



# **Parliamentary Debates**

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LEGISLATIVE ASSEMBLY ESTIMATES COMMITTEE A

Wednesday, 25 May 2016

# Legislative Assembly

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## ESTIMATES COMMITTEE A

The meeting commenced at 9.00 am.

### **Division 32: Treasury (Except Item 51, WA Land Authority; and Item 62, Royalties for Regions), \$4 987 698 000—**

Mr N.W. Morton, Chairman.

Dr M.D. Nahan, Treasurer.

Mr M. Barnes, Under Treasurer.

Mr M. Court, Acting Deputy Under Treasurer.

Mr A. Jones, Executive Director, Strategic Policy and Evaluation.

Mr R. Watson, Acting Executive Director, Economic.

Ms K. Gulich, Executive Director, Infrastructure and Finance.

Mr R. Mann, Executive Director, Strategic Projects and Asset Sales.

Ms L. Di Paolo, Principal Policy Adviser.

Mr M. Don, Principal Policy Adviser.

[Witnesses introduced.]

**The CHAIRMAN:** 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 the discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The 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, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I give the call to the member for Cannington.

**Mr W.J. JOHNSTON:** I have a procedural question. In the past we were allowed to ask questions about budget paper No 3. Will that be the practice again this year?

**Dr M.D. NAHAN:** I have no problem with that. I think it is standard.

**The CHAIRMAN:** That is fine, members, as long as the question is relevant to what we are discussing.

**Mr B.S. WYATT:** I refer to the Western Australian Future Fund at page 254 of budget paper No 3. I have a few questions about the future fund; I am just trying to get my head around where we are at. The latest quarter listed on the Treasury website for investment holdings is September 2015. I note that earlier this year, a media report on the future fund stated that as at 21 September the future fund was holding some \$203 million in Western Australian Treasury Corporation securities, which is about 20 per cent of the balance of the future fund. What is the current holding of WATC securities in the future fund?

**Mr M. Barnes:** I have some updated numbers on the future fund. I think as recently as yesterday the December quarter report was put on our website, but I have the March quarter numbers, which will be published soon.

**Mr B.S. WYATT:** Is this for the March quarter?

**Mr M. Barnes:** Yes. The balance of the future fund as at 31 March was \$1 038 million. Of that amount, \$205.8 million, or 19.8 per cent, was invested in WATC bonds.

**Mr B.S. WYATT:** How much of that WATC debt has been purchased on the open market versus purchased directly from the WATC?

**Mr M. Barnes:** I do not have that information at hand, but I am happy to provide it as supplementary information.

**Dr M.D. NAHAN:** As the member would be aware, the WATC does those transactions on behalf of its client, Treasury.

**Mr B.S. WYATT:** Hence, I could not ask Treasury Corporation that question, but I can ask Treasury.

**Dr M.D. NAHAN:** We can take that question on notice and provide supplementary information, if the member wishes. How much of the March quarter WATC's stock of bonds purchased on behalf of the WA Future Fund was bought on the open market.

*[Supplementary Information No A34.]*

**Mr B.S. WYATT:** In his answer to a question asked during an upper house estimates committee hearing in, I think, January this year about the future fund, which has bought WATC debt because, obviously, our bonds are attracting an attractive yield, Mr Barnes made the point —

Our bonds are generating a higher yield than most if not all other states currently.

Which other state bonds have a yield that is higher than our borrowing?

**Mr M. Barnes:** It varies from bond issue to bond issue and from time to time of each issue. At the moment, South Australia has a lower credit rating from Standard and Poor's than Western Australia. Often, South Australian bonds will attract a higher yield than WA bonds; occasionally, Tasmanian bonds will as well, depending on the timing. The credit rating is only one factor that determines the yield; it is not the sole factor. The volume of debt being raised is another factor, as are general market perception—there are a range of factors that influence yields.

**Dr M.D. NAHAN:** The duration of the bonds.

**Mr M. Barnes:** Yes.

**Mr B.S. WYATT:** The Treasurer may recall that last year he provided a breakdown of the semi-government bonds held in the future fund by way of a letter, not by supplementary information. I think Mr Barnes provided that information to the upper house as well. Rather than my having to ask about the amounts for South Australia, Tasmania, Queensland or wherever, the Treasurer provided me with a letter after the estimates committee hearing, because he could not provide that information by supplementary information.

**Dr M.D. NAHAN:** We can provide that information in camera.

**Mr B.S. WYATT:** As the Treasurer did last year, which was fine. Thank you. Assuming, as Mr Barnes stated to the upper house, that the future fund's purchase of WATC debt is a neutral investment, effectively, what returns are we getting or seeking to get from the corporate bonds holding, which I assume is still around 20 per cent or 30 per cent of the future fund?

**Mr M. Barnes:** The future fund can invest in debt securities issued by a listed corporation with a credit rating of A or better. As at the end of March, 24.5 per cent of the total portfolio was held in such corporate bonds. At the moment, they are really the main source of yield enhancement for the future fund. This is an issue, given that things have changed since the fund was established in 2012 and the relative yields of WATC paper versus other semi-government paper. Under the investment framework for the future fund, which was tabled in Parliament at the time the bill was debated in 2012, a limit of 25 per cent of the total portfolio can be held in those corporate bonds. With 24.5 per cent held now, we are pretty much at that limit. To be honest, we are struggling to try to find yield to meet the future fund's return objective.

**Mr B.S. WYATT:** I thought it was 20 per cent in corporate bonds.

**Mr M. Barnes:** It was a strategic asset allocation, which has a 20 per cent allocation, but within the investment framework that I mentioned, there is scope for active management around that and that 20 per cent can go as high as 25 per cent. We are almost at that 25 per cent limit with corporate bonds now. As it is pretty much the sole source of yield enhancement, we have a bit of an issue going forward to continue to meet the return objective of the future fund, which to date we have met—we have exceeded the WATC cost of funds by an average 40 basis points since inception.

Going forward, I have asked the WATC to work with Treasury to review that investment framework. My view is that we will need to increase the proportion of the future fund portfolio that is allocated to those corporate bonds. We would not change the risk profile of those bonds; they would still require a minimum credit rating of A as per the Financial Management Regulations. But given that they are really the sole source of yield enhancement at the moment, I think we are going to have to increase that 25 per cent proportion a bit. That is what we are doing work on at the moment.

[9.10 am]

**Mr B.S. WYATT:** What sort of percentage is being considered?

**Mr M. Barnes:** I would be speculating—30, 35 per cent. I would suggest that 40 per cent would be the maximum.

**Mr B.S. WYATT:** Just through the Treasurer, would that require a legislative change or can it simply be a decision by the Treasurer?

**Dr M.D. NAHAN:** I cannot answer that. Mr Barnes?

**Mr M. Barnes:** It does not require legislative change. All the investments are determined by the Financial Management Regulations, so we cannot invest beyond the mandate of those regulations. It is just changing the proportion, the mix, of the portfolio that is allocated across semi-government versus corporate paper. That is determined by that investment framework and the strategic asset allocation, which is a decision of the Treasurer.

**Dr M.D. NAHAN:** I might add that I have not had any discussions with Treasury or WATC on this issue of changing the allocation at all.

**Mr B.S. WYATT:** I am just curious about how the Under Treasurer measures whether the future fund has effectively earned above the WATC cost of funds. Is that done by examining the future fund itself or is it done by simply saying that the weighted cost of funds has been X, or the weighted return of funds over time has been Y, and it is therefore a matter of making assumptions? I hope my question makes sense. For example, my understanding is that the fund of \$1 038 million is part of the public bank account. Does the Under Treasurer look at the fund itself and say, “Yes, it has made it”, or does he simply look over a three-year period and say, “The weighted cost of debt over that period of time was this and the weighted return was that, therefore”?

**Dr M.D. NAHAN:** My understanding is that they look at the stock of allocation of bonds in the future fund to find out what the average return on that is.

**Mr B.S. WYATT:** Specifically in the fund?

**Dr M.D. NAHAN:** Yes, the weighted average return on that and then that is compared with if they had invested solely in WATC debt.

**Mr M. Barnes:** Correct.

**Mr W.J. JOHNSTON:** I have a further question about that. What the Treasurer is saying is that the actual return on the fund is compared with what the WATC funding costs are, but the WATC funding costs are different depending on —

**Dr M.D. NAHAN:** Yes.

**Mr W.J. JOHNSTON:** So it would be the average cost of the WATC funding?

**Dr M.D. NAHAN:** Mr Barnes.

**Mr M. Barnes:** That comparison of the reterm versus cost of funds is done each time a deposit is made into the future fund. It is compared with if the WATC, instead of putting that money into the future fund, had raised an equivalent amount of debt, and what the cost of that debt would have been at that time. It is like an opportunity-cost comparison.

**Mr B.S. WYATT:** I have two more follow-up questions. I think the Under Treasurer said that 19.8 per cent is currently held in WATC debt. Is that anticipated to rise? Are we continuing to purchase WATC securities; and, if so, to what level do we anticipate that is going to go?

**Mr M. Barnes:** That is one of the issues I have asked the Treasury Corporation people and my own people to look at as part of this review of the investment framework, which is underway now. Hopefully, we will be reporting to the Treasurer in the coming weeks. There are a range of options around that. My personal view is that we should probably put a cap of around 20 per cent on debt securities purchased from any issuer—any semi-government issuer or any corporate issuer—just for the sake of diversification of the portfolio. That is my view. I will be injecting that into the review as it concludes over the coming weeks.

**Mr B.S. WYATT:** In respect of any proposed changes to the investment strategy of the future fund, is that likely to be a decision by government before the end of this year? I am just trying to get an understanding of where it is at.

**Dr M.D. NAHAN:** All I can say is that I am yet to receive any advice about not only the recommendation, but also the parameters within which we can decide. There is a covenant aspect to the investment. Honestly, I have not seen it or had a discussion with Treasury. Therefore, I cannot give a timing commitment on it. I would also have to put that in the context of when they make transactions, which I do not know. As members can guess,

I leave the transaction decisions to Treasury and WATC. Until I get that advice, I cannot give the member advice on the timing of the decision, if there is to be a change at all.

**Mr B.S. WYATT:** I will ask one question in two parts. We were given the update on corporate and WATC bonds as of March this year. How much cash is currently held in the future fund? Is it the intent of the future fund to hold to maturity all the bonds it has purchased?

**Dr M.D. NAHAN:** Mr Barnes?

**Mr M. Barnes:** The future fund holds only a negligible amount of cash because it does not generate the yield that we need. As at 31 March, only \$1.9 million or 0.2 per cent was held in cash. In answer to the second question, yes, it is a very passive investment strategy; the future fund is basically a buy-and-hold strategy.

**Mr B.S. WYATT:** So there has not been any sale?

**Mr M. Barnes:** No. The securities are held to maturity.

**Dr M.D. NAHAN:** In short, it is an extremely low risk portfolio.

**Mr W.J. JOHNSTON:** Are all those securities equivalent to cash so that the net debt effect is zero?

**Dr M.D. NAHAN:** Mr Barnes?

**Mr M. Barnes:** Yes, that is correct.

**Mr W.J. JOHNSTON:** Just in regard to the decoupling from the national cost benchmark for the Department of Health, how much is this going to cost? Is this a \$400 million decision?

**The CHAIRMAN:** Where are you referencing, member?

**Mr W.J. JOHNSTON:** I am referring to page 99 of budget paper No 3.

**Dr M.D. NAHAN:** Can the member ask the question again?

**Mr W.J. JOHNSTON:** There is a cost that applies to the decision outlined on this page. Is that cost \$426 million?

**Dr M.D. NAHAN:** I will go to the policy overview and then I will go to Mr Barnes about the sum. As members know, for a variety of reasons there is a national price for health. It is important for a number of reasons. It is a benchmark, but it is also the price that the commonwealth has, in the past at least, provided as assistance to the state for health. It is a benchmark. Above that, the commonwealth does not provide. That has determined what the commonwealth provides, at least in the past. Mr Barnes might be able to comment as to going forward. We have used that as a benchmark to indicate a target that we were going to approach over the forward estimates. We are significantly above that and have been for a time. The policy in the past was that two budgets ago it was over the forward estimates, and then I think we forecast a slower glide plane to, I think, 2020. The reason why, of course, is that these things have to be realistic. Every time we looked at it, the costs of the Department of Health were even more significantly above the national price. We want our forward estimates to be realistic as to what is doable and appropriate. This time we changed it again to a different format because the glide plane that we had in the previous budget was simply not realistic. We made a whole raft of changes to our assumptions. I will have the Under Treasurer go through those.

[9.20 am]

**Mr M. Barnes:** I refer the member to the table and the text underneath that table on page 115 of budget paper No 3 that sets it out reasonably well. Essentially, in last year's budget, with the transition to the national cost benchmark by 2021, from memory, had we stuck with that approach in this budget and with updated data on hospital cost growth from other states, we would have required annual cost growth of minus 0.6 per cent to achieve that convergence to the national cost benchmark, which, as the Treasurer said, is clearly unrealistic. In this budget we have replaced that with annual cost growth of 1.5 per cent, which is directly linked to the new wages policy. We still calculate activity growth in the health system on the same basis, which is based on age-weighted population growth projections, which in this budget is 2.4 per cent for the coming year. It has been revised down slightly from last year as population growth has come off a little. Cost growth of 1.5 per cent and activity growth of about 2.4 per cent gives total growth in hospital expenditure. If we look at that table on page 115 and the text underneath it, that confirms that additional cost growth in this budget, net of the slightly lower activity growth, was an estimated \$426 million over the forward estimates, as the member indicated. That has been largely offset by reductions in the health forward estimates for the impact of the new wages policy.

**Dr M.D. NAHAN:** I would like to clarify that. As members know, our wages policy is 1.5 per cent. As the Under Treasurer indicated, we escalated the cost structure by 1.5 per cent, which is equivalent to the wages policy, and a reduction in the wages policy leads to a 1.5 per cent reduction. We also funded it in part through the AER—that is, agency expenditure review—to the head office, non-hospital parts of the Department of Health, and we have reoriented all those savings back into the hospitals.

I want to go back to the policy issues. There were two driving factors for the Western Australian Department of Health—let us say hospitals—being above the national average. One was its own growth in costs, particularly those associated with the readjustment, or the lack of it, in the allocation of staff and facilities across the hospital system with the opening of Fiona Stanley Hospital, but also substantial reductions in the cost of other states, particularly Queensland, New South Wales and Victoria. In other words, the national price was not rising but was decreasing because of substantial reductions in other states. I think Victoria in the main was very stark. I am not exactly sure why those are going down but they were very stark. It was not just our cost going up; the national benchmark was declining each year.

**Mr W.J. JOHNSTON:** I wish to clarify something. The additional allocation of \$426 million is actually more than offset by the new wages policy and the agency expenditure review.

**Mr M. Barnes:** Not quite. Compared with the midyear review, the overall net result is about a \$30 million increase over the forward estimates period.

**Mr W.J. JOHNSTON:** Looking at the table on page 115, in the current year there is an increase but in the out years there is an additional \$70 million on the top line and minus \$67 million and minus \$47 million—so that is more—and then \$124 million in 2018–19 but minus \$52 million for the other two decisions; and then in 2019–20, it is \$191 million but then minus \$185 million and minus \$48.3 million.

**Mr M. Barnes:** The third line item relates to the agency expenditure review. Those minus numbers that the member read out—for example, minus \$47.5 million in 2017–18—is the money that gets reinvested back into hospital services.

**Mr W.J. JOHNSTON:** That \$47 million is not a saving, even though it is shown in the table relating to major spending savings.

**Dr M.D. NAHAN:** It is a savings update on a section of health but is reinvested in a different section. It is savings achieved and then rather than Treasury taking it and putting it in the bottom line, it reinvests it in the hospital sections of the Department of Health. Quite rightly, it is indicated as a policy decision and savings but it is reallocated back to the hospitals, as indicated in the budget papers.

**Mr W.J. JOHNSTON:** Is the Treasurer saying that those figures—minus \$47.5 million, minus \$52.5 million and minus \$48.3 million—are added to hospital services in addition to the \$70.2 million, \$124.9 million and \$191.1 million?

**Mr M. Barnes:** That is correct.

**Mr B.S. WYATT:** Keeping the cost growth to 1.5 per cent, I assume that the biggest proportion of that cost growth is wages, therefore driven by the wages policy. Can someone give me an indication—I am sure someone knows—of the cost growth over the last three years? I am just trying to understand the likelihood of getting 1.5 per cent.

**Dr M.D. NAHAN:** It is not 1.5 per cent because agency efficiency review money is put back in. It is going to be above 1.5 per cent. Also, that is a cost associated with a unit. There will be growth in demand. It is 1.5 times the growth in demand—there is no change to that methodology—plus that figure amortised over the number of people; it is the agency expenditure review stuff. Maybe Mr Barnes can give an indication of the expected overall growth. The budget indicates that in 2016–17, there will be overall growth of 4.8 per cent allocated to the health department. Most of that—virtually more than all—will go into hospitals. There is no doubt that we have very large growth over periods of time. Maybe Mr Barnes can give the member the figures for the last three years.

**Mr M. Barnes:** The net result of all these ups and downs is not much. Across the forward estimates period average annual growth in spending on public hospital services in this budget is 4.2 per cent per annum. That compares to 4.4 per cent per annum in last year's budget. The marginal reduction is due to that slightly lower activity growth due to population growth coming off. Going forward, 4.2 per cent per annum in total spending on public hospital services comprises that 1.5 per cent per unit cost growth, the 2.4 per cent activity growth and reinvestment of the AER savings from the non-hospital part of Health's budget. How does that compare with previous growth? Historically, it has probably been around the seven to eight per cent mark. That is during a time of much higher population growth in recent years of up to 3.5 per cent. That historical growth also reflects the impact of previous EBA agreements.

**Dr M.D. NAHAN:** There is still life to go in the nurses' agreement. The nurses got a five per cent pay rise, I think, in August last year, so that is still flowing through the system. Over the last two or three years we have substantially reduced the per unit costs in the system, but, as the member indicated, they are still substantially above where we want them to be and where they are relative to other states.

