEY: It is a good question. When dealing with rental income, do not forget that it is not just public housing, although I will focus on that because that is the predominant movement. There is Government Regional Officers' Housing and a range of others.

Mr D.C. NALDER: I assume it is the same process across all of them.

Mr P.C. TINLEY: It is, but the sorts of outcomes the member is talking about focuses on the social housing—our clients as we now like to refer to them, which talks to the answer I am about to give the member. We have a range of programs that identify when a tenancy is at risk or moving into an at-risk issue. Of course, we have the three-strikes policy, which I have reinforced. I said that we are calling them clients because with the advent of the machinery of government changes, the Department of Communities has, for the first time, given us a real human services agency. The opportunity inside that is to bring to bear some of the best practitioners of services for dysfunctional families and those at-risk tenancies. Within the program, we have the support and tenant education program. When someone does not pay their rent, it shows up, obviously, in the automated system. The local office moves to have a conversation with them. Obviously, default notices are sent at the appropriate time but that is not what a social landlord does in isolation. We get to the tenancy and make sure that we are understanding the problem and delivering a particular niche service to them as we move from that STEP program to a new one, which is a more comprehensive program called “Thrive”, which we launched earlier in the year. I might turn to, Jackie Tang, one of the actual service providers to give you a better insight into how it rolls out.

Mrs J. Tang: In relation to the tenants or clients in the homes, just as the minister said, we very much need to work with families in social housing because if they do not pay their rent and they are on the street, that is of no benefit to anyone. A considerable amount of time is spent working with tenants who have difficulty paying, understanding what that difficulty is associated with and working on debt repayment over periods. We take into account that they are on Centrelink payments or have low-level employment, so their capacity to pay, given other issues, is taken into account.

The principle of mutual responsibility always holds in that we do not let debt go excessively without working to understand what the mutual responsibility is between clients, or tenants, and the housing that is provided. This is particularly relevant when we are working with families who may be impacted in relation to children they have in the home and whether there are child protection issues or what risk that will put the family at should the family be evicted purely on the basis of non-payment of rent. The other critical point for us is in relation to domestic violence matters when women may be at risk due to their relationship and may be in financial debt. It is a fine balance between managing the social aspects of housing and financial debt because we can just shift the debt if we are putting people out through eviction. At a local level, there is a clear understanding at local officers' regions about the management of that debt, but it also requires individual understanding around the capacity of people to pay and what the risk is if they are unable to pay.

Mr D.C. NALDER: I understand the process. Thank you for that. I understand the process by which the department is managing it. I would like to understand the current arrears for this last financial year and how it compares with the previous financial year and what level of debt is being written off annually and how that is changing. Can we get something like that, minister?

Mr P.C. TINLEY: Yes, I am happy to provide that by way of supplementary information.

Mr D.C. NALDER: Yes; supplementary is fine.

Mr P.C. TINLEY: To clarify that supplementary commitment, can the member help me make sure I capture what he wants?

Mr D.C. NALDER: I want the arrears and bad debts written off.

Mr P.C. TINLEY: For 2017–18?

Mr D.C. NALDER: It would be nice to go back a couple of years to see whether it has plateaued or whether there is a growing problem there.

Mr P.C. TINLEY: We will confine ourselves to the budget, which is 2017–18, 2018–19 and 2019–20 projected

Mr D.C. NALDER: That would be great.

Mr P.C. TINLEY: It is for the arrears, the defaults and the write-offs. Are you happy with that?

Mr D.C. NALDER: Yes, that would be great. There is no visibility of that currently in the budget. I imagine it is quite a sizeable number.

Mr P.C. TINLEY: It is important that we give the member the information that is usable. By that I mean there is a rolling arrangement around arrears. I will give the member that information—at what point in the cycle and what is the decision cycle to say it is a written debt. Debt collection agencies are engaged as well, so there is a process to it all.

[*Supplementary Information No A21.*]

[9.40 pm]

Mr V.A. CATANIA: Paragraph 1.2 under the heading “Asset Investment Program” on page 456 of the *Budget Statements* states that there is \$11.4 million for social housing investment under the construction and purchase of houses program. I do not know whether my question relates to this point, but can the minister quantify the amount of damage to and works in arrears on housing stock throughout the state, particularly in towns like Carnarvon where a lot of the housing stock is damaged and has not been repaired. You would not let your dog go in these houses—dogs do go in these houses, but you would not let your animals go in these houses because some of them are atrocious. Can the minister, perhaps by way of supplementary information, let me know the cost of repairs needed to the social housing throughout the state? Does he have a number?