**Mr B.S. WYATT:** On page 99 of budget paper No 3 there is reference to require a one per cent per annum efficiency dividend from 2017–18. Is that across the whole health system? No doubt it is in here, but I just could not find it. Does that refer to the health system or just to hospitals?

**Mr M. Barnes:** That is just for the activity-based funded hospital services.

**Mr B.S. WYATT:** What savings is that expected to harvest? No doubt Mr Barnes can point me to a page but I could not find that specific reference.

**Mr M. Barnes:** It is part of that \$426 million.

**Dr M.D. NAHAN:** It is built into the forward estimates.

**Mr B.S. WYATT:** I understand that but I thought it was above and beyond—the way it was bullet pointed.

**Mr M. Barnes:** When we talk about the revised activity and cost growth settings for health, it is the 1.5 per cent cost growth, the revised activity growth based on revised population growth, which is about 2.4 per cent, and also taking into account that one per cent efficiency dividend from 2017–18 onwards. It is all in there.

**Mr W.J. JOHNSTON:** There has been a shift of services in certain hospitals to other hospitals. I take Bentley Hospital as an example: fewer services are now being carried out at Bentley and more are being done at Royal Perth Hospital. Obviously, Bentley Hospital is a lower cost hospital than Royal Perth Hospital, so is there an examination of the cost impact of those sorts of things?

[9.30 am]

**Dr M.D. NAHAN:** As the member knows, particularly with the construction of Fiona Stanley Hospital, there was a planned reallocation of resources from Royal Perth Hospital, Fremantle Hospital and Bentley Hospital to Fiona Stanley Hospital. A large amount of that reallocation has not gone as initially planned. Some of the activities, particularly maternity at Bentley Hospital, that were supposed to go to Fiona Stanley Hospital have stayed at Bentley. Of course, we also set up the Mental Health Commission, which has taken responsibility for the mental health activity, at Bentley in particular, and put a major focus on that service. Although Royal Perth Hospital has been downsized, there is more activity at Royal Perth Hospital than was initially planned by the review. I might add that there are more facilities at Fremantle Hospital than initially planned. The reallocation has not gone as expected and that is one reason that costs are higher than initially planned and higher than the national figure; that is, there are still resources at Fremantle, Bentley and Royal Perth Hospitals that were planned to go to Fiona Stanley Hospital and have not done so. I am not sure that we could even estimate how much that costs; it is a Department of Health process. The reallocation is still underway and being managed by the Department of Health. As the member knows, there is some additional capacity in other hospitals for mental health services—we just opened a facility in Joondalup—and some maternity facilities are being opened. Therefore, some adjustments will still be made after the Perth Children’s Hospital opens later this year.

**Mr T.K. WALDRON:** At page 3 of budget paper No 3, the table “Key Budget Assumptions” refers to the Perth consumer price index. I note that the Australian Bureau of Statistics recently released CPI data for the March quarter. Can the Treasurer outline the implications of this data release and what that means for the future growth of CPI?

**Dr M.D. NAHAN:** This has been one of the more difficult ones because we are caught in a period of deflation. It has caught everyone by surprise by the fact that not only it exists but also its extent. We had a lot of discussions about this because CPI is a major benchmark for us with wages and other issues and we use it for escalation purposes. In the past, Treasury has—this is not a criticism—significantly overestimated the inflation rate and that was used for our wages policy. A couple of years ago, we had 2.75 per cent and it came in very much lower, at 1.8 per cent, and the same thing happened the next year, I think we forecast two per cent. In 2015–16, CPI is expected to be in the vicinity of 1.25 per cent to 1.1 per cent. In the run-up to the budget we had a lot of discussion about what it should be. Treasury does the forecast. I put my views to Treasury, but it is Treasury’s view and I accept what it does. Treasury forecast 1.75 per cent for 2016–17. However, right after the budget closed, the ABS came up with an estimate of the Western Australian CPI for the last quarter and it was negative 0.6 per cent; that is, CPI was going into the negative. This is the first time in a long time, if ever, that has happened—at least since the data was collected. Western Australian is in a deflationary period.

**Mr B.S. WYATT:** As is Australia.

**Dr M.D. NAHAN:** Yes, as is Australia. We did not expect that. Whether it continues and for how long it permeates, no-one knows. I asked Treasury what would happen. That would have lowered its estimates to about 1.1 per cent in 2015–16 and 1.5 per cent in 2016–17. That is the rate by which we target wage increases going forward. After that, Treasury’s methodology is to do an assessment on the basis of the data and analysis to date for a year or so, and then in the longer term it targets the Reserve Bank of Australia’s targets for inflation in its determination of the interest rate policy. CPI goes up from where Treasury thinks it is today over at least the last two years of the forward estimates to that target. Is that a reasonable process? It is a good methodology and in line with other forecasters such as the Chamber of Commerce and Industry of Western Australia, Deloitte Access Economics and the commonwealth, but after next year we will have to see how these deflationary pressures go through the system, and that is all I can say. Since then the wage price index in Australia has come down to the

lowest it has been in a long time. We can see continued deflationary pressures on the economy that will keep CPI and every other index, particularly interest rates, low for the future.

**Mr T.K. WALDRON:** Does the Treasurer think it has bottomed out yet?

**Dr M.D. NAHAN:** No, I do not think so.

**Mr W.J. JOHNSTON:** This must have some flow-on impact into the payroll tax collection. Can the Treasurer outline that for us?

**Dr M.D. NAHAN:** Yes. Until a couple of years ago, Western Australian governments over the previous decade rejoiced in the continuous inflow of revenue from payroll tax. In fact, until two years ago it grew at an average annual rate of 12.2 per cent—phenomenal—on the back of population growth, wages growth and the high participation rate with the mining sector. All good things come to an end, at least from the perspective of the taxation recipient, the state government. Payroll tax revenue declined last year. We expect it to be negative two per cent for 2015–16, and growth in 2016–17 to be at 0.2 per cent—flat as a tack! That is no growth. Every one of our tax receipts is flat to zero or negative, including transaction fees. Land tax is down 5.6 per cent and transfer fees are also down. In this deflationary world it is happening with not just CPI, which represents indices of other things; everything is flat. As I indicated, overall our aggregate revenue is down by about three per cent in 2016–17 in every area. GST is negative. Our own tax receipts for iron ore are the only reason GST will go up; our share went from 29.9 per cent or 30 per cent to 30.3 per cent. I might add that the commonwealth is going to experience the same thing.

**Ms R. SAFFIOTI:** My question initially refers to page 379, the Office of Strategic Projects and Asset Sales and the financials of Perth Stadium. On page 130 of the *Economic and Fiscal Outlook*, for the first time we have some of the annual impacts of the stadium on the budget. I will work through those and start on page 130 with funding to the Western Australian Sports Centre Trust of \$6.4 million in 2016–17, \$39.7 million in 2017–18, \$66.5 million in 2018–19 and \$65.5 million in 2019–20. I understand that these costs include a one-off payment, a finance lease charge, and maintenance and other operating costs. Can the Treasurer explain what proportion of those figures will be recovered from the stadium operator?

[9.40 am]

**Dr M.D. NAHAN:** I will pass this on to Richard Mann, the executive director of strategic projects, who is behind me to my right.

**Mr R. Mann:** The VenuesWest costs represent both the capital component of the stadium payments as well as the operational components. It is the operational components that will be recovered from revenues. By capital costs, I mean the capital and interest repayments associated with the design, build, finance and maintain financing charges that are paid as contract payments over the 25-year operating term of the DBFM contract. Those contract payments are made by VenuesWest. VenuesWest is also responsible for the operating component of those payments—the facilities management services, maintenance and life-cycle replacement costs carried out by the DBFM contractor. They form part of the operating component of those costs. There is also VenuesWest's own management costs for stadium governance and costs associated with the stadium operator with respect to the forthcoming contract between VenuesWest and the stadium operator. All those components form the operational part of the stadium cost that will be met from stadium revenues.

**Ms R. SAFFIOTI:** Is Treasury saying that all those costs—\$6.4 million, \$39.7 million, \$66.5 million and \$65.5 million—will be met through the revenue from the stadium?

**Mr R. Mann:** No—only the operating component of that. If we go to —

**Ms R. SAFFIOTI:** Back to my original question: what component of those figures represents the operating —

**Dr M.D. NAHAN:** Please put the question through me.

**Ms R. SAFFIOTI:** Sorry, Treasurer. My original question was: what component of that line item will be recovered? I understand that line item includes capital, finance, life-cycle maintenance and management costs of VenuesWest, plus the operating costs. What amount of that line will be recovered through the operator?

**Dr M.D. NAHAN:** Mr Mann.

**Mr R. Mann:** Without having the VenuesWest details in budget paper No 2 in front of me now, there is a breakdown provided in BP 2 for VenuesWest. I think it is at about page 686. That identifies the breakdown between the finance lease costs, which represent the capital component, and the goods and services cost, which reflects the operating component. That provides the breakdown.

**Ms R. SAFFIOTI:** Was it page 662?

**Mr R. Mann:** I think it is page 686 of BP 2.

**Mr B.S. WYATT:** Now that we have that page in front of us, could Mr Mann take us through the relevant line items he is referring to?



**Dr M.D. NAHAN:** I suggest that members also look at page 132 of BP 3 under “Perth Stadium”.

**Ms R. SAFFIOTI:** The \$13 million per annum—how much is that?

**Dr M.D. NAHAN:** Does the member mean the proportion of total identified expenditure that relates to the operating costs? Is that what she is referring to?

**Ms R. SAFFIOTI:** I am trying to understand what the net financial impact of the Perth Stadium is on the state budget each year. That has always been my goal. We are getting closer.

**Dr M.D. NAHAN:** As expenditures are rolled out in the forward estimates —

**Ms R. SAFFIOTI:** This is the first time they have been shown, Treasurer.

**Dr M.D. NAHAN:** That is because contracts are signed and the stadium comes into fruition. This is the first time it has really been rolled out in terms of an agreement. That is why there is no attempt to hide this, or otherwise. It was always the case, as contracts were let and decisions were made, that they could be timed to roll out in the forward estimates of this budget, and it is more and more extensive. Mr Mann, the question, as I understand it, is: what is the net impact of the stadium over the forward estimates in the state budget?

**Mr R. Mann:** The \$13 million the member has identified represents VenuesWest’s operating costs including the operating component of the DBFM contract payments that will be met by revenue. There are supplies and services costs of approximately \$13 million per annum. That is the component that includes the operational component of the DBFM contract payments, plus VenuesWest’s management costs.

**Ms R. SAFFIOTI:** Just confirming: this relates to \$33 million over three years?

**Mr R. Mann:** Correct.

**Ms R. SAFFIOTI:** Looking at page 130 of budget paper No 3, in 2017–18 the annual impact on the budget is \$39.7 million, but the government expects to recover approximately \$13 million of that from the stadium operator.

**Mr R. Mann:** That is right.

**Ms R. SAFFIOTI:** The net impact—I am only talking about this particular transaction—is approximately \$26 million in 2017–18.

**Mr R. Mann:** Yes, which reflects the interest component of the DBFM contracts, plus depreciation.

**Ms R. SAFFIOTI:** It includes the interest, the life-cycle maintenance —

**Mr R. Mann:** No.

**Ms R. SAFFIOTI:** No?

**Mr R. Mann:** No—life-cycle maintenance costs are included in the operating component. They are recovered from revenue.

**Ms R. SAFFIOTI:** It includes basically the financing cost.

**Mr R. Mann:** Correct.

**Ms R. SAFFIOTI:** But not the capital repayment—or does it include the capital repayment?

**Mr R. Mann:** No.

**Ms R. SAFFIOTI:** It is a financing cost; so that is a net impact of \$26 million. That is one part of the transaction. I move to page 150 of budget paper No 3. My question relates to the agreement with the users, particularly the West Australian Football Commission.

**Dr M.D. NAHAN:** Yes.

**Ms R. SAFFIOTI:** It says here that it is subject to commercial negotiations.

**Dr M.D. NAHAN:** Yes, that is right.

**Ms R. SAFFIOTI:** What is the expected amount that will flow to the Football Commission as a result of it losing access to revenue from the current venue at Subiaco?

**Dr M.D. NAHAN:** The government made a statement that the WA Football Commission will be no worse off moving from Domain Stadium to the new Perth Stadium. The issues with football widely—the Australian Football League in particular with the Dockers and the Eagles, and the WAFC—is still open to negotiation and is part of the negotiations. Until those negotiations are finished, the sum is not solidified and has not been absolutely determined. Those negotiations are still ongoing. Let us say that negotiations are still ongoing and are not settled.

**Ms R. SAFFIOTI:** The Treasurer said there is a commitment not to be worse off. How much do they get out of the stadium now?

**Dr M.D. NAHAN:** I told the member that it can be a variable sum. The starting point, and our point today, is that they will be no worse off or they can be much better off. But until the negotiations are finished, the sum is not set and therefore I cannot answer that. The reason we will not disclose it is that it has not been settled yet. There are still active—at times very heated—negotiations on this point. To disclose a figure that is not set at this time would not only be inappropriate but also undermine the negotiations. We are not going to do that.

**Ms R. SAFFIOTI:** It is shown as a provision. The fact sheet that accompanied the budget papers this year said that a global provision had been made. Is the Treasurer telling me that he cannot disclose what provision has been made in the budget in respect of the WAFC negotiations?

**Dr M.D. NAHAN:** No; the member asked me a different question. She asked me how much —

**Ms R. SAFFIOTI:** No —

**Dr M.D. NAHAN:** The member asked me a question; let me answer it. I was asked how much football would benefit from the stadium. I said the policy is that they will be no worse off. We also know that a payment will be made from the operating arrangement for the stadium and, appropriately, Treasury makes a provision for that because we know there will be an expenditure of this nature. The provision is an estimate of that sum. It does not necessarily relate to what we think it will be, because it is still open to negotiation. The negotiation can bring a number of financial and other types of dimensions to the agreement. The member asked me how much, and I said it has not been decided. The provision will probably be different from the ultimate sum.

[9.50 am]

**Ms R. SAFFIOTI:** If it is a different question, can the Treasurer answer this: what is the provision?

**Dr M.D. NAHAN:** We put a provision in there. The member is trying to get one of the parties —

**Ms R. SAFFIOTI:** We are trying to get budget information!

**Dr M.D. NAHAN:** Yes. We are active in negotiations. Disclosing that sum would aid participants in the negotiation.

**Mr W.J. JOHNSTON:** All the participants?

**Dr M.D. NAHAN:** No, not all. If we disclose the flow to one of the number of participants in the negotiation, that will give that party an insight into what one of the other parties in the negotiations is willing or able or thinks it is going to pay, and that will aid it in the negotiations.

**Mr W.J. JOHNSTON:** Yes, but this is actually the real problem, is it not? There are several sets of negotiations, but the government is on the hook for whatever happens because the stadium operator is negotiating with the Australian Football League, and separately also negotiating with the West Australian Football Commission, and whatever deal they do, the government has to make up the difference.

**Dr M.D. NAHAN:** No; that is wrong. That is an incorrect statement.

**Mr W.J. JOHNSTON:** Is the Treasurer saying that the negotiations between the stadium operator and the AFL do not have any impact over the amount of money available for the football commission?

**Dr M.D. NAHAN:** The member stated that there is a separate negotiation between the operator and the football commission and that we, the state, will have to pick up the residual of that impact. Can Mr Mann describe the process underway in the general sense of the negotiation?

**Mr R. Mann:** We provided a facts sheet that shows the organisational relationships between the parties. The stadium operator negotiates with stadium users, not the West Australian Football Commission. The relationship involving the football commission is directly with the state.

**Mr W.J. JOHNSTON:** The football commission owns the two teams.

**Dr M.D. NAHAN:** No, it does not.

**Ms R. SAFFIOTI:** Yes, it does.

**Mr W.J. JOHNSTON:** It does; of course it does. Everybody knows that.

**The CHAIRMAN:** Members, let us just keep it to question and answer. Does the member for West Swan have a further question?

**Ms R. SAFFIOTI:** The football commission owns the two teams, and there are discussions. I am really interested in the impact on the state budget; I have always been interested in that. The other key components are the stadium costs, which we are now a bit closer to realising—the annual costs—and we still have the guarantee to the football commission, which is yet to be disclosed. The third component that came out in this budget is the

new subsidy arrangements in relation to the Public Transport Authority. I asked the Minister for Transport this question yesterday, and he asked me to put the question to the Treasurer. Page 133 refers to the new arrangements under which taxpayers will be covering 50 per cent of the cost of public transport to the stadium. I understand that is different from the current arrangements, whereby the users of Domain Stadium currently cover 100 per cent of the public transport costs. Was this as a result of negotiations between the government and the proposed stadium operator?

**Dr M.D. NAHAN:** Mr Mann will answer.

**Mr R. Mann:** No. This was determined by the state, with due regard to the overall public transport costs associated with the stadium event calendar and the attendance at those events.

**Ms R. SAFFIOTI:** I have a further question.

**Dr M.D. NAHAN:** The member's question had statements in it. Can Mr Mann give a run-down of why we are changing the arrangement for transport, relative to what now exists at Domain Stadium?

**Mr R. Mann:** Essentially, it is because the costs and the public transport task at the new stadium will be of an order of magnitude greater than is currently the case at Subiaco. At Subiaco at the moment, public transport shifts around 30 per cent of a peak crowd of 40 000, and we are therefore recovering costs for public transport for about 14 000 patrons and we have public transport services to deal with that task of 14 000 patrons. At the new stadium, for a capacity crowd we will be required to move 80 per cent of 60 000—so 50 000 people—by public transport. The cost of those services, relative to what is currently the case at Subiaco, is massively greater, yet the total number of patrons whose tickets are subsidising those costs will increase from only 40 000 to 60 000. It is disproportionate; hence the ability to recover the total cost of those services is greatly diminished in the new scenario. Taking into account those costs and the impost that that would put on current ticketing prices, the government has elected to adopt a position whereby we will recover 50 per cent of costs.