Mr P.C. TINLEY: If the member could give me a line item, I would, but I do not think the one he has referred to gets us there. He is talking about the maintenance program.

Mr V.A. CATANIA: It is about investing in housing.

Mr P.C. TINLEY: Sure, but I need to work to a number before I decide whether we can provide any information. I would not want to make a commitment to the member without understanding it. I am going through it to make sure.

Mr V.A. CATANIA: Under the heading “New Works”, there is a line item for the redevelopment program. Is there a redevelopment program?

Mr P.C. TINLEY: No, that is not it. We will help the member.

Mr V.A. CATANIA: The minister knows what I am asking. I will keep rambling. It looks as though there has not been any investment in the housing stock along David Brand Drive, Carnarvon, for quite some time. A lot of the houses look derelict. Does the minister have a figure for how much it would cost to bring all that housing stock up to the standard that we all expect today?

Mr P.C. TINLEY: The answer is no, and the reason for that is there is a range of answers inside that question—what stock, where and when. Some of the stock that looks pretty sad will never go back to public housing. Again, going back to that point, when the market is ready, it will be disposed of, it will be developed or it will go into light maintenance for use again or deep maintenance or refurbishment to bring it up to standard. I could not answer that question accurately. There are so many variables in there; it depends which ones —

Mr V.A. CATANIA: Can I give the minister a couple of towns? Would he be able to answer the question about a couple of those towns?

Mr P.C. TINLEY: I do not know.

Mr G.M. Cash: We would be able to provide data on what maintenance money we have spent in those towns.

Mr V.A. CATANIA: What about what has not been spent and the need to bring those houses up to standard? Surely the minister would have —

Mr P.C. TINLEY: No, we would not. Each time a house is vacated, an individual decision is made about that house at the local level and then we decide what will happen to it. There is a process that relates to the deeper the spend on it right through to demolishing, disposing or redeveloping. That goes further back in the chain of command for a decision cycle. I cannot really give the member that.

Mr V.A. CATANIA: How often are houses inspected in places like Carnarvon?

Mrs R. Green: Every 12 months.

Mr V.A. CATANIA: A property report must be given, so the department would have some sort of idea every 12 months of the cost involved in bringing those houses up to standard.

Mr P.C. TINLEY: No. That property report is a relationship between the landlord and the tenant—in this case, it is about the condition of the property—just like it is for anybody else under the Residential Tenancies Act. When the tenant raises with us particular maintenance issues, they are logged and then addressed as required. That will not tell us anything in line with what I think the member is talking about. He is talking about a wider asset investment program.

Mr V.A. CATANIA: I will ask a question on notice then.

The appropriation was recommended.

Keystart Housing Scheme Trust —

Mr I.C. Blayney, Chair.

Mr P.C. Tinley, Minister for Housing.

Ms M.J. Andrews, Director General, Department of Communities.

Mr M. Verkuylen, Chief Financial Officer.

Mr G.M. Cash, Assistant Director General, Commercial Operations, Department of Communities.

Mr S. Ward, Chief of Staff, Minister for Housing.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. 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 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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

The member for Bateman.

Mr D.C. NALDER: Given the time, I will go really quickly and try to get to the point. The questions are about Keystart, but the only information we seem to have is on page 465 in part 8 of budget paper No 2. We know that legislation limits the borrowings for Keystart to \$5 billion. We are trying to understand where the book is at right now. Given that housing prices are falling and therefore the levels of negative equity are increasing, and there are difficulties with getting that book out, why are people refinancing and opening up the book, which is what we should be trying to achieve to help these people get started? I am trying to get a sense of the current loan book, and then I will move to quick questions about mortgages in arrears, defaults and negative equity, but I start with the current total book value.

Mr P.C. TINLEY: Currently, the authorised amount for the book is \$4.8 billion. The member has said a couple of times that there is a legislated cap for Keystart. There is not.

Mr D.C. NALDER: It is a policy, is it?