**Ms R. SAFFIOTI:** I have a further question. In my Dockers membership, will I be paying only 50 per cent of the current charge that I implicitly pay compared with Domain Stadium?

**Dr M.D. NAHAN:** Mr Mann will answer.

**Mr R. Mann:** No, absolutely not. There will be an increased public transport charge because of the additional cost. But even with an increase in tickets, the point I made earlier was that if the government sought to recover 100 per cent of the cost for the new stadium, a very substantial increase would be attributed to ticketing charges. Limiting the cost, at least as a starting point, to 50 per cent of cost recovery makes a much more modest and manageable increase to ticketing costs.

**Ms R. SAFFIOTI:** To clarify, the public transport currently being provided to Domain is not being subsidised by the taxpayer, but the public transport that will take football or cricketgoers to the stadium will be subsidised by the taxpayer.

**Mr R. Mann:** That is correct.

**Ms R. SAFFIOTI:** So, it is the same impact.

**Mr R. Mann:** It will be 50 per cent.

**Mr W.J. JOHNSTON:** Can I clarify something?

**The CHAIRMAN:** The member for Cannington has a further question.

**Mr W.J. JOHNSTON:** I understand—I apologise if I have the figures wrong—Mr Mann to be saying that 14 000 patrons are currently being shifted on public transport, and in the future it will be 50 000. But is the cost per journey for those 14 000 and 50 000 going to be basically the same?

**Dr M.D. NAHAN:** Mr Mann will answer.

**Mr R. Mann:** It is not a like-for-like comparison because of the mix of transport modes; it is a very different network cost.

**Mr W.J. JOHNSTON:** I was not asking about network costs.

**Mr R. Mann:** Without seeing the detailed analysis, it is hard for me to answer that question. But I am aware of the overall cost, and, irrespective of the average cost per patron, the cost, obviously, of the task of moving 50 000 people is so much greater than the cost associated with moving 14 000 people that it becomes very difficult to recover those costs without a very large increase in ticket prices.

**Ms R. SAFFIOTI:** I have a further question. It is an interesting swap. I understand that currently my ticket includes the public transport component when I go to Domain, but if we drive and park, we pay \$10. In a sense, we are taking the onus of those costs from the individual going to the stadium to, basically, 50 per cent to the taxpayers. That is basically what is happening.

**Dr M.D. NAHAN:** Yes; given that the facility is being built there, we made a decision about the construction of the stadium to rely more on public transport, particularly trains, and less on cars. That decision shifted the onus of transport from individuals in cars and other private means, except walking, to the trains. That was a policy decision taken some time ago; in fact, the whole stadium is designed on that basis. Therefore, as Mr Mann outlined, given the stadium is larger, that automatically meant greater transport on trains, and then the subsidy. Also, the choice would be to either subsidise the whole of the train costs—increase the subsidy rate—or put it onto patrons. We looked at the issue and the effect on patrons. The additional forced transport by train would be too high so we decided to subsidise 50 per cent of it.

**Ms R. SAFFIOTI:** This is another cost to the budget of the stadium.

**Dr M.D. NAHAN:** Yes, and it is in the budget.

**Ms R. SAFFIOTI:** Yes.

**Dr M.D. NAHAN:** There is also an impact on it in that we are planning and designing the stadium for uses other than football or cricket; I believe it is football only that covers the costs of the transport.

[10.00 am]

**Ms R. SAFFIOTI:** Soccer did until it did not pay its debt. Do you remember Perth Glory?

**Dr M.D. NAHAN:** That is a furphy. Right now, it is football—AFL at least—that covers the cost. Other than that, we plan to use the stadium for other purposes, and we had to take into consideration in budget for the transport costs related to the non-AFL activities at the stadium.

**Ms R. SAFFIOTI:** I ask about stadium memberships. I understand that the Premier admitted yesterday that there will be stadium memberships at Perth Stadium. He said there was a debate about how many—that, of course, the operator wants more and that the government wants fewer. Given that stadium membership is pretty much intrinsic to the entire financial arrangements of the stadium, how could the government sign and operate if it had not landed on how many stadium memberships there would be?

**Dr M.D. NAHAN:** That is still under part of the negotiations. As the member well knows, the stadium membership is really an issue related to the football teams. That is as I understand it. I am not party to those negotiations. It is still an issue in the negotiations underway. It is another reason why we have not hit on that issue. We are not in a position to itemise the full financial impact of the operating arrangement going forward.

**Ms R. SAFFIOTI:** I understand that the amount an operator can recover through stadium memberships impacts directly on its financial model, and, therefore, how much it needs to recover from government. All the financial relationships basically are linked to the number of memberships. How can that not be sorted?

**Dr M.D. NAHAN:** Yes—and that is why we are under negotiations with them. The negotiations are with the operator, the government and the AFL. Of course, the government has taken a very conservative approach on this issue. It is trying to get personal membership for the whole facility, as it did in the nature of the Perth Arena when certain parties took booths that they could use at all functions. The government's financial modelling assumes a conservative approach—not because we think that will happen, but we took the conservative position of no membership. The approach is based on no stadium membership. As the Premier indicated, we are expecting and attempting to get stadium membership, and that will be an uplift to the operating revenue.

**Ms R. SAFFIOTI:** It is operating revenue to the operator. I know that there is a shared stadium revenue concept between the users, VenuesWest and the operator, but, as I said, would this not have been a key concept right at the beginning, whether it was a clean stadium or determining the number of memberships. That would impact each of the bidder's ability to negotiate. The government is negotiating, which to me is a key part of the operating model, after it has got a preferred bidder.

**Dr M.D. NAHAN:** Yes, it is a key issue and that is the key issue of debate between the operator, the users and, of course, the state, and it will be shared in a certain arrangement and some of the benefits of stadium membership will flow through to VenuesWest.

**Mr W.J. JOHNSTON:** How?

**Dr M.D. NAHAN:** That will be in the net operating proceeds. The member for West Swan is highlighting quite clearly—I thank her for it—why major issues are not resolved. Part of it is particularly the operators negotiating with the major user group, the AFL, which is interested in its games, and, as I read in the paper at least, does not want any stadium membership.

**Ms R. SAFFIOTI:** Of course not.

**Dr M.D. NAHAN:** Okay? Good—of course not. It would be unwise if we were to identify in advance. It is part of the negotiations. A major issue is that the proceeds will be shared between the various participants and users and beneficiaries of the asset—that is, the stadium—it is up for negotiation, and that is what is going on now.

**Ms R. SAFFIOTI:** In a survey to members on Monday, the Dockers asked whether members would be prepared to pay \$3 000 to secure a seat on the wing or in a good position at the new stadium. Are the teams now trying to investigate what members are prepared to pay in respect of their negotiations with the operator for stadium memberships?

**Dr M.D. NAHAN:** The member for West Swan is a former employee of the Dockers. I do not know what the Dockers are doing. Why ask me that question?

**Ms R. SAFFIOTI:** It is because the Treasurer is negotiating with the teams and the West Australian Football Commission about a major piece of infrastructure, and he still does not know the financial cost to the budget.

**Dr M.D. NAHAN:** No, I am not negotiating. The member asked me what the Dockers are doing. I do not know whether what she says is accurate or not. I am telling her that if the Dockers are asking its members about that figure, I have no idea why. All I am saying is that the Dockers, the member's former employer, obviously do not want the stadium membership.

**Mr W.J. JOHNSTON:** Of course they do not.

**Dr M.D. NAHAN:** The member asked me a question about what the Dockers are doing. I cannot answer that. I do not know why they are doing it or whether they are doing that. Of course, the Dockers will not want stadium membership, and of course the government does. We are in negotiations about —

**Ms R. SAFFIOTI:** Sorry, a further question.

**Dr M.D. NAHAN:** Just let me finish.

**Ms R. SAFFIOTI:** The Premier said the government did not want stadium —

**The CHAIRMAN:** Let the Treasurer finish, member. Treasurer, have you finished?

**Dr M.D. NAHAN:** This is an issue for negotiation; it is ongoing. There is disagreement about the level of stadium membership between the various users of the facility, and it is under negotiation. That is why the government cannot and has not disclosed the full outcome—because it has not been settled yet.

**Ms R. SAFFIOTI:** The Premier said yesterday that the government did not want many stadium memberships but that the operator did. So, yet again, the Premier and the Treasurer are not consistent and do not talk about key issues.

**Dr M.D. NAHAN:** No, that is rubbish. I thought the member told me—I was not here yesterday—that the Premier said there was going to be stadium membership. I do not know; I am not party to the negotiations. All my responsibility as Treasurer is for the strategic projects. The Minister for Sport and Recreation and the Premier are involved in the details and negotiations. All I can tell the member is that from the impact on the budget, the government has not disclosed the ultimate details of the operating account and the flow of it because it is not settled.

**Mr B.S. WYATT:** I have a follow-up question relating to an exchange a little while ago. Both the Treasurer and Mr Mann referred to the significant impact on ticket prices if the full cost of public transport was on the ticket. What is that cost?

**Dr M.D. NAHAN:** It is the estimated cost. Mr Mann will answer that.

**Mr R. Mann:** I am actually not sure that we can disclose that at this point. I am happy to take that on notice, given again its potential impact on negotiations.

**Mr B.S. WYATT:** The figure must be known because the budget contains an allowance for 50 per cent of it. Could I get that figure by way of supplementary information?

**Mr R. Mann:** It is the subject of a government decision. If we could check the status, please, and, if it is disclosed, whether it needs to be disclosed as confidential information.

**The CHAIRMAN:** Treasurer, are you prepared for that to be provided as supplementary?

**Dr M.D. NAHAN:** There are two things. Mr Mann does not have the figure to hand, and I think we should disclose that figure. We will get it and provide it as supplementary information. It will come with the suitable caveats, because there are a lot of assumptions involved in this issue, but we will provide that to the member for Victoria Park.

**Mr B.S. WYATT:** I understand the caveats

**Dr M.D. NAHAN:** Yes, because it does not relate just to football; it relates to events that are yet to be fully known about in terms of attendance, and also some assumptions about non-football events to the extent that they will subsidise train travel.

[*Supplementary Information No A35.*]

**Mr W.J. JOHNSTON:** This figure for the subsidy runs up in the forward estimates to \$7.3 million. What is the sensitivity in that calculation? I will put it a different way: How many times does the government expect the stadium to be used to require the \$7.3 million subsidy, because that must be the calculation—that is, the number of events multiplied by 50 000 people multiplied by the cost, gives the figure? What is the number of times the stadium will be used to get to that \$7.3 million figure?

[10.10 am]

**Dr M.D. NAHAN:** It is a combination of not only the numbers, but also the users—football, cricket and other major sporting codes. I am just relating those because those assumptions have to be made. It is not just the events—the number of uses—it is the composition of them, and assumptions about attendance at those events. A very complicated assessment has been done by the Public Transport Authority. Can Mr Mann illuminate us on some of the discussions around coming to that \$7.3 million figure?

**Mr R. Mann:** Essentially, that is exactly right. VenuesWest and the PTA have modelled the 34 to 37 scheduled events per annum. They have looked at that event profile, the nature of those events and the expected attendance, and therefore have worked out the required level of services to provide for that, and therefore the cost.

**Mr B.S. WYATT:** Even with a rough calculation, we are looking at around a \$4 per person subsidy.

**Dr M.D. NAHAN:** Again, that is a very hard one to come by, because the subsidy rate for AFL events will be different from that for non-AFL events.

**Mr B.S. WYATT:** Okay, but to develop a budget that has this allocation of \$18 million, or whatever it is, something —

**Dr M.D. NAHAN:** I told the member that I would get him that figure, but I am going to get a figure that is articulated to the assumptions that we have to make for the different users of the stadium. I do not know how the member has done that calculation, and I cannot verify it, but he would have had to make assumptions. AFL is quite straightforward. We can make assumptions on attendance. It depends on the success of the teams, and we can make those assumptions. Then we have to make assumptions about the non-AFL, non-cricket events, and the attendance at those, and also assumptions about whether the organisers of those events will contribute to transport. Generally, in the Domain Stadium, they do not. Generally, the non-football events —

**Mr R. Mann:** It varies; some do.

**Dr M.D. NAHAN:** These are assumptions that the PTA and VenuesWest have made, and we will provide the member, as I agreed, with a response to that, but I caution the member about making rough estimates of that nature.

**Ms L. METTAM:** I refer to chapter 4 of budget paper No 3, *Economic and Fiscal Outlook*, “General Government Revenue”. Can the Treasurer please outline the impact on the state budget of the recent decline in government revenue?

**Dr M.D. NAHAN:** In recent history, there has been only one other occasion on which we have had an overall decline in our revenue—the financial year 1996–97. There was a 0.3 per cent decline in that year. I am not sure what was special about that year; I imagine that it was tax cuts, and that was a policy decision, but I do not know. I have just been advised that it was the year of the sale of Bankwest, so we lost the tax equivalent for that year. A policy decision to sell an asset led to a decline in revenue. In the past few financial years—2014–15, 2015–16 and 2016–17—there has been an aggregate decline in revenue of eight per cent. That is a historic decline, but it is not a result, I assure members, of a policy decision. It includes some tax increases announced in those years, except the current year. There are no increases this year, but in previous years both land tax and some payroll taxes increased. That is an absolute decline, measured from zero. Of course, governments have to plan, so in 2014–15, my first budget, we estimated revenue by 2016–17 to be in the vicinity of \$31 billion, but we are actually at about \$25.8 billion. That is an 18 per cent reduction in revenue expectation in one year. If we take away the tax increases, it goes over a 20 per cent reduction. We have looked at it for our own historical interests, and that is really about the magnitude that the commonwealth felt in the year of the global financial crisis. However, even though its revenue did not increase sharply, over the ensuing three years, no government since the Great Depression has had a reduction in revenue of that magnitude. That is the essence of our fiscal issue here.

We have offset the problem through huge reductions in expenditure growth, to about 2.4 per cent, and even lower salary growth. However, we cannot, nor should we, given the magnitude of those declines in revenue, respond with expenditure cuts of the same magnitude. It would gut government. We have done those expenditure cuts while maintaining and concentrating our expenditure on frontline services. We have reoriented the public service more towards provision of essential services and reductions in the cost, but our real issue here is a historic, unprecedented decline in revenue, and it is, as I mentioned earlier, across the board.

**Ms L. METTAM:** Is the government predicting further declines in revenue?

**Dr M.D. NAHAN:** Two years ago we did not predict a decline in our own-source revenue as great as what actually happened. We see some growth, but not much. The deflationary pressures that I mentioned before are real and ongoing. Treasury has some estimates about how it inflates. The big issue always was that our goods and services tax share was supposed to come around and swing back quite sharply, but every year—in 2013–14, 2014–15, 2015–16 and 2016–17—we have downgraded our GST recovery in terms of both the duration and scale of the recovery. The recovery rate is slower in both the rate of increase and the timing. The GST share keeps getting devoured in each of the three years in which I have brought down a budget.

**Ms L. METTAM:** The government had an approach of maintaining public sector wages, and there has been growth in this area. What is the thought behind maintaining a strong outlook in that respect?

**Dr M.D. NAHAN:** Wages account for 40 to 50 per cent of expenditure. It is actually a bit more than that, because a lot of our contracted-out services are to non-profit organisations that are tied to our wages policy. It is actually higher than the 40 per cent official rate. Western Australia, under both the previous government and our government, has had very generous wage outcomes. When we came into government, salary bills were growing by 13 per cent, and in our first term we had very high wages. To a large extent, that was fully justified, because everybody in Western Australia was paid the highest rates in the nation, if not the world, and we had to get people, and recruit a lot of public servants from overseas, so our wages bills were high, and necessarily so, to get people in front. Since 2012, we have basically capped the growth in numbers in the general government sector, and reoriented that towards teachers, nurses, doctors and other frontline services. Our wage rates have been higher than those in other states by substantial margins. We came in a couple of years ago with a wages policy tied to the consumer price index. We have met that, but I might add that the official CPI figure that we came up with, and the outcomes, were substantially above the real CPI. Public servants across the board, even on our wages policy, have received real increases through the life of the policy. We came up with a new wages policy in February this year, pegging it at 1.5 per cent. That was necessary. If we look at the difference between wage increases in the public sector and those in the private sector in Western Australia between 2008 and 2016–17 and accumulate that, we can see that public sector wage rates have gone up by 18 per cent more than those in the private sector. It is time now for moderate growth in public sector wages, and that is why we have put in place the 1.5 per cent policy. I think it will turn out to be spot on with inflation. The policy is to maintain public sector wages in real terms—I think that will achieve it—and to moderate wages from the heady days of the past.

[10.20 am]

**Mr B.S. WYATT:** I refer to page 51 of the *Economic and Fiscal Outlook*. I just want to get an idea from the Treasurer. Currently, \$536 million is booked in the forward estimates in the budget for land sales. That is up a little bit because another year has come in; I think it was four hundred and something million dollars when I asked a question about this earlier this year. The answer I got outlined the specific land that has been identified for the particular financial year. I am trying to understand the science behind this. For example, the budget has \$293 million for freehold and \$243 million for crown land sales et cetera. Bearing in mind the Auditor General's report, is that \$536 million the amount that has been identified for specific land, or is it simply a percentage of what is considered to be the land base of the state?

**Dr M.D. NAHAN:** Kaylene Gulich is best to answer.

**Ms K. GULICH:** The assumptions in the early years, in 2015–16 and, for the most part, 2016–17, are based on actual land parcels that are either on the market or scheduled to be on the market over that period. The sales assumptions from 2017–18 onwards are more based on what we have identified as the opportunity in the land base. The Department of Lands, in conjunction with most landholding agencies, has looked at the complete landholdings—the \$72 billion worth of land that the state holds—and triaged those that have the most immediate opportunity for sale, the ones that are deemed immediately surplus, that are vacant and that are zoned right. It then identified the size of that pie and assessed what is a reasonable amount of land that we think we can sell or transact over a year.

**Mr B.S. WYATT:** Are the forward estimates allocations based on land that has been assessed and identified as potentially available for sale in the future?

**Dr M.D. NAHAN:** First of all, we put the policy position in the Department of Lands, rather than in separate agencies, so the Department of Lands is coordinating this. It went out with other agencies and identified a list of lands, culled that to those that could be sold for a variety of reasons—planning and others—and then whittled it down further and identified a large list of lands, and Ms Gulich can illuminate some of the numbers. For 2015–16 and 2016–17, the budget has identified specific parcels of land that we expect to be sold according to the value determined by the Department of Lands. I think this year we were above target. It is based on the identification of specific parcels of land that can be appropriately sold and should be sold at this time.

**Mr B.S. WYATT:** That is for 2016–17.

**Dr M.D. NAHAN:** We have also identified a whole raft of parcels of land. Even though the last three years of the forward estimates are based on a percentage of the residual value of the land that has been identified and has not been sold, the individual parcels of land that could be sold have been identified. I ask Ms Gulich to illuminate that.

**Ms K. Gulich:** Two processes have been taken at the same time, mainly led by the Department of Lands. One was what we refer to as the top 20, and that is the list that was published of the high-value but highly constrained and quite difficult transactions. The second involved culling the landholdings using the Landgate records, and that has identified just over 400 individual parcels of known land. It is intended to transact those over the forward estimates, depending on zoning and the other actioning events that need to occur to de-constrain or de-risk those parcels. As I said, the first couple of years through to 2016–17 are based on land that has been sold on the portal. There are 39 properties for sale on the land asset sales program portal at this time. We have a schedule of land that will come up over the next 12 months. Beyond that, it is more a broad assumption of what we think will be the residual balance of that 400. We will bring land to market in a staggered manner so that we do not bring too much on at one time. There is a third process whereby the Department of Lands, Landgate and the other land agencies are going much deeper into every parcel of land, and the onus will be put on directors general and ministers to explain why the state needs to retain the parcel of land—is it being used for its highest and best use, or is there an alternative use that meets the government’s objectives at that time or makes it surplus and therefore available for divestment? That is a much bigger piece of work and that is why we do not have individual land identified against the targets.

**Dr M.D. NAHAN:** I know the member will be interested in this. Historically, if a department did not need a parcel of land—let us say that the Department of Education closed a school—generally the priority was to transfer it to either the Department of Housing or LandCorp, or, more recently in certain locations, the Metropolitan Redevelopment Authority. In the past, there have been substantial transfers of land through government processes. It has been a major mechanism by which the Department of Housing has funded its program. It gets surplus land, essentially, free from the state—it also buys it elsewhere—and uses that land to develop affordable housing and other things and sells portions of it to fund the whole thing. Land has been used to fund LandCorp’s activities. Government land has been transferred to LandCorp and Housing to fund their activities. Of course, LandCorp makes a profit on that and then gives it back to the state in a dividend, which, I might add, is capped in terms of aggregate. The Department of Housing has been a major user of surplus land for a long time and will be into the future. A large amount of land has been transacted through the Department of Housing and LandCorp and, to some extent, the MRA that really was not notified as an asset sale on our books as such.

**Mr B.S. WYATT:** Simply because the Treasurer raised the Department of Housing, how is the status of its move to Fremantle?

**Dr M.D. NAHAN:** We have generously decided to move the Department of Housing to Fremantle. Getting the deal going is subject to some issues with the property in Fremantle. I understand that we will be able to make an announcement on that soon. Just to clarify, because someone in the media asked me a question, we were never going to sell and lease back the Department of Housing facility on the block of land in East Perth; it is clapped out. The aim always was to win the suitable building in Fremantle that was determined by the developers and perhaps the City of Fremantle. When a location at a certain price was found, the Department of Housing was going to move to Fremantle and then we were going to dispose of the existing facility after the move. There will be a cost to this, and I am not across it; that is run by the Department of Finance. Right now the Department of Housing owns that building and apports itself a low-level rental fee because it is a clapped-out building. There will be a cost to move to Fremantle in both higher rent and probably fit-out costs associated with it, but I do not know what deal was done. The Department of Housing is in a poor building, but it owns the building and it is very cheap. When it moves to Fremantle—hopefully, it has a positive impact on the City of Fremantle—we will look to dispose of the building. I imagine it will be torn down and the land sold for other uses.

[10.30 am]

**Mr B.S. WYATT:** I have a follow-up question on land sales. In 2015–16 and, I think, in 2016–17, \$8.3 million each year went to a dedicated divestment fund. Has that fund been utilised?

**Mr M. Barnes:** The information I have is that to date in 2015–16 a total of \$3.4 million has been incurred from that fund.

**Mr B.S. WYATT:** Has another \$8.3 million been allocated in the budget for 2016–17?

**Mr M. Barnes:** Correct.

**Ms E. EVANGEL:** I refer to Perth parking levy fees at page 76, in chapter 4, of budget paper No 3. I notice that there is a \$10 increase for short-stay public parking bays and a \$26.60 increase for long-stay public parking bays, yet the bottom line is estimated to be \$0.1 million lower than was forecast in the 2015–16 *Government Mid-year Financial Projections Statement*. Can the Treasurer please explain that process and why it is occurring?

**Mr M. Barnes:** It is possibly more of an issue for the Department of Transport, but I understand that the rate of the Perth parking levy has been increased by varying amounts, depending on the type of bay, and that that increase has been offset by revised projections of the number of vehicles coming into the city—that has been



revised down. In addition, I understand that a number of parking bays have been reclassified and are now exempt from the Perth parking levy. The combination of those three factors has resulted in a largely neutral revenue outcome.

**Ms E. EVANGEL:** Has there been any consideration of extending the boundaries of the Perth parking management area due to increased urban density?

**Dr M.D. NAHAN:** No.

**Ms R. SAFFIOTI:** I refer to page 180 of the *Economic and Fiscal Outlook* and the Metropolitan Redevelopment Authority's business plan. Yesterday, there was a significant announcement about a delay in the construction of a number of buildings. Last night, I did not ask a question directly related to that issue. Will the construction delay impact the Metropolitan Redevelopment Authority's 2016–17 business plan, and when are those new figures likely to flow to Treasury?

**Dr M.D. NAHAN:** Given that the announcement was made just this week, I believe we will have to get some advice about the effect it will have on the MRA's budget forecast. We have not done that yet. Again, from reading the media, the MRA is looking to sell those parcels of land individually. We have to wait to hear from the MRA about the assumptions behind that in terms of money and timing. We do not know the extent to which the sale of those individual parcels of land will impact the forward estimates. The member would have to ask the MRA those types of questions, particularly since the decision has not been fully communicated to Treasury.

**Ms R. SAFFIOTI:** To clarify, it is not expected that the impact of yesterday's announcement—although I understand that the MRA knew about the decision for a number of weeks—is in these numbers yet.

**Dr M.D. NAHAN:** I do not think so. I do not even know whether the sales to Mirvac—the party that pulled out—impact the forward estimates. We are not aware of the exact timing of revenue flows and transactions from those sales and how they would impact the MRA's budget and therefore the extent to which it would impact this budget—we just do not know. Most of those impacts might be beyond the forward estimates.

**Ms R. SAFFIOTI:** On the relationship between the MRA and the consolidated fund, I understand that the MRA presents business plans and sometimes needs borrowing approval from Treasury or advises Treasury of a borrowing requirement for approval, which impacts the agency's net debt, and that under the MRA's previous legislation it was able to provide special dividends. I remember that because the MRA used to be profitable. I recall eyeing off some of those potential special dividends when we were in government, but that never occurred, of course. Is the MRA's relationship with the consolidated fund basically getting borrowing provisions and sometimes some equity contributions if a specific project needs to be undertaken?

**Mr M. Barnes:** That is correct.

**Ms R. SAFFIOTI:** The MRA's operating plan for 2016–17 shows that net debt will peak at \$445 million this financial year. Again, is it too early to say whether net debt will peak or whether declining land sales at Perth City Link and Elizabeth Quay will change net debt?

**Dr M.D. NAHAN:** I have not heard about any revisions to Elizabeth Quay in recent times, since the budget was brought down. I have not heard anything; if the member knows something, she knows something. I cannot answer whether the decision by Mirvac to pull out or by the MRA to sever that agreement with Mirvac will impact the peaking of debt. As the member knows, we have to look at those purchases, and I do not know the details of when the money was going to be transacted or how it was going to be collected—that is up to the MRA. I cannot answer those questions. The member has to raise that issue with the MRA, because this is such a current issue and we are not across the details of each of the MRA's contractual agreements or the flow-on effects of the expenditure and revenue for each of those projects.

**Ms R. SAFFIOTI:** I know that an efficiency dividend was placed on some government trading enterprises over recent years, particularly the energy GTEs; was the same applied to the MRA?

**Dr M.D. NAHAN:** I do not think so. It is a no, I think. The member would know that most of the agency's expenditure is of a capital nature, not a service-provision nature.

**Ms R. SAFFIOTI:** Did the Treasurer get a free Zumba class at Elizabeth Quay?

**Dr M.D. NAHAN:** Pardon me.

**Ms R. SAFFIOTI:** I was talking about the free Zumba classes; sorry.

**Mr W.J. JOHNSTON:** I refer to appendix 1 of budget paper No 3 as a point of entry to this question. Is the policy statement on competitive neutrality published by what was the Department of Treasury and Finance in June 1996 still the relevant statement on competitive neutrality for GTEs?

**Dr M.D. NAHAN:** Could the member provide me with a copy of that 1996 document?

**Mr W.J. JOHNSTON:** Yes, I can, if the Treasurer wants one. I am sure that Mr Barnes can provide the Treasurer with one.

**Dr M.D. NAHAN:** I am not sure—he might not be that old!

**Mr M. Barnes:** Mr Barnes started in 1997!

**Dr M.D. NAHAN:** Have any of the advisers been in Treasury since 1996? No. The recesses of our memories do not go back that far.

**Mr W.J. JOHNSTON:** I have been told it was written by a high-quality Treasury official at the time.

**Ms R. SAFFIOTI:** It is the reason I left Treasury. It was the most boring document I ever wrote.

**Mr W.J. JOHNSTON:** On page 229 of budget paper No 3, there is a very nice little drawing that sets out the relationships between the general government sector and the financial corporations and the non-financial corporations. One of the non-financial corporations was the Perth Market Authority, which was sold. It was sold for less than its carrying value. Where were those losses absorbed on the balance sheet?

[10.40 am]

**Dr M.D. NAHAN:** Mr Mann was in charge of that asset sale. I will ask him to explain our approach on that and to answer this question.

**Mr R. Mann:** Yes, I can; just bear with me. The member is correct in that the reported value of PMA's net assets as at 30 June 2015 was \$157 million, which was in excess of the ultimate sale value of \$135.5 million. However, at the point of sale, given that asset value is based on a fair value, based on highest and best use, the sale of the Perth Market Authority was of course based on a constrained use in that it was required to be used as a market function for a minimum of 20 years. Therefore, at the point of the sale, the highest and best use on a fair value basis was deemed to be inclusive of those encumbrances and therefore based on the sale value. In effect, the sale value becomes the asset value and there is no impact.

**Mr W.J. JOHNSTON:** If I had budget paper No 3 for 2015–16 in front of me instead of budget paper No 3 for 2016–17, it would have had the value of the Perth Market Authority included in appendix 1, which is why I took the Treasurer to appendix 1. This year, that asset value is no longer available because it has been sold, which is fine, so there was a decline in the asset value. That has to be reflected somewhere in the balance sheet. That is what I am getting at.

**Dr M.D. NAHAN:** Mr Mann was in charge of the sale and Mr Barnes is in charge of the budget.

**Mr M. Barnes:** I can point the member to a specific line item, but, as Mr Mann said, the asset, in accordance with the accounting standards and the Treasurer's Instructions, was revalued at the time of sale for the market price.

**Mr W.J. JOHNSTON:** Yes, I appreciate that.

**Mr M. Barnes:** That revaluation is reflected in an item on page 205 of appendix 1, which is the "General Government Operating Statement". This is a below-the-line adjustment. It does not impact on the operating balance; it is reflected in the net worth of the public corporations sectors. If the member looks at page 205, there is a line about three-quarters of the way down that reads "Change in net worth of the public corporations sectors". There is a figure for 2015–16 of \$198 million. That is a revaluation of the public corporation sectors' net assets. Within that \$198 million figure is the revaluation for the sale of PMA.

**Mr W.J. JOHNSTON:** So Treasury has revalued some other assets up and that one down, and that is the net figure for that.

**Mr M. Barnes:** Correct.

**Mr W.J. JOHNSTON:** Let us take Utah Point as another example, because obviously it is one asset that the government is attempting to privatise. It has a current carrying value in the accounts of the state, but regardless of what that value is, at the point of sale, that will be the valuation in the accounts and then the accounts will be adjusted.

**Dr M.D. NAHAN:** I am sure that Utah Point's valuation in the port's accounts is as its use as a multi-user facility. It is not constrained; it is not an alternative best use. Where the PMA was different was that, according to the accounting standards, the Perth Market Authority was required to value the assets on alternative best use, which was, as we have indicated, not as a market but as selling the land. In recent times in Canning Vale, industrial land has fetched a very high price. When we went to sell the PMA asset, we necessarily had to judge it on the basis of what it was constrained to be. Utah Point is a different asset. First of all, it is not a business but an asset of a business. We are not selling the whole business. Also, we are not changing its use or constraining the use of it. Mr Mann might be able to indicate, but we do not expect to get a devaluation of the value of the asset of Utah because it is the same use and it would operate on the same basis. Actually, it would be more constrained to some extent by the asset and pricing arrangements imposed on it through the asset sale than would apply if it continued to be operated by the port authority.

**Mr W.J. JOHNSTON:** The Treasurer may remember that we had some discussion during the passage of the PMA bill about the current valuation of Utah Point. It was effectively on a historic-cost basis—whatever we had spent on it was the valuation. It may well be that the market values it for less than its construction cost. What they say about a hotel is that it is the third owner who pays the real price for the hotel.

**Dr M.D. NAHAN:** Yes. We have gone through most of this but it is a legitimate question. Maybe Mr Mann can make sure that I am right. We spent about \$300 million building the facility. It came from various sources but essentially all of it was from the state. Some of the debt has been paid off. It has depreciated a bit. It has been operating for four or five years. It is in good nick; there is no doubt about that.

**Mr W.J. JOHNSTON:** It is a 100-year asset.

**Dr M.D. NAHAN:** We expect to get, and we will not sell the asset if we do not get, a substantial uplift on the construction cost of it—indeed, the initial construction cost of it.

**Mr B.S. WYATT:** I note the comments by the member for Pilbara in the weekend media, who is now indicating that despite voting for it in the lower house, the National Party might perhaps oppose the sale of Utah Point. One of the things he demanded was an extension of the \$2.50 a tonne subsidy. Is there any intent of the government to extend that subsidy?

**Dr M.D. NAHAN:** I read the newspaper article but I have not discussed it with the member for Pilbara, so I cannot explore that. As the member would know, there is an inquiry in the upper house into these exact issues. Two things are going on. The first is the sale of the asset. The second is that a year or so ago, for 2015–16, we provided a number of assistance programs to the junior miners. We provided a \$2.50 a tonne reduction through Utah. We also provided a reduction on charges for heavy vehicles—most of it is trucked. We also provided a postponement to royalties. It was not actually a reduction; it was a postponement, and under certain conditions. Only one of the users of Utah got the royalty relief and that was Atlas; the rest did not qualify because they had other cash payments for it. It is our intention right now that the \$2.50 assistance through Utah Point will expire on 30 June this year. It will cease on 1 July 2016. That applies to all of them. The relief was provided during a period of a precipitous drop in iron ore prices and it caught many of the junior miners badly. The aim was to give them breathing room to adjust their costs to the new scenario. Atlas, in particular, which uses 80 per cent of it, substantially reoriented its balance sheet and costs. The aim was to give them time. Atlas was the only one that had royalty relief. It does not want that, because it does not improve its balance sheet. What Transport does on the road I do not know; I cannot answer that as I do not have any information. I am involved with Utah because of the asset sale. The aim is not to continue the \$2.50 reduction. The key issue is that, to date, none of the users has take-or-pay contracts. They have no guarantee about the use of the facility. When Atlas ceased production on some of its operations a year or so ago, it stopped using the port. The port absorbs all the throughput risk of that facility. We have gone out and got independent valuations of what the price should be. All this information is with the upper house committee. Treasury has made at least one submission and will make another submission and public appearance at the committee and we will explore all these issues. Right now there are some movements and negotiations between Mineral Resources Ltd and the Pilbara Ports Authority and between Atlas and PPA about the facility. Those are ongoing; I am not across all of them. They appear to be taking some risk on it, which would justify a reduction in price. There are movements and negotiations underway with PPA and some of the users to some extent. I am not party to those but they look to be taking more risk and with that higher risk comes a lower price.

[10.50 am]

**Mr W.J. JOHNSTON:** That was a very interesting question but it was not what I was exploring at the time.

Two other assets are being discussed for privatisation. The first is Fremantle port, and obviously the bill has come in; and the second is Western Power, which has been discussed and the Liberal Party will privatise it if re-elected. We talked about Horizon. I note in the budget speech the Treasurer said —

Combined with the current asset sales program, this would result in estimated proceeds of around \$16 billion.

At the moment I think Fremantle port has an asset value of about \$750 million, as shown in its annual report, and Western Power has a value of about \$9.5 billion. Does the government intend to revalue the assets on its own books if it thinks they are worth that amount of money?

**Dr M.D. NAHAN:** No. Those agencies have to do a valuation on the basis of accounting standards in front of them, whatever they may be, as they are currently owned by government. Those agencies have the responsibility to put the valuations in their books according to the current ownership. I can guarantee that we would not sell either asset if we did not get a substantial uplift upon the valuation of the proceeds from those, significantly in excess of the valuation in the government's books of both assets. I might also add that Western Power, as I think the member said, is worth \$9.5 billion.