Mr P.C. TINLEY: It is a policy, so obviously it goes through an Expenditure Review Committee process, the bonds are bought through the Western Australian Treasury Corporation and it provides the long-term funding. The member said that a couple of times. It is great that I can correct that. I meant to catch him separately and tell him that. The authorised limit is \$4.8 billion. I want to go with the member on this one. He wants to know how much of that is out.

Mr D.C. NALDER: Is \$4.8 billion the policy limit?

Mr P.C. TINLEY: Yes, that is the current authorised —

Mr D.C. NALDER: Policy limit?

Mr P.C. TINLEY: That is the amount funded by Treasury Corp at the moment.

Mr D.C. NALDER: How much is lent at the moment?

Mr P.C. TINLEY: Mr Verkuylen.

Mr M. Verkuylen: The current amount that is forecast to be lent out to the end of this financial year is \$4.369 billion.

Mr D.C. NALDER: So there is still half a billion dollars to do —

[9.50 pm]

Mr P.C. TINLEY: Yes, but also do not forget that it is a rolling number. Hopefully, as people pop out and move into the retail market —

Mr D.C. NALDER: It is a bit harder at the moment.

Mr P.C. TINLEY: It is a bit harder, but there are people who have built equity. As the member knows, it is not the best deal in the market. The average is the big four. There is always a better deal out there for them. The banks love them, as the member knows. They are the best pre-qualified clients they are going to get.

Mr D.C. NALDER: But the deal is the average of the standard variable rate, when most of them are offering discounts of 90 to 100 basis points.

Mr P.C. TINLEY: Correct. The incentive is—I make no excuse for this—that I want them out of the book. The sooner we get them through, the quicker we are able to move the loan onto someone else.

Mr D.C. NALDER: Then Keystart can lend more. I was accused by the minister's peers of spruiking for the other banks.

Mr P.C. TINLEY: It is just an outrage!

Mr D.C. NALDER: But I always saw it as a principle that it wants them to move through so it can lend more.

Mr P.C. TINLEY: Absolutely.

Mr D.C. NALDER: One thing that I have picked up on is that the mortgage in arrears seems to be lower than what is happening with the banks. I am trying to get an understanding about how that could be the case.

Mr P.C. TINLEY: I will tell the member. It was the same under the former government's watch: because we are good!

Mr D.C. NALDER: No; same under our watch. I am trying to understand how it works in a downturned domestic economy. Given that Keystart almost plays the role of a lender of last resort, because it is for people who cannot otherwise access financing, is there some management processes that mean if they are struggling, they are shifted off and therefore not necessarily counted as mortgagees in arrears?

Mr P.C. TINLEY: No. It was the same thing under the former government's watch. We all should be very proud, as we are, of this great institution. Correct me if I am wrong—I will correct the record if I am wrong—on average we run at 30 per cent below the industry standard for arrears in default. Mortgages that are called in are at the lowest of any other institution in Australia. The alchemy, if you like, is the 120 FTE at Keystart who manage these clients at a level that no bank seems to be able to do. Many people who do not currently have a loan are working towards it. They are working with our people to get there and they are managed through there. As soon as they get into difficulties, the credit section down at Keystart—I was there two weeks ago—has some very experienced people to help them. The intellectual property of Keystart that I have to explain to other housing ministers is the 120 FTE there. Those people are gold in how they manage those things. I call it a high doc sub-prime mortgage book. By the time they graduate out of it into the retail market, they are some of the best pre-qualified clients. The amount of \$1.6 billion is put into the market—\$1.35 billion is currently securitised. It is not lost on us that there is a further capacity to take up those clients, if the bank is ready. For Bendigo and Adelaide Bank, they have proven to be one of the best client groups they have ever had. They layer in all the usual products the retail banking sector does and they are super happy.

Dr M.D. NAHAN: I was briefed on this all the time when I was Treasurer, so I understand that. One of the processes that Keystart uses to ensure that it manages the risks that come up is that customers are brought in who do not have very much cash.

Mr P.C. TINLEY: Yes, absolutely.

Dr M.D. NAHAN: By definition, they are almost new entrants to the market. They have seen, at least in that asset class, negative equity for a time. The way to keep them on the book is to keep them in the house. If they leave, they are in trouble.