**Mr W.J. JOHNSTON:** It is \$7.5 billion in debt; it is \$2 billion.

**Dr M.D. NAHAN:** That is not huge. There is no doubt that if we did sell the asset, we would defray all the debt. It accounts for about 25 per cent of our net public sector debt.

**Mr W.J. JOHNSTON:** Sure, but zero of our debt service obligations because it services its own debt.

**Dr M.D. NAHAN:** Yes, but the net debt is minimal. There is some debt in Fremantle Port Authority relating largely, I understand, to the channel deepening of a few years ago and that is being paid for by a port improvement charge.

**Mr W.J. JOHNSTON:** The point I am getting to, though, as the Treasurer said, is that the government will not revalue it because it is currently valued on its ownership and cash flow arrangements. If there was a change to its cash flow arrangements, there would be a change to the valuation.

**Mr T.K. WALDRON:** I refer to page 95 of budget paper No 3. The heading in chapter 5 is “General Government Expenses”. I know that the Treasurer has been doing quite a few things to try to control expenditure. I wonder whether he could outline some of those things he has been doing and perhaps let me know some of the results from those efforts just to give me an understanding of that.

**Dr M.D. NAHAN:** I thank the member for the question. It precedes me with the fiscal action plan that my predecessor, Troy Buswell, put in. They are wide-ranging and rather comprehensive. Maybe I can ask the Under Treasurer to read through all these issues. I would like to refer to three of them. We had efficiency dividends, employment freezes and wages and hiring freezes and those things for periods of time. They are very crude. I am not saying that they are not necessary and appropriate at times, but they are crude. Treasury does have the potential to book them because it controls, as the member knows, the income stream to departments. A couple of ones have been most significant. The agency expenditure review is simply called zero-based budgeting. We asked departments, with some definition—not much—to look at all the policies across the board. We gave them a target. It varied between 1.5 per cent and 3.5 per cent, depending on their budgetary position. We asked them to look at all programs or expenditure and individual programs to eliminate programs or to reorient expenditure in some way. If we look at the literature of public finance, it is a common thing. It is very hard to do. The important thing was that the director general, along with Treasury, was responsible for putting the first stage proposals together. If that did not work, we had another group in the first instance, led by a former director general of finance from the commonwealth, to lead a program. We have achieved our targets across the board.

**Mr T.K. WALDRON:** Was there a good response from the departments?

**Dr M.D. NAHAN:** Yes. Some complained. Some did not like it but most of them did it well, and I have to congratulate them. It is not easy going back because every program has an interest group attached to it. Whether we eliminate that or shrink it, there are interest groups outside government that want to perpetuate that. It has not been an easy process. The process was making sure that the reductions were appropriate. Often in the past government departments put up programs that were meant to cause great pain and therefore stopped the process. A few departments did that and we knocked them back. One of the major objectives in certain departments was not to affect or undermine the delivery, quality and level of essential services. We knocked back virtually all requests or suggestions that would affect essential services, like the Public Transport Authority. I am not saying that the PTA suggested that—it did not, from memory—but we did that.

**Mr T.K. WALDRON:** Does the Treasurer find that that forces departments to find better efficiencies and relook and discover themselves?

**Dr M.D. NAHAN:** As the member knows, many departments went through a huge change over the last 15 years, with expansion because of population growth, the reorientation of Health and a lot of policy changes, like independent public schools and student-centred funding in Education. A range of departments went through major change. Often programs get like barnacles to the department and they just perpetuate. It was opportune and necessary to look at all the programs to see whether they were needed altogether, whether they were still efficient or whether there was some alternative. One of the programs that we have found is that we contract and should contract more out to the non-government sector. It has been a policy today. We found there were still some government agencies doing things that were much better done in the private sector and were subsidised by government and got much more bang for our buck than having the government do it.

It has been a useful budget. In this budget we rolled it out to an additional 54 departments. It is basically across government. We had some exemptions—Child Protection and Family Support and Police. The Department for Child Protection and Family Support is really under pressure because of the demand for services. There has been a 40 per cent increase during our watch, to date, of children under various types of state care. I might add that over 50 per cent are Aboriginal. We decided not to make any cuts in that area. I think the department is really doing the best it can and we should just leave it alone. We should not harm that department. We should not upset it.

We also just did some work on the Department of Health headquarters—the non-hospital—and reorientated in full the proceeds from that, and also Western Australia Police. Police basically started this whole process. Some time ago, a very astute person transferred from the Department of Transport and worked with the commissioner to undertake this process, which became the model for the rest of the agency expenditure review and the department, so they have done it already. During the boom times, the departments had to increase levels of pay to get people in. The member will remember this, because he was a minister for some of that period. In order to get bums on seats and compete with the private sector or draw people from overseas and interstate, the departments had to have an uplift factor in the entry level. Now, as people leave—we do not force anyone out—we reduce the entry level for those positions, and that is working its way through the system. In other words, we are rebasing the system to more normal times. Those are two of the major reforms.

[11.00 am]

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

**Ms R. SAFFIOTI:** Some of the Public Transport Authority cuts are outlined, to some degree, with staff and program reductions. However, there is a cut to the budget, with further details to come. When will the detail of those cuts be made available?

**Dr M.D. NAHAN:** With an agency as large as that, there is an appropriate time for it to look at what it is doing, especially since its overall budget has grown, particularly with the subsidy. The subsidy to public transport is growing and the operating recovery rate is about 28 per cent. I think our target is 40 per cent, which is pretty low. Indeed, our public transport system patronage in the metropolitan area is stagnant to declining, so there are some issues. We are expanding our system dramatically but patronage is declining for the existing services. The PTA has gone through an AER, and the decisions that have been made are in the budget. We are still having discussions over \$39 million and the aim is to disclose that in the *Government Mid-year Financial Projections Statement* when the decisions have been made and brought to book.

**Ms R. SAFFIOTI:** So they will be disclosed in the midyear review?

**Dr M.D. NAHAN:** Yes.

**Mr B.S. WYATT:** Was the PTA subsidy 28 per cent of the recovery rate?

**Dr M.D. NAHAN:** The operating cost recovery was 28 per cent.

**Mr B.S. WYATT:** Yes. Has Treasury done any modelling yet on what the airport line subsidy will be or is that still to come?

**Dr M.D. NAHAN:** We do not know what it is, of course.

**Mr B.S. WYATT:** No, but there must be an assumption emerging along the way.

**Dr M.D. NAHAN:** No, not yet, for a couple of reasons. One is that there might be a differential between buses and rail. We looked at this and the member may have noticed that one of the largest increases in expenditure in this budget is the subsidy for public transport, which I think went up by over 10 per cent—it was significant. We have the most peaky transport system of most of the states. More importantly, the recovery rate is driven by two factors. One is the decline or stagnation in numbers, despite an increase in population growth, an increase in lines and facilities, an increase in bus routes, and an increase in the proportion of concessional users. It has a compositional as well as an aggregate impact.

**Mr W.J. JOHNSTON:** It is not those seniors who travel for free, is it?

**Dr M.D. NAHAN:** Yes, and children and other things. Relative to other states, we have a very low operating recovery rate in our public transport system.

**Mr W.J. JOHNSTON:** The Treasurer said that the recovery rate was 28 per cent but the policy position is to get it to 40 per cent.

**Dr M.D. NAHAN:** The policy of public transport has been 40 per cent for quite a while. Do I think it will get anywhere near 40 per cent? No. In this budget we have substantially increased our subsidy. We do not have any intention to force the recovery rate and increase fees to get to 40 per cent. That target was there prior to us coming into government and it has not been achieved, to my knowledge, for a long time.

**Mr W.J. JOHNSTON:** Does the Treasurer have a calculated figure for the subsidy per passenger kilometre of the system?

**Dr M.D. NAHAN:** I can provide that but I do not have it in my memory. We will provide the information on subsidy per passenger kilometre by bus and rail, because I think they are different.

[Supplementary Information No A36.]

**Ms R. SAFFIOTI:** I will follow on from the question asked by the member for Victoria Park. This budget shows a positive movement, in a sense, for the Forrestfield–Airport Link project because of the \$440 million or whatever it was from commonwealth GST money. It shows a clawback of around \$9 million in interest expense. Does the Treasurer have the absolute interest expense for the Forrestfield rail link, and can the Treasurer outline what impact that interest expense will have on the operating subsidy?

**Dr M.D. NAHAN:** The FAL is not expected to commence operation until 2020, which is beyond the forward estimates; therefore, the interest in expenditure and operating costs are not in the forward estimates.

**Ms R. SAFFIOTI:** The budget shows a reduction in interest expense because of the commonwealth money in 2016–17. That has to be reversed from something.

**Mr B.S. WYATT:** Something was in there.

**Dr M.D. NAHAN:** We received \$490 million from the commonwealth, which will be used to fund this project. I imagine that a \$490 million reduction in our net debt has an interest saving.

**Ms R. SAFFIOTI:** Is all the money being poured into the 2016–17 year, the \$400 million —

**Dr M.D. NAHAN:** We receive the money in 2016–17.

**Mr M. Barnes:** I will just elaborate. The commonwealth will pay \$490 million to the state in this current quarter, probably in June. We will receive it in the 2015–16 financial year and it will come in the first instance to Treasury and into the consolidated account. Early in 2016–17, that \$490 million will be parked in a special purpose account, which we are required to establish under the agreement with the commonwealth. Further to that agreement, that SPA is interest earning, so the figure referred to by the member is the interest on that \$490 million sitting in that SPA until it is required to be spent on the project.

**Ms R. SAFFIOTI:** So the interest that will be earned will be in the PTA budget? It must be because it is in —

**Mr M. Barnes:** It builds up the balance of the special purpose account and that is then used to fund the capital cost of the project.

**Ms R. SAFFIOTI:** Is it right that the Forrestfield rail link project has recently been submitted to Infrastructure Australia?

**Dr M.D. NAHAN:** I will find that out.

**Ms R. SAFFIOTI:** So the government has not yet received an assessment from Infrastructure Australia on that project?

**Dr M.D. NAHAN:** We do not receive assessments. It does assessments. Infrastructure Australia is a commonwealth body; it is not a policy body to us. Has Infrastructure Australia done an assessment? I assume that now the commonwealth is contributing to it, it will do an assessment.

[11.10 am]

**Ms R. SAFFIOTI:** Did it contribute before the assessment was completed?

**Dr M.D. NAHAN:** No. I am saying now that it has contributed to it—I assume, because I am speaking on commonwealth government policy—my understanding is that Infrastructure Australia usually assesses, in advance, projects that the commonwealth contributes towards —

**Ms R. SAFFIOTI:** Yes, but this time it was the other way around.

**Dr M.D. NAHAN:** This time it chose to support an existing project.

**Ms R. SAFFIOTI:** Really; without a positive benefit–cost analysis from Infrastructure Australia? I am surprised.

**Dr M.D. NAHAN:** I assume the member does not lament the contribution of \$490 million from the commonwealth, for both GST and that?

**Ms R. SAFFIOTI:** No, and the Premier outlined yesterday that it is standard practice for the commonwealth to fund projects that have not been assessed by Infrastructure Australia and do not yet have any positive BCAs. What the Treasurer said is consistent with what the Premier said yesterday, but that is inconsistent with what the Treasurer said to the media the other day.

**Dr M.D. NAHAN:** I did not. I did not speak of a fall. I said that the Perth Freight Link has been assessed by Infrastructure Australia; indeed, Infrastructure Australia gives the Perth Freight Link the highest rating of any project in Australia that has not yet started. That is what I said. The other question was whether Infrastructure Australia had done an assessment of the Morley–Ellenbrook rail line, and it had not. There are some issues there. Why build a rail line from Morley to Ellenbrook when there is no rail to Morley?

**Mr B.S. WYATT:** That is a good question.

**Dr M.D. NAHAN:** It is a good question.

**Ms R. SAFFIOTI:** It shows the Treasurer's ignorance of the public transport system. The government has called its rail line the Forrestfield–airport line—how do people get to Forrestfield? How do they get to the airport? It is a name—honestly, the Treasurer's ignorance on this matter is outstanding.

**Dr M.D. NAHAN:** The member made a statement; let me comment —

**Ms R. SAFFIOTI:** I have a further question —

**The CHAIRMAN:** Members! I do not mind, but Hansard might. Members might want to consider Hansard in this.

**Dr M.D. NAHAN:** To my knowledge, the Forrestfield–Airport Link has not been assessed by Infrastructure Australia but I do not comb through everything it does; that is for the commonwealth. It has done it for the Perth Freight Link and has rated it the top infrastructure project yet to be started in Australia. It has not, to my knowledge, done an assessment of the Ellenbrook line. That is what I said in the media.

**Ms R. SAFFIOTI:** What other submissions were made to Infrastructure Australia last year, apart from the Perth Freight Link? Were any other submissions made?

**Dr M.D. NAHAN:** Treasury does not make them.

**Ms R. SAFFIOTI:** Did the government?

**Dr M.D. NAHAN:** I assume the Department of Transport would do so. The member will have to ask the Department of Transport what its communications were.

**Ms R. SAFFIOTI:** It said that it did not make any. Was Perth Freight Link the only project submitted?

**Dr M.D. NAHAN:** The member will have to talk to the Department of Transport—it makes the submissions. Obviously, the department said certain things to the member. It depends to a large extent on commonwealth contributions to projects. It made a very substantial contribution—80 per cent—to the net investment in Perth Freight Link. It has put a lot of work into it.

**Ms R. SAFFIOTI:** The commonwealth put a lot of work into it?

**Dr M.D. NAHAN:** Of course—it put in 80 per cent and did an evaluation of it. It had a large amount of discussion. One would assume if the commonwealth was to pay 80 per cent of the construction costs of a \$2 billion project, it would put a lot of work into it. Discussions were between the Department of Transport, transport agencies and the commonwealth and state governments. It is an excellent project.

**Ms R. SAFFIOTI:** As far as I know, the level of work done by the federal finance minister was receiving the Matusik report from Main Roads WA last November; in some sort of outrageous process that this government undertakes.

**Dr M.D. NAHAN:** The member can make simplistic and ridiculous statements. It works on TV grabs, but do not waste my time.

**The CHAIRMAN:** Member for Wagin, this was obviously a very good question! The member for Cannington has a further question. We are now on to about the fifteenth question on this topic. Shall we move on soon?

**Mr W.J. JOHNSTON:** In the business case for Perth Freight Link, how much is allocated for additional road maintenance on Stirling Highway for the additional 100 000 trucks that will use it?

**Dr M.D. NAHAN:** Can the member justify the question: how will Perth Freight Link increase the number of trucks on Stirling Highway?

**Mr W.J. JOHNSTON:** That was in the document tabled by the Minister for Transport in Parliament the other day during debate on the Perth Freight Link.

**Dr M.D. NAHAN:** The member made a statement; I am trying to answer it. Please justify it.

**Mr W.J. JOHNSTON:** Tabled paper 4144, tabled by Dean Nalder, shows that an extra 300 trucks a day will use Stirling Highway if Roe 8 and the Fremantle tunnel is built. Three hundred times 365 is about 100 000. What will be the extra cost to maintain Stirling Highway for the extra 100 000 trucks?

**Dr M.D. NAHAN:** The increase in traffic on the highway will come from natural growth and the use of the road. Perth Freight Link will remove a substantial amount of traffic from South Street, Leach Highway and Canning Highway —

**Mr W.J. JOHNSTON:** But I am not asking —

**Dr M.D. NAHAN:** The member asked me a question; please let me answer.

**Mr W.J. JOHNSTON:** I asked about Stirling Highway.

**Dr M.D. NAHAN:** I know. I will get to it.

**The CHAIRMAN:** Let the Treasurer finish.

**Dr M.D. NAHAN:** All the highways interact. There will be substantial reductions and maintenance on Leach Highway, South Street, Canning Highway and other arterial roads in the area. I am sure that is in the business case. In fact, it is one of the things that underpins the business case for Perth Freight Link and one of the purposes of it. There will be natural growth in the number of trucks going to the port—not rapid, but about four per cent. Container growth is estimated at four per cent. I think the member said an extra 300 trucks a day. Perth Freight Link by itself will not increase traffic overall. It will decrease the cost and time of travel; therefore, people will travel more because the roads are better but —

**Ms R. SAFFIOTI:** So traffic is going to increase.

**Dr M.D. NAHAN:** It will concentrate the traffic on a freeway, which is much more efficient and much quicker, without stops. Perth Freight Link will allow people to travel from Bicton to Fiona Stanley Hospital and to the airport, and indeed all the way to Bunbury, without stopping. The quality of transport will increase, I suppose, the volume of traffic. The effect on Stirling Highway will not be huge. It will be more than offset by the reduction in maintenance on South Street, Leach Highway, Canning Highway and other streets, including High Street.

**Mr W.J. JOHNSTON:** Given the question was never answered, the paper tabled by the Minister for Transport shows the “Do Nothing” situation for traffic on Stirling Highway is 1 000 trucks a day, but after Roe 8 and the Fremantle tunnel is built, it becomes 1 300 trucks a day. That is an extra 100 000 trucks using Stirling Highway through Cottesloe. What is the additional maintenance cost for that on Stirling Highway —

**Dr M.D. NAHAN:** No. The member is jumping to —

**The CHAIRMAN:** Treasurer, let the member for Cannington finish his question and then you can answer it.

**Mr W.J. JOHNSTON:** Let me make it clear: under the minister’s proposal, if Perth Freight Link is not built, there will be 365 000 trucks a year using Stirling Highway; and if Perth Freight Link is built, there will be 474 500 trucks using Stirling Highway. In respect of Stirling Highway, not in respect of those other roads—the answer may be that the Treasurer is not aware, which is fine—can the Treasurer tell me the additional cost of road maintenance for Stirling Highway for the extra 100 000 trucks that will travel north through Cottesloe on Stirling Highway?

**Dr M.D. NAHAN:** Firstly, the member’s statement that these will go through Cottesloe north is not accurate necessarily.

**Mr W.J. JOHNSTON:** Yes, it is.

**Dr M.D. NAHAN:** No. The member made a statement; let me finish.

**The CHAIRMAN:** Now let the Treasurer answer.

[11.20 am]

**Dr M.D. NAHAN:** They will also go to the port and other places. There is a port between Stirling Bridge and Cottesloe; the member is aware of it.

**Mr W.J. JOHNSTON:** No, there is not. There is not a bridge. It is not true.

**Dr M.D. NAHAN:** In fact, one of the main purposes of building Perth Freight Link is to get trucks more effectively through to the port; it is the principal objective, principal aim and principal return on it. The member’s assumption or statement that all those additional trucks will not stop at or go to the port, but go north of it to Cottesloe, is not accurate.

**Mr W.J. JOHNSTON:** With respect, Treasurer, it is not my assumption. I am asking about the tabled paper in which the Minister for Transport said that there was going to be an extra 100 000 trucks. I am not saying that; the minister said it.

**Dr M.D. NAHAN:** I am accepting —

**Mr W.J. JOHNSTON:** If the Treasurer does not know the answer, say, “I don’t know”, rather than wasting everybody’s time.

**Dr M.D. NAHAN:** With some trepidation, I am accepting the data the member quoted. I cannot verify it; I do not have it in front of me.

**Mr W.J. JOHNSTON:** Right; well say that!

**Dr M.D. NAHAN:** But the member made a statement that the alleged 100 000 additional trucks will not stop at the port, but will go north to Cottesloe. I am saying that the member does not have data to say that —



**Mr W.J. JOHNSTON:** Yes, I have—the tabled paper!

**Dr M.D. NAHAN:** The member has data —

**The CHAIRMAN:** Members!

**Mr W.J. JOHNSTON:** What an idiot! The Treasurer cannot be this stupid! I have tabled paper 4144.

**The CHAIRMAN:** Members! Member for Cannington, I understand your frustration, but that is unnecessary language in this house—you know that —

**Mr W.J. JOHNSTON:** No, no; it has been ruled as parliamentary.

**The CHAIRMAN:** Ask the question —

**Mr W.J. JOHNSTON:** I have moved on.

**The CHAIRMAN:** We have moved on? Let us move on.

**Mr W.J. JOHNSTON:** It is ridiculous.

**The CHAIRMAN:** The member for Victoria Park has the call.

**Mr B.S. WYATT:** I refer to page 275 of the *Economic and Fiscal Outlook*. The Treasurer will recall that last night we discussed the 70-basis-point loan guarantee fee. I was asked to put my question to Treasury. As to the revenue generated from the loan guarantee fee through to Treasury to the consolidated account—I guess that is where it goes; I am not sure where it goes—or from the Western Australian Treasury Corporation to Treasury, what is the revenue generated by that? It would be useful to have a breakdown by agency by way of supplementary, if the Treasurer has that information. Also, would the Under Treasurer like to make any comment on how that figure was arrived at? The Treasurer may recall that we discussed this last night, and I was told there is no particular link to risk as such; it is just a figure.

**Dr M.D. NAHAN:** Mr Barnes will answer.

**Mr M. Barnes:** I refer the member to page 234 of budget paper No 3.

**Mr B.S. WYATT:** The *Economic and Fiscal Outlook*?

**Mr M. Barnes:** Yes.

**Mr B.S. WYATT:** Page 234?

**Mr M. Barnes:** Yes, which is the general government operating revenue appendix.

**Mr B.S. WYATT:** Here we go—loan guarantee fees!

**Mr M. Barnes:** Yes. There is a line almost halfway down on loan guarantees fees, which are estimated to raise, in total, \$135 million in the current financial year —

**Mr B.S. WYATT:** Yes, \$150 million—beautiful!

**Mr M. Barnes:** — and then \$150 million in 2016–17.

**Mr B.S. WYATT:** I thank the Under Treasurer. Can I get a breakdown of that?

**Dr M.D. NAHAN:** The Under Treasurer will answer.

**Mr M. Barnes:** Yes; we will have to provide that as supplementary information.

**Mr B.S. WYATT:** Of course.

**Mr M. Barnes:** I need to put a caveat around whether we can disclose the amount paid, for example, by individual universities and local governments. We may need to provide it by sector, so universities as a whole and local governments as a whole.

**Mr B.S. WYATT:** That is fine. That is okay.

**Dr M.D. NAHAN:** WATC's annual report has full disclosure —

**Mr B.S. WYATT:** Yes, of borrowings.

**Dr M.D. NAHAN:** — of borrowings.

**Mr B.S. WYATT:** Not of loan —

**Dr M.D. NAHAN:** I know. If the member wants to know about WATC's clients outside the public sector, he can get that. My only concern is about disclosing certain transactions to third parties, even though they are government; that is, universities —

**Mr B.S. WYATT:** I do not have a problem with it. So, is that like the University of Western Australia and Curtin University? If it is the university sector, that is fine.

**Dr M.D. NAHAN:** Yes; Edith Cowan, for example. It is also schools—private schools.

**Mr B.S. WYATT:** I have a follow-up question. Does that need a number allocated to it?

**The CHAIRMAN:** Before you follow up, I need to give it a number. The Treasurer or Under Treasurer needs to be clear for Hansard about what they are offering.

**Dr M.D. NAHAN:** I will provide a breakdown of the loan guarantee fee of 70 basis points, the aggregate and its distribution across the various payees.

[*Supplementary Information No A37.*]

**Mr B.S. WYATT:** I have a further question on why the figure is 70 basis points. How did we get to that, and is that similar to other states? For the benefit of Mr Barnes, we had a conversation last night about the figure not being particularly linked to risk: how did we arrive at that figure?

**Dr M.D. NAHAN:** Ms Gulich is best placed to answer that. I had a go at this last night, so Ms Gulich can go at it.

**Ms K. Gulich:** The 70 basis points was an increase from previous levels of 0.2 per cent, or 20 basis points, for the universities and the sector. It is 70 basis points to align to what we were charging government trading enterprises, so that there is consistency across all payers of the loan guarantee fee at this point. Seventy basis points was an assessment relative to the cost of debt the entities are currently paying. As the member would understand, the cost of debt through WATC is cheaper than they can get in the market. Seventy basis points is a position that still allows them to be better off than they would be going competitively to the open market, but it is not an excessive amount.

**Mr B.S. WYATT:** Out of interest, what is the actual difference? I think Ms Gulich just made the point that 70 basis points is still cheaper than if they went to market. What would it be if someone was trying to equate it? Would it be nine?

**Ms K. Gulich:** I am not sure, to be honest. I know the 70 basis points on top of what WATC debt is gets it close to what the entities could get on the open market. One of the commentaries was that if local governments found that they were priced in a position they were having concerns about, they could seek their debt through one of the major banks and would pay a similar but slightly higher rate than they get with WATC, including the loan guarantee fee.

**Dr M.D. NAHAN:** As Ms Gulich indicated, there was some expression of concern or issue that 70 basis points would lead to local governments and universities going outside government. They are still coming in, so they perceive borrowing through WATC to be superior to the alternatives.

**Mr W.J. JOHNSTON:** I have a further question. If a local government authority borrowed commercially, that would still have implicit crown guarantee given that it is an agency of the Crown.

**Dr M.D. NAHAN:** Yes, they are entities of the Crown, and they do borrow, I understand, offshore and invest.

**Mr W.J. JOHNSTON:** Yes, we know about that one.

**Dr M.D. NAHAN:** So there would be an implicit risk to the Crown—yes. That is one reason the Department of Local Government looks at the financial viabilities and actions of local governments, and validly so.

**Mr W.J. JOHNSTON:** Yes. I have a good report to read about that!

Still on this topic, pages 275 and 276 of the *Economic and Fiscal Outlook* show a chart that the Treasurer drew to my attention the other day about revenue from public corporations. The loan guarantee fees are not included in this chart: I wonder whether that will be looked at for future budgets.

**Dr M.D. NAHAN:** Which page number?

**Mr W.J. JOHNSTON:** Pages 275 and 276 of the *Economic and Fiscal Outlook*; it is table 8.5—“General Government Revenue from Public Corporations”. It does not show the loan guarantee fees for all the GTEs. I do not care, but I wonder whether in future they will be included.

**Dr M.D. NAHAN:** Historically they have not been included, but we can. It is not a huge sum.

**Mr W.J. JOHNSTON:** Yes, I know; I understand.

**The CHAIRMAN:** Are we moving on? The member for Perth is not here. Does the member for West Swan have a question?

**Dr M.D. NAHAN:** On that further point, one thing that is also not disclosed and that is significant, for the Water Corporation and particularly Western Power, is the equity injections—that is, in recent times developers have paid huge amounts of money for gifted capital. Particularly with Western Power, they have to pay a tax on top of the gifted asset issue.

**Mr W.J. JOHNSTON:** Yes, because the gifted asset becomes —

**Dr M.D. NAHAN:** Revenue. It is expensed as revenue immediately; it is not included in its regulated asset base. To compensate for that, we have made an equity injection in Western Power. They have been very large; we expect a \$201 million equity injection into Western Power this year.

[11.30 am]

**Ms R. SAFFIOTI:** I refer to the table “Royalties for Regions Expenditure” at page 201 of budget paper No 3, *Economic and Fiscal Outlook*, and the line “Over Programming Provision”. What is the explanation for that?

**Dr M.D. NAHAN:** My understanding is that royalties for regions was ruled by the chairman to be outside the scope of this division; is that not correct?

**Mr B.S. WYATT:** Yes, it is. Royalties for regions is part of another section, but it is a Treasury initiative. The opposition is not pursuing R for R as such.

**The CHAIRMAN:** The Under Treasurer.

**Dr M.D. NAHAN:** Will the member confirm the question?

**Ms R. SAFFIOTI:** That is more of an accounting issue than an issue of expenditure in any particular local town. The table on page 201 contains a one-line item, “Over Programming Provision”. My understanding would be that the government believes that the individual expenditure items are too ambitious, so it has one-line items to reduce that to match the total amounts at the bottom; is that correct?

**Mr M. Barnes:** It is a bit the other way around, actually. This is a provision that I suppose is maintained and managed by the Department of Regional Development rather than Treasury, but it reflects that in the past, since the royalties for regions fund was established, the fund has typically underspent. The size of that underspend is gradually diminishing but it still has underspent every year compared with what was estimated in the relevant budget. To explain the over-programming, if we went through the whole program and added up every individual component, the total would be above the bottom line, if you like.

**Ms R. SAFFIOTI:** The individual expenditure items are ambitious in their time frame, so a total is reached that is more than the funding available?

**Mr M. Barnes:** Yes. The over-programming provision nets off that over-ambition, if you like, and tries to replicate what has actually happened in the past.

**Ms R. SAFFIOTI:** The government could use that for the whole budget if that is how it manages its budget.

**Dr M.D. NAHAN:** I think in the past few years we have done very well in meeting our targets.

**Ms R. SAFFIOTI:** It was a joke.

**Dr M.D. NAHAN:** Yes, well.

**Mr B.S. WYATT:** It is a growing figure.

**Ms R. SAFFIOTI:** Yes, it is a growing figure. Starting from another point, how does the government allocate greater than the funds available to even need an over-programming provision? How does the system work that the government allocates —

**Dr M.D. NAHAN:** Again, that goes beyond the accounting detail. As the Under Treasurer said, this program is run by Regional Development and the Minister for Regional Development, and the member should go through the issues with them. Our discussion here specifically excluded royalties for regions.

**Ms R. SAFFIOTI:** Sorry, Treasurer, but this is quite an important accounting concept, because every agency would like to tell everyone that they are doing everything over the next four years and then not be held to account in a sense. How can there be an accounting system that allows all of those line items to be listed but the government believes it is not going to actually deliver them—all in one document?

**Dr M.D. NAHAN:** Again, I think the member is going to have to go down further. The Under Treasurer has explained the accounting treatment of this. As he indicated, there was substantial slippage in some of those programs, particularly in timing and costs. The program is capped at a certain allocation. If the sums add up, that is the maximum level of expenditure. I might add that that target has adjusted from time to time because it is tied to a number of factors, including royalty collections, and that is the treatment.

**Ms R. SAFFIOTI:** I have a further question, which is more of a technical question. This table is a summary of expenditure across a number of agencies. How is this reflected in the books in a sense? For example, Education has issues and items in its expenditure and asset program, as does Health. If they are all added up in the statements, where do we deduct? Where do we reflect the over-programming provision in the financial accounts?

**Ms K. Gulich:** It is in the Department of Regional Development administered statements; the offset amount is in those numbers.

**Ms R. SAFFIOTI:** Through administered items, that interaction with Treasury, the government allocates and pulls back those funds as well; okay.

**Ms E. EVANGEL:** I refer to pages 89 to 91 of budget paper No 3. Will the Treasurer outline the iron ore price assumptions underpinning the budget and recent market developments?

**Dr M.D. NAHAN:** Yes. We have not made any major changes to our iron ore assumption methodology this time. One thing we have done—we did it last year—is change the time period by which we use the forward market. I will give the Under Treasurer a go at explaining it.

**Mr M. Barnes:** In this budget we are forecasting iron ore prices of \$US50.90 a tonne for the 2015–16 year—that is for the whole year on average—dropping to \$US47.70 a tonne for 2016–17, and then very gradually rising to \$US54 a tonne by 2019–20. All of those assumptions were finalised on the 19 April cut-off date for the budget. The methodology behind those assumptions is very much a market-based methodology and it reflects a combination of recent spot prices in the iron ore market, forward contract prices for six to 12 months into the future—that is based on the Singapore exchange forward curve—and long-run price forecasts by Consensus Economics. Just to explain that a little more clearly, for this budget we took actual spot prices for July 2015 through to April 2016 and forward contract prices for May and June 2016 and then averaged those out to produce that \$US50.90 a tonne price assumption for 2015–16. We then took a further four months' worth of forward contract prices from July to October 2016, so six months of forward contract prices in total. From that point we started interpolating in a linear fashion to the long-run Consensus Economics forecast, which at the time of the budget was \$US65.60 tonne in 2024–25. That methodology is identical to the one we used in the midyear review and virtually identical to the one we used in last year's budget. As the Treasurer indicated, the only difference is that in last year's budget we used 12 months' worth of forward contract prices, whereas in the midyear review and this budget we have used six months' worth of forward contract prices. We do not use the forward curve beyond 12 months as there is not sufficient liquidity beyond 12 months and it is, therefore, not a reliable guide to future prices. The choice as to whether we use six or 12 months' worth of forward contract prices is really a judgement call by Treasury. That is informed by our assessment of which period—six months or 12 months—produces forecasts that are more reasonable. That in turn is informed by our own supply and demand modelling—we are building that capability within Treasury—and also informed by the views of other analysts and forecasters.

**The CHAIRMAN:** Under Treasurer, in the interests of time, if there is information in there, you might want to move it along.

**Mr M. Barnes:** Okay, that probably answers the question. I will conclude by saying that I think the methodology that we have developed and that is reflected in this budget, certainly for the 2015–16 year, has proven to be reasonably accurate, which is good. Therefore, I am pretty comfortable with the iron ore price forecasts in this budget across the forward estimates as they reflect that market-based methodology, they are consistent with the long-run iron ore price over many decades, and they are consistent with the forecast of other private sector analysts and forecasters.

**Mr W.J. JOHNSTON:** I refer to dividends at page 277 of budget paper No 3 and the table “Revenue from Public Corporations”. How do those rates compare with public corporations in other states?

[11.40 am]

**Dr M.D. NAHAN:** Unless someone from Treasury can advise me, I will have to provide that as supplementary information. I will provide information on how the dividend payout ratios for public corporations in Western Australia vary in relation to similar ratios in other states.

[*Supplementary Information No A38.*]

**Mr T.K. WALDRON:** I refer to budget paper No 2, page 374, under strategic projects. The second dot point states that the active capital works portfolio comprises 11 projects. Four of the projects are operational, six are under construction, or soon will be, and one is in the planning phase. Does the Treasurer have a list of those?

**Dr M.D. NAHAN:** I am sure Mr Mann has that at the top of his mind.

**Mr T.K. WALDRON:** Good Swan Districts men usually do.

**Mr R. Mann:** The 11 projects in question, beginning with those that are under construction, include the WA schools public–private partnership, which involves the delivery of eight schools. Four primary schools are currently under construction, with a secondary school—Ellenbrook North—about to start. The construction of Karratha Health Campus will be starting soon. The WA Museum is currently at tender; we are in negotiation with a preferred respondent. The Sarich Neuroscience Research Institute at the Queen Elizabeth II Medical Centre is also under construction, as is the Perth Stadium. Eastern Goldfields Regional Prison is on the cusp of completion, looking towards technical completion very soon. The Perth Children's Hospital is the other project under construction. We also have, currently still active, Busselton Hospital, which has been operational since

April 2015. That is in its handover phase. The Midland Health Campus is also close to handover. It commenced operations in November 2015. The Old Treasury Building redevelopment is presently in fit-out and will soon be fully occupied, with the fit-out being managed by the Department of Finance. Our role in that was the delivery of the development itself, which was completed in August 2015. The only project that we have at the planning stage is the Royal Perth Hospital redevelopment, which is currently sitting in abeyance awaiting further direction from the government.

**Mr B.S. WYATT:** I refer to page 6 of budget paper No 3, “The Efficient Delivery of Quality Services”. The Treasurer may recall the workforce renewal policy. We had a conversation in the last financial year about what the actual savings were compared with what was booked in that midyear review. Does the Treasurer have an update for the 2014–15, 2015–16, 2016–17 and 2017–18 actuals versus what was booked back in that year?

**Dr M.D. NAHAN:** I will ask the Under Treasurer to respond.

**Mr M. Barnes:** I have in front of me figures for only 2016–17 and 2017–18 for the workforce renewal policy. The member’s question was more about 2014–15 and 2015–16.