Mr P.C. TINLEY: Yes.

Dr M.D. NAHAN: What are some of the policies that Keystart puts in place to make sure these people pay their mortgages and keep a roof over their head? What processes are followed? The government cannot give them money, so what does it do?

Mr P.C. TINLEY: There is a range of possibilities. The credit section down there are masters at doing it. That is why they can keep below the industry standard of default in arrears. When I was there the other week, I asked that very question: how do you manage it and what are the processes? The first thing is they have a conversation. The second thing is they quantify the risk to the loan and the risk to the client. I am told that many of them are significantly ahead in their mortgage payments. That gives them the ullage, if you like, to work away. The vast

majority of people fall into difficulty because of loss of employment or underemployment, which is a growing phenomenon in our economy. I do not have the name of the program but I am more than happy to provide that by way of supplementary information.

Dr M.D. NAHAN: What share of the first home market does Keystart provide?

Mr P.C. TINLEY: It varies from month to month. One number that stuck out for me was in October, when we were 80 per cent of the first home owners market. Typically, it is 40 per cent.

Dr M.D. NAHAN: Forty per cent is my memory. Keystart is the main lender to a segment of the housing market that is under huge fiscal stress, according to the data I have seen, with high levels of negative equity. This is an aggregate: high levels of arrears and, in certain places, high levels of household bankruptcy. The housing market is struggling here—it has for 10 years. That is the aggregate data I have. According to the data I have seen, Keystart has a sterling record when it sometimes represents 40 per cent of the market. If it is 40 per cent of the market, it cannot help but have these issues with arrears and problems that the market has. Keystart is the market.

Mr P.C. TINLEY: Yes.

Dr M.D. NAHAN: Keystart is the market in first homes. Is it because it has a large amount of shared equity; it diminishes the deposit that is required and therefore its loan level is lower?

Mr P.C. TINLEY: Yes. There is a multiple series of “yeses” in there: management of the client, the nature of their product, how long they have been in the product and whether they are in advance or in arrears. I might just let Greg, who is a board member of the agency, speak to it, and we will see whether we get to where the member wants to go.

Mr G.M. Cash: I think there are a number of things that play in Keystart’s favour in this space. As the minister talked about, it has very rigorous credit assessment processes that are heavily manualised, line item by line item, to work with individuals to actively manage and reduce their discretionary spend on non-essential-type activities to build their creditworthiness. They are not high-risk borrowers; they are low-deposit borrowers that have gone through rigorous credit assessment processes to get in the door. There is also the behavioural element of knowing that they do not have another option to get a loan from somebody else. That says it is in their interest to hang on to the opportunity and put the effort in, as the minister talked about; building a bit of equity in their loan—that is, getting ahead in the loan. The cohort of client is useful. The additional piece in that up-front bit is the fact that the income eligibility limits are for people who do not always have the option of going elsewhere. Often, the nature of the employment that those people are in means that those types of jobs are less responsive to movement in the economy because they are more baseline. It might be a mum on \$35 000 to \$40 000, in a low-income job, and a dad on \$60 000. The nature of that work is probably more relatively consistent. The default rate and the arrears comes from crisis situations generally, which is marriage breakdown, loss of employment and those sorts of things, which are not uncommon for anyone. That is the up-front piece. When people get into trouble, the minister talked about the back-end element of Keystart going in and working with the client to put in place arrangements to manage finances. The other piece, too, that Keystart does is it actively manages personal debt and does not allow them to have more than 10 per cent personal debt. Credit cards are largely diminished. All of those different elements come in to mean that it is low deposit, not high risk, lending.

Mr P.C. TINLEY: I want to make the point, though, that our clients are buying a home, not an investment. Everything has gone into it. Their attempt to retain that is contingent upon servicing the loan. The negative equity piece is the old thing—it is not a loss until they sell. That is only as a last resort for them, or they have graduated.

The CHAIR: Sorry, members, our time is up.

Mr P.C. TINLEY: I have one final point. I want to record on *Hansard* that any time the opposition wants to visit Keystart and walk the floor, please, I want to facilitate it; it is worth it.

The CHAIR: Thank you, members. That completes the examination of Keystart Housing Scheme Trust.

Committee adjourned at 10.00 pm