**Mr B.S. WYATT:** I will get those, but I may have to take 2014–15 and 2015–16 by way of supplementary. This is in terms of the actuals for those two years. That would be useful.

**Mr M. Barnes:** The current estimate of the savings from the workforce renewal policy for 2016–17 is \$264 million, and for 2017–18 it is \$405 million and for 2018–19 is it \$516 million.

**Mr B.S. WYATT:** Can I get, by way of supplementary information, the actuals of 2014–15 and 2015–16?

**Dr M.D. NAHAN:** Yes, but note that the policy came in with the midyear review in 2014–15, so it is not a full year impact.

**Mr B.S. WYATT:** Yes, but the 2014–15 estimated saving recognises that.

**Dr M.D. NAHAN:** We will provide information on the forecast and actual effects of the workforce renewal program for 2014–15 and 2015–16.

*[Supplementary Information No A39.]*

**Mr W.J. JOHNSTON:** Do we know how many people who accepted redundancies under the workforce renewal proposal then came back as agency employees or on any other arrangement?

**Dr M.D. NAHAN:** Workforce renewal is not a redundancy program. Workforce renewal is when someone leaves the public sector, with no compulsion and no payout, and creates a vacancy in that department. The intent of the program is to appoint the replacement for the vacated position, so that the position is filled at a lower level.

**Mr W.J. JOHNSTON:** I will ask the question differently. In the redundancy programs, how many people have done this?

**Dr M.D. NAHAN:** There was a voluntary redundancy program, and there have been a number of them. A total of 1 362 people have taken advantage of the current redundancy program. The question is —

**Mr W.J. JOHNSTON:** How many of those came back as agency employees, or contractors or whatever?

**Dr M.D. NAHAN:** The question is how we administer the program to ensure that departments do not backfill those positions through an agency. I refer this to the Under Treasurer.

**Mr M. Barnes:** This is not really something that Treasury polices. There is a moratorium—a time limit—generally of 12 months. This is something that the Public Sector Commission polices, but there is that moratorium. Within that period people who have accepted voluntary redundancy are not allowed to come back and work for the public sector. I think it is generally 12 months, but it is something that is administered by the Public Sector Commission, so the question might need to be asked of the commission.

**Mr W.J. JOHNSTON:** Is Treasury not monitoring the number of agencies that are just rehiring the same people, but through agencies, and using a different part of their budget to pay their costs?

**Mr M. Barnes:** We could not possibly.

**Dr M.D. NAHAN:** It is a risk. We have discussed it. It is the responsibility of not only departments but also the Public Sector Commission.

**Mr M. Barnes:** Just further to that, if an agency did re-employ someone within that moratorium period, it would actually be in breach of the public sector regulations.

**Mr W.J. JOHNSTON:** The point I am making is that they are not breaching the rules, because they are not hiring that person back; they are engaging them through an agency, or as a contractor. It has occurred with a number of people whom I know personally. I was wondering whether there was any broader monitoring of this.

**Mr M. Barnes:** Not by Treasury. I suppose the mechanisms that we rely on in Treasury to manage them are the agencies' overall salary expense limits, and other savings measures that we have applied to spending on consultants. We took a 15 per cent haircut off all procurement expenditure, including on consultants, a couple of years ago, and that is an ongoing base adjustment. I guess squeezing down on those budget parameters is the way in which Treasury tries to manage that risk but, more generally, it is a risk that is policed by the Public Sector Commission.

**Mr W.J. JOHNSTON:** Some of the agencies will be capitalising these payments by getting people to do projects of a capital nature. There is a lot of planning money in all the different agencies, and there is money to do all these different projects, and a number of people are actually being employed—including my daughter, at one time, but not now—through that system. They are being paid out of the capital side of the budget, even though they are doing ordinary labour for the agency. Does Treasury not look at that issue?

[11.50 am]

**Dr M.D. NAHAN:** No. The department heads are responsible for their departments. The member is right; I hear anecdotal evidence that people who have been in the public sector for a long time take a redundancy willingly and then seek to come back either as contractors or elsewhere in the department where the limits on the replacement are not as stringent. The Economic and Expenditure Reform Committee has had many discussions on this issue. As the Under Treasurer indicated, it is really up to, firstly, the department to decide whether it is breaching the intent of the policy, with all the ramifications; and, secondly, the Public Sector Commissioner. That is one reason that Treasury and the EERC made adjustments to the other pools of funds that those backfilling people were funded with. We have tightened it quite significantly and made directions to ministers about that, because it is a risk. There is also a risk that a large number of people take it as a supplement to retirement, which is a real concern. Indeed, sometimes in that instance the wrong people leave. If it is just a supplement for people who are approaching retirement and are going to leave in a couple of years—the redundancy amount is based on seniority in the public sector, so it could be a large amount of money for a person who is going to remain in the public sector for a short time—it can lead to incentives for the wrong people to leave. All our voluntary redundancies have been substantially oversubscribed and in all cases, the department heads vet who goes; they choose who is selected for a voluntary redundancy. We have been very careful to try to stop tactics to backfill people. I hear it exists.

**Mr B.S. WYATT:** From memory—this has been in the public domain—a couple of hundred million dollars a year is spent on those agency contracts; is that right or am I misremembering something?

**Dr M.D. NAHAN:** What does the member mean by “agency contracts”?

**Mr B.S. WYATT:** I mean the contracts with agencies. Am I confusing this with another spend?

**Mr W.J. JOHNSTON:** No; it is hundreds of millions of dollars.

**Dr M.D. NAHAN:** Does the member mean voluntary redundancy payouts?

**Mr B.S. WYATT:** No; there were agency agreements for staffing. I am sure it was on Tenders WA or something like that and it was in the order of \$200 million plus a year.

**Dr M.D. NAHAN:** My memory—this is going back 30 years—is that the number of contracts for temporary staff, particularly nurses, is huge. I think it is on Tenders WA. It would be huge. For instance, a substantial number of nurses at a hospital at any one time are temps.

**Mr W.J. JOHNSTON:** I know the Treasurer would not have it with him but could we get the expenditure on agency employees by portfolio?

**Mr M. Barnes:** Is that agency staff contracts?

**Mr W.J. JOHNSTON:** Yes, because there is a figure for salaries in the budget.

**Dr M.D. NAHAN:** These are not salaries.

**Mr W.J. JOHNSTON:** Yes, I know; that is the point I am making.

**Mr M. Barnes:** I am not sure whether our chart of accounts in our budget management system goes down to that fine a level of detail. I suspect not.

**Dr M.D. NAHAN:** If Treasury has the data—that is, the expenditure by those outside agencies defined by Treasury—we will provide it as supplementary information, but only subject to Treasury having the data.

[*Supplementary Information No A40.*]

**Mr B.S. WYATT:** At page 33 of the *Economic and Fiscal Outlook* there are two points that I want to ask the Treasurer about. No doubt the Treasurer is familiar with the variations chart. Under the heading “Expenses”, \$122 million has been pulled out of the line item for non-government human services sector indexation. Firstly, can the Treasurer explain that? Secondly, why has \$67 million been pulled out of the line item for the resolution of native title?

**Dr M.D. NAHAN:** The Under Treasurer.

**Mr M. Barnes:** On the non-government human services sector indexation line item in that table, that is not a policy change; it is a parameter change and reflects our downward revisions to forecast consumer price index and wage price index growth. The indexation is a function of both CPI and WPI, both of which have been revised down since the midyear review.

**Mr B.S. WYATT:** What about native title?

**Mr M. Barnes:** It is probably best asked of the Department of the Premier and Cabinet. My understanding is that there has been a delay in finalising negotiations, so there has been a carryover from 2015–16 to 2016–17.

**Dr M.D. NAHAN:** My memory quite clearly is that it is just a postponement of the settlements.

**The appropriation was recommended.**

**Division 33: Economic Regulation Authority, \$2 704 000 —**

**The appropriation was recommended.**

*Meeting suspended from 11.56 to 12.06 pm*

**Division 34: Office of the Auditor General, \$7 431 000 —**

Mr N.W. Morton, Chairman.

Dr M.D. Nahan, Treasurer.

Mr C. Murphy, Auditor General.

Mrs S. Godfrey, Assistant Auditor General, Business Services.

Ms L. Di Paolo, Principal Policy Adviser.

Mr M. Don, Principal Policy Adviser.

[Witnesses introduced.]

**The CHAIRMAN:** 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 the discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The 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, 3 June 2016. 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 with the Clerk's office.

I give the call to the member for Cannington.

**Mr W.J. JOHNSTON:** I refer to page 396 of budget paper No 2 and the third dot point under the heading "Significant Issues Impacting the Agency" about the office's legislative obligation to undertake audits et cetera. How many requests for inquiries, audits or investigations has the Office of the Auditor General received during the current financial year from members of Parliament and, secondly, from the community?

**Mr C. Murphy:** I do not believe that I have that information to hand, but I would be more than happy to provide it.

**Dr M.D. NAHAN:** Hold on.

**Mr C. Murphy:** I may well have that information.

**Dr M.D. NAHAN:** That is why Mrs Godfrey is the Deputy Auditor General!

**Mr C. Murphy:** That is absolutely right. Did the member want the figures for the current financial year?

**Mr W.J. JOHNSTON:** Yes.

**Mr C. Murphy:** We received a total of 149 referrals or inquiries: 27 were from state government agencies, 16 were from members of Parliament or parliamentary committees and 106 were from members of the public.

**Mr W.J. JOHNSTON:** How many of the 149 requests in each of those categories led to an inquiry or action being taken?

**Mr C. Murphy:** There is a lot of overlap in the nature of the questions we are asked, and those questions are often used to formulate different audits. There may be a lot of overlap on the questions and some of the questions are generic. We have not specifically tracked which of those 149 requests resulted in a specific tabled request. We can certainly track back the action taken on any individual request—how it was incorporated into a report or whatever that might be.

**Mr W.J. JOHNSTON:** The dot point I referred to acknowledges that the agency's budget is limiting its activity. Was the Office of the Auditor General caught up in the recruitment freeze?

**Mr C. Murphy:** Yes, indeed, we were caught up in the recruitment freeze. We had a couple of exemptions for some critical positions but, in general, we were subjected to a number of the savings measures that were introduced across the public sector, and to a point I believe that was appropriate. We audit the public sector, so we are well aware of the stringent arrangements that operate within government agencies. Agencies have had to review their activities and curtail some of them, so I think that it was entirely appropriate that we had a good hard look at our activities to see whether we could achieve savings in any areas. Having said that, I am also particularly keen for our performance audit program to provide for the needs of Parliament, and that is a concern going forward.

[12.10 pm]

**Dr M.D. NAHAN:** As the member knows, some of the audits of the Auditor General are contracted out to private sector contractors. Those, of course, were not caught up in the hiring freeze. My memory might be wrong, but the Auditor General also had a program to employ younger people.

**Mr C. Murphy:** That is correct. Our graduate recruitment program was specifically exempted so that we could continue our annual intake of graduates.

**The appropriation was recommended.**

**Division 68: Local Government and Communities — Service 5, Promotion and Support of Multiculturalism, \$7 032 000 —**

Mr N.W. Morton, Chairman.

Dr M.D. Nahan, Minister for Citizenship and Multicultural Interests.

Ms R. Ball, Executive Director, Office of Multicultural Interests.

Mrs L. Mitchell, Senior Policy Adviser.

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

[Witnesses introduced.]

**The CHAIRMAN:** Member for Girrawheen.

**Ms M.M. QUIRK:** Unless otherwise indicated, all questions relate to service 5, "Promotion and Support of Multiculturalism", under "Relationship to Government Goals" on page 767.

**Dr M.D. NAHAN:** Is that in budget paper No 2?

**Ms M.M. QUIRK:** Yes. What is the current number of FTEs at the Office of Multicultural Interests? The minister might need to provide this by way of supplementary information, but I also seek a list of positions and their levels.

**Dr M.D. NAHAN:** I will pass the question over to Ms Ball.

**Ms R. Ball:** I thank the member for the question. We currently have 24 FTE, of which 20 are direct and the rest are indirect FTE, which are four corporate services contribution for the Department of Local Government and Communities. We are happy to provide the supplementary information as requested.



**Ms J.M. FREEMAN:** Further to that, I refer to “Promotion and Support of Multiculturalism” on page 771. The budget is for 22 FTE and the estimated actual is 26.

**Ms R. Ball:** I stand corrected; sorry, it is 26 in total. Twenty are direct and six are indirect. We will be reducing one as a consequence of a severance through the current year as part of the workforce renewal.

**Ms J.M. FREEMAN:** The reduction will be by only one?

**Ms R. Ball:** That is correct.

**Ms J.M. FREEMAN:** Currently there are 26 FTE and it was budgeted for 22, so effectively OMI is over what was budgeted for 2015–16 and is operating with one surplus FTE now. Why just one? Why not keep the one person who is doing good work in a department that needs it? One is not a significant number. One is just like checking that you are not printing on as much paper or doing a different thing. I can understand when it is four or five in such a small agency. If the budgeted figure was 22 and the actual in 2014–15 was 21, clearly the office has a need for 26. Why remove just one?

**Dr M.D. NAHAN:** As the member said, the budget was for 22 and the estimated actual is 26, so it is a larger number than was budgeted for—an expansion. An agency expenditure review was done of the whole department, of which OMI is a sub-department, and it made a number of changes. It reduces the estimated FTE from 26 to 25. Of course, OMI does many good things, as do all departments, but there has to be some budgeting limit put on it. The net impact of our decision is an expansion in 2016–17 from where we thought we were a year ago of three FTE.

**Ms J.M. FREEMAN:** I turn to the key effectiveness indicators and the item that reads “Percentage of community grants for multicultural organisations that were acquitted against identified outcomes”. It relates to that whole aspect of promotion and support of multiculturalism.

**The CHAIRMAN:** Which page, member?

**Ms J.M. FREEMAN:** It is the service summary on page 768, specifically point 5, “Promotion and Support of Multiculturalism”.

I notice that there has been an increase from \$6 million to \$7 million. I just want to know why that does not include funding to the Ethnic Communities Council of WA.

[12.20 pm]

**Dr M.D. NAHAN:** The Ethnic Communities Council has a long history in Western Australia. It has had many changes to personnel, membership and of course to its board over the last eight years. My predecessor, Hon John Castrilli, had many issues with that. Indeed, although funds were withdrawn one year, from memory, they were paid back. The government also paid for the chairman to try to settle it. Under my watch, ECCWA has undergone many changes to the board. It has approached me for support. By the way, a lot of the changes to the board were acrimonious; that is, the changing of the guard was not smooth. A number of times we have asked ECCWA to provide us with evidence, as is required under our policies in order to provide grants to organisations like that. They have to prove membership and stability and make various reports, which the executive director can attest to. More recently there was a change some time last year. People who were there in the past came back. Again, the change last year was acrimonious. There were a number of accusations from previous board members and a number of complaints. I understand that the new board is trying to get the organisation back together in terms of the board, its membership, its work program and its strategic direction. Just recently, the secretary quit with some complaints. The Office of Multicultural Interests is dealing with those complaints, not me.

All I can say is that the Ethnic Communities Council of WA has a potential role but it has to be representative of the ethnic communities in Western Australia. It has to have membership to that effect. It has to have a board that is stable and working together and it has to be the voice of the ethnic communities, by definition. The organisation has not been able to do that in an effective and stable manner for a number of years. We hope the new group will put that into place. We will have discussions with it. OMI is having discussions with it now. We look forward to working with it. Funds are limited. It is absolutely vital that funds are provided to organisations that are effective and represent the groups they purport to represent. I am not saying they do not now; I am just saying that in the past there have been so many changes to that organisation, it has been very unstable. At one time we went through a very long strategic review with ECCWA, and virtually all the members left. That is why I think the new group of people are trying to resuscitate it once again. There is a lot of acrimony there. I might pass over —

**Ms M.M. QUIRK:** I think that is enough, minister. We have a lot to get through.

**Dr M.D. NAHAN:** The member asked me a question.

**The CHAIRMAN:** You are allowed to ask questions. You are allowed to answer them as you see fit. The opening statement does say that questions and answers should be short and to the point.

**Ms J.M. FREEMAN:** Further to that question, when handing it over to the adviser, can the adviser point out which other organisations funded are peak organisations, just for the record, so we know that the Ethnic Communities Council is not funded because it was acrimonious and so that we can be aware of those organisations that are clearly not acrimonious that the department is funding.

**Dr M.D. NAHAN:** As I said, the problem with ECCWA is the instability of the board. Incidentally, the instability brought acrimony. There is also evidence of its representativeness of the Ethnic Communities Council. Those are the issues. As I indicated, we have worked with ECCWA to try to get it up to the mark.

**Ms R. Ball:** I thank the member for the question. Under our portfolio, there is no other peak body in the sector. We would love to be able to support a peak body in the sector that is fully representative, fully engaged, productive and strongly bound by governance rules. Under the department, other peak bodies that are funded include the Western Australian Council of Social Service, the Council on the Ageing and the Youth Affairs Council of WA. They are not given money. They are required to be bound by very strong service provisions under contractual provisions that are standard under peak body engagement to deliver services on behalf of the government. The strategic reviews and information that has been exchanged between ECCWA and our office over the years has not met that level of detail to be able to support a funding proposal to then go out to contract for service. We are happy to continue working with ECCWA to build the capacity to get to that level of capability but at the moment that is not the position, as the minister has outlined, for various reasons. It was also invited to apply for funding under our community grants program over the past year—in September and also in March this year. There have not been any inquiries to our office from ECCWA and no applications have been received. There is absolutely no reason why it cannot apply for funding. It has not chosen to do so.

**Mr T.K. WALDRON:** Again, I refer to multiculturalism and draw the minister's attention to "Promotion and Support of Multiculturalism" on page 771 of the *Budget Statements*. I have always been really keen on what is happening in the culturally and linguistically diverse area. I know there was a policy, I think, back in 2015–16 to address the capacity and development of gaps in that area. I just wonder what progress has been made to address any gaps in supporting those communities. What are some of the expected outcomes of the funding and can the minister explain the process to select successful recipients for the funding of those programs? I know they are very important programs.

**Dr M.D. NAHAN:** The member has a particularly important community in his electorate—Katanning. I know that the member has been involved in that. I will pass over to Rebecca Ball in just a minute. A couple of issues relate to the member's interests and former portfolio of sport. A couple of programs we did particularly targeted swimming. We gave funds to Royal Life Saving WA to do a number of things. I think the member was involved in this. As he knows, unfortunately, migrants have a high incidence of drowning, water fatalities and endangerment. It is a very high proportion. They have a very low knowledge of swimming and knowledge of the water. We had a program to target migrant swimming and water safety. In the first instance we targeted mothers because the evidence was, on advice from Royal Life Saving, that they were the crucial factor in getting children to learn how to swim. We targeted mothers. Most of them were not comfortable in the water. There were issues related to knowledge of water, knowledge of swimming and attire. Royal Life Saving, with a grant from us and other moneys, has a program on that and it now expands that to teach swimming to migrant children. It is one of our most successful programs.

We have also dramatically expanded the community language program. We reallocated money from the insertion program and the community language program and there has been a very large expansion and a great deal of interest, particularly investment in training teachers in curriculum. Rebecca might be able to take us through some other issues.

**The CHAIRMAN:** Quickly, though, because I am aware of the time.

**Ms R. Ball:** I thank the member for the question too. To add to what the minister said, we have been doing quite a lot of capacity building with the youth segment by investing around \$236 000 into various programs in leadership development, capacity building, getting involved in civics programs, being able to participate more broadly in leadership communities and building their ability to represent themselves on committees and boards as youth representatives. Around 630 young people have benefitted from those various programs.

We have also worked hard with parents to help them understand the issues for young people at risk, and we have invested money in parenting support programs to reduce social isolation issues and improve social cohesion strengthening in the community. In the Community Languages program it has been particularly important to build the capacity of the sector, so we have directed about 15 per cent of our budget under that program to the professional development of teachers of the sector, strengthening the governance processes and raising awareness of the importance of languages learning in the state.

[12.30 pm]

**Ms M.M. QUIRK:** With regard to programs, I would like to ask about the multicultural partnerships program and, in particular, the Shared Future program. Can the minister explain how that came about?

**Dr M.D. NAHAN:** I will pass over to Ms Ball.

**Ms R. Ball:** Thank you for the question. The Shared Future program came about very much from a number of concerns raised by young people in the community and community leaders. They suggested that there was not enough support to bridge the gap between support services in the community that were directed to young people from culturally and linguistically diverse backgrounds at risk. It also came about through consultation with leaders from faith backgrounds who said that the state could potentially be doing more to support young people to understand the intercultural issues when there might be some tensions. The background to the Shared Future program, which is a social cohesion program, has come from a number of areas that have been built over many years. The majority of the work of the Office of Multicultural Interests is around building social cohesion in society. Having a dedicated third party organisation to help broker those links has been an important part of the multicultural partnerships program.

**Ms M.M. QUIRK:** I understand that Relationships Australia will be running that program, but I would like by way of supplementary information a list of the other organisations that applied to run that program and the criteria for being successful and, in particular, the various drafts of the criteria. I understand that there might have been some changes to the criteria in terms of the application process.

**Dr M.D. NAHAN:** We can provide the member with the names of the people who bid for it and the criteria used by the selection panel. I understand that no changes were made to the criteria along the way.

*[Supplementary Information No A41.]*

**Ms M.M. QUIRK:** Can the minister explain what expertise Relationships Australia has in working with CALD youth?

**Ms R. Ball:** In the submission of its tender to the panel, Relationships Australia was able to present significant expertise in working with parents, families and youth on an individual basis and a group counselling basis, and in the provision of its services. We are happy to provide that as supplementary information.

**Dr M.D. NAHAN:** We will provide information about the experience that Relationships Australia has in linking with youth and parents in the wider community and the CALD community.

*[Supplementary Information No A42.]*

**Ms M.M. QUIRK:** Is the minister aware that under federal Minister Keenan a number of similar programs are run for at-risk youth and, in particular, programs to counter potential radicalisation. Given the concerns that Ms Ball has talked about, there does not seem to be many, if any, commonwealth programs run in Western Australia. Is the minister aware of why that is an issue? If there are such concerns, I would have thought that the department would apply for some commonwealth programs.

**Dr M.D. NAHAN:** I will pass over to Ms Ball.

**Ms R. Ball:** I thank the member for her question. We work very closely with our commonwealth colleagues through our interagency group on social cohesion, which includes representatives from the Australian Federal Police, the Department of Social Services and the Department of Immigration and Border Protection. Until fairly recently, much of the commonwealth funding available to community organisations had been framed very much in the intervention space, but our work is very much in the preventive space. Some Western Australian community organisations have been successful in winning funding from the commonwealth, which is publicly available under the Attorney-General's website.

**Ms M.M. QUIRK:** The last time I looked at the website the only bodies that had received that funding were, in fact, part of bureaucracy.

**Ms R. Ball:** I believe that People against Violent Extremism has won a number of grants through that program. We monitor very carefully what Western Australia is eligible for. We encourage relevant organisations to seek out that funding in concert with us. We are aware that a new frame will be presented by Minister Keenan in the next round of funding, which will have a much greater focus on prevention and less focus on intervention now that the intervention frameworks are in place. We will be working with our commonwealth colleagues on a number of committees to encourage Western Australia to apply. A number of delegates from the commonwealth have come here in the last couple of months to talk through this and to consult with the communities.

**Mr B.S. WYATT:** I refer to the table on page 774, "Details of Controlled Grants and Subsidies". The one thing that jumps out at me here is the significant increase in community grants through the Office of Multicultural Interests from \$578 000 this year, to nearly double at \$1.06 million, before declining to \$560 000 a year across the forward estimates. Is there a reason for that significant increase or is it simply a doubling of the budget for community grants?

**Dr M.D. NAHAN:** One of the initiatives announced in the budget was a \$500 000 one-off grant for OMI and another \$500 000 for the Metropolitan Redevelopment Authority for capital activity to promote the attraction of people from overseas to Western Australia to celebrate Chinese New Year.

**Mr B.S. WYATT:** So the \$1.06 million for 2016–17 includes the \$500 000 allocation. How was the figure of \$500 000 arrived at? Is there a science to it or was it just plucked out of the sky?

**Dr M.D. NAHAN:** We put together a \$1 million allocation; \$500 000 in OMI and \$500 000 in MRA. The budget has enhanced other existing programs for direct marketing for tourism. The Western Australian Tourism Commission got an additional sum for direct marketing, including marketing in China. The commonwealth in particular has led extensive discussions on enhancing Chinese tourism to Australia. We get a very low share of Chinese tourism—about 4.8 per cent. The commonwealth, the other states and we have identified that one mechanism to attract Chinese tourism is to have people from not only China but also South-East Asia come to Perth for Chinese New Year. Traditionally in Malaysia people go back to their village, or what Malays call Balik Kampung. Increasingly we are finding that, particularly with urbanised younger Chinese, people are going overseas rather than back to their home. There is a large increase in tendency for young Chinese from those countries to go overseas. Australia is their preferred destination because during Chinese New Year it is warm here and cold there. A national strategy was developed to identify an attraction mechanism for Chinese New Year tourists. It is just a one-off allocation that I hope to enhance if it works. We are working with a range of private and public sector groups to augment what we already allocate for that time to enhance the attraction of tourism during Chinese New Year.

[12.40 pm]

**Mr B.S. WYATT:** Will that \$500 000 to attract people to Perth for Chinese New Year be spent in Western Australia or overseas? What does the minister expect will be the average size grant out of that \$500 000?

**Dr M.D. NAHAN:** All the money will be spent locally. We are not under pressure to give grants out to people. Maybe Ms Ball can describe where we are at with that.

**Ms R. Ball:** This is quite an exciting initiative to lever what is already a very established program around Chinese New Year, with many events on the calendar. It is not really an event; it is a very large period that we want to expand and also use the Chinese New Year to spotlight and to anchor a whole lot of other program activities to attract people—students, young professionals, and tourists wanting to visit friends and relatives around that time. It is a very busy period, so it is about extending and expanding the period. It is certainly not an event; it will be a series of program activities that may include a young professionals' forum in areas in which other government departments have a focus, such as in the creative industries, innovation and entrepreneurship. It is around trying to lever what is a very strong relationship with the Chinese diaspora, plus mainland China and Chinese-heritage countries in the region, as a way to build and strengthen networks, and highlight the importance of the Chinese community in Western Australia, which has never really been highlighted as part of a whole of government. It is really a whole-of-community strategy. It is bringing the Chinese communities together in an end-to-end kind of program around young professionals, culture and language.

**Mr B.S. WYATT:** What are the key performance indicators that will deem this \$500 000 a success?

**Dr M.D. NAHAN:** Firstly, putting in the systems, and having a clear indication that Perth is identified as an area to visit during Chinese New Year.

**Mr B.S. WYATT:** How will that be measured? What are the KPIs?

**Dr M.D. NAHAN:** There could be a number. One is removing the impediments to doing that, and of course one of them is transport links. Again, that \$500 000 is for one year. Ultimately, the success will be evaluated through feedback and whether people come to Perth in increasing numbers during that period.

**Mr B.S. WYATT:** We know that, but I want to understand how this \$500 000, conveniently in 2016–17, will be a success. When we look back a year from now, how will we know that that \$500 000 had a successful hit?

**Dr M.D. NAHAN:** Firstly, getting more people to Perth from overseas to celebrate Chinese New Year.

**Mr B.S. WYATT:** Okay. So we are working with base numbers and what will be —

**Dr M.D. NAHAN:** Yes. As Ms Ball indicated, already quite a few people are coming—not so much from China, to my knowledge, but large numbers are coming from South-East Asia. Secondly, organising it so that the many groups and organisations that have an interest in participating in this can work together to attract people to this program. Many disparate groups are already working on attracting people to the state, particularly young Chinese. Thirdly, identifying and working on the impediments to people coming to Perth.

**Ms J.M. FREEMAN:** Why does the department not also provide \$500 000 for Vietnamese New Year, Tet, given that is another significant period?

**Dr M.D. NAHAN:** It is essentially at the same time—it is Lunar New Year. That is a good question. We will look at that. There are not too many Vietnamese people travelling overseas from Vietnam —

**Ms M.M. QUIRK:** The minister should come into my office!

**Dr M.D. NAHAN:** We all know that a large number of ethnic Vietnamese celebrate Tet here, but right now it has not been identified, to my knowledge, that large numbers of Vietnamese are going offshore to celebrate the Tet New Year. If the department does identify that, that is a good reason to promote that also, particularly given that it is essentially celebrating the same Lunar New Year.

**Mr B.S. WYATT:** Bearing in mind this money will be spent effectively during a state election campaign, will the minister report to Parliament before Parliament rises at the end of the year where this money is being spent so we know it is being spent on things that will achieve those KPIs and not on a series of organised parties?

**Ms J.M. FREEMAN:** That is right —

**The CHAIRMAN:** Members! I cannot even hear the member.

**Mr B.S. WYATT:** Can we get some sort of undertaking?

**Dr M.D. NAHAN:** I understand the member for Mirrabooka has a sizeable Chinese —

**Ms J.M. FREEMAN:** Vietnamese.

**Dr M.D. NAHAN:** Yes.

**Ms M.M. QUIRK:** The Chinese are in your electorate.

**The CHAIRMAN:** Member, please!

**Dr M.D. NAHAN:** I think the previous question on Vietnamese New Year, Tet, is very valid.

**Ms M.M. QUIRK:** Of course it is.

**Dr M.D. NAHAN:** The member was not asked the question; I am answering it. The midyear review will report on the status of the program —

**Mr B.S. WYATT:** Not the status, but where the money is going.

**Dr M.D. NAHAN:** Yes.

**Ms R. Ball:** I will add to that. The point of highlighting what is a highly subscribed community celebration by many communities around Lunar New Year is to spotlight that period. It is not to do everything during that 10 days; it is to launch activities and programs that might run throughout the rest of the financial year, involving bringing networks together, finding opportunities for young people with the strong offshore networks that this state has, and expanding and leveraging what is a strong program. It is not intended that it will occur just during that finite period.

**Ms E. EVANGEL:** I refer to promotion and support of multiculturalism at page 771 of budget paper No 2. What efforts have been made to increase the availability of interpreter and translator training throughout WA? Many people in our community do not speak English properly, and many of them are also aged, so I am keen to hear what is happening in that area.

**Ms R. Ball:** There are many challenges with interpreting and translating by way of servicing demand. One issue is being able to provide enough training for base qualifications in interpreting. Our office has been working closely with the TAFE sector to enable accessible base-training programs. The office has invested a small amount of the budget this year specifically to support the sector in building capability and also to provide a number of scholarships so that people can undertake training and then undertake the testing required to be an accredited translator. The office has also been very mindful to equip translators and interpreters with more relevant content, particularly in sensitive areas of servicing clients in the areas of family and domestic violence, which is very much an important issue across culturally and linguistically diverse communities.

**Ms M.M. QUIRK:** My question relates generally to the table “Relationship to Government Goals” at page 767. Is the minister proposing any new legislation, or does he contemplate amending any existing legislation, in the area of multiculturalism, improving community cohesion and eliminating racism?

**Dr M.D. NAHAN:** No.

**The appropriation was recommended.**

[12.50 pm]

**Division 36: Finance — Service 5, Public Utilities Office, \$29 429 000 —**

Mr N.W. Morton, Chairman.

Dr M.D. Nahan, Treasurer.

Ms A. Nolan, Director General, Department of Finance.

Dr R. Challen, Deputy Director General, Public Utilities Office.

Miss S. Tasovac, Principal Policy Adviser, Energy, Department of the Premier and Cabinet.

Mr D. Tayal, Principal Policy Adviser, Department of the Premier and Cabinet.

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

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

The 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 cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. 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 with the Clerk's office.

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

[Witnesses introduced.]

**The CHAIRMAN:** I give the call to the member for Cannington.

**Mr W.J. JOHNSTON:** I refer to the line item "Total Cost of Service" on page 429 of the *Budget Statements*. In 2014 and 2015 the Treasurer discussed his views about bill restructuring. What work has the Public Utilities Office done on bill restructuring and when will the government be in a position to talk about that? The Treasurer indicated that it would be in this year's budget, but it was not. When will the government be in a position to talk about that?

**Dr M.D. NAHAN:** No recent specific additional work has been done on that; I will ask Dr Challen to go through that issue. We have had extensive discussion. One thing the energy market review is looking at is metering and the organisation of metering because it is essential to tariff reform, which I think is what the member was referring to; right? One of the biggest issues, of course, is the fixed versus variable. That is kind of a blunt issue; it would be much better to have tariff reform that allows choice and time of use. We have had extensive discussions within government and the PUO of how to restructure tariffs to do that. We have not made any changes. It is a very important issue going forward, and I think maybe Dr Challen can talk about the work on the EMR.

**Dr R. Challen:** There are two issues with the restructuring of electricity tariffs. One is to actually make sure we have a sustainable retail business—the way tariffs are structured and the way electricity demand is changing. The other is to make sure that as new consumer technologies—electricity delivery technology—is brought into being and becomes more commonplace, consumers have appropriate choice about the technology they use to obtain their electricity service, and that they have options in the way they pay for that and the electricity charges. In the electricity market review and the reforms we are looking at, we are looking at the best way for the existing incumbent retailer for small-use customers to actually have the ability to offer price offers, if you like, for an electricity service that reflects the services that will be provided.

**Mr W.J. JOHNSTON:** I have a further question. So the government does not have a time line—the Treasurer can confirm that—for talking to the public about these issues, and it is not in a position to release any of the research that has been done? Has any of that research focused on any behind-the-meter products and the potential issues arising with the expansion of behind-the-meter products?

**Dr M.D. NAHAN:** Yes, Horizon is rolling out advanced meters—smart meters—to everyone on the network. Also, we will shortly come out with different products of pricing, more like the utility-based model whereby people pay for a bulk of electricity with differential pricing. We are experimenting on that one. Other firms around Australia and overseas have experimented with that policy and are communicating with their consumers. Horizon has rolled out smart meters to experiment with that. We are also experimenting with an approach to pricing changes. The EMR will come out with a paper that deals with metering that will be for public discourse; all the research that goes behind it and arguments around it will be publicly available. I will ask Dr Challen when he thinks that will be available.

**Dr R. Challen:** We would be looking at providing advice to government on potential retail market reforms that include pricing and how we get greater access of customers to advance meters at some time in the second half of this year.

**Dr M.D. NAHAN:** Of course, the EMR report will be publicly available.

**Mr W.J. JOHNSTON:** I have a final question on this topic. Does the government consider this part of the EMR process?

**Dr M.D. NAHAN:** Yes. With the energy market review one of major issues is the tariff and pricing for electricity; it is a very important issue. The EMR is going through a whole raft of things, as the member knows, and one is metering and pricing. We have asked the group of experts to give us advice on that, and once we get it we will release it for public discourse, as with all reports. There is extensive discussion on this topic around Australia in various forms.

**Mr W.J. JOHNSTON:** I have a different question. Firstly, I thank the Treasurer for making Dr Challen available for a recent briefing. During the briefing we discussed, amongst other things, the future of large-scale renewable energy projects. I am again looking at “Total Cost of Service” on page 429. Dr Challen explained that the government had not yet asked the PUO to do any work on the impact of the large-scale renewable energy target or the settlement of the large-scale renewable energy target or the federal government’s agenda on carbon. But he indicated that when Synergy was ready to make a contract decision about a contract—it is in its process—then the PUO would, on behalf of the taxpayer, provide advice to the Treasurer on that topic. With that context, when does the Treasurer think he will get that advice on the next major renewable energy project in Western Australia?

**Dr M.D. NAHAN:** I will go through how we approach it, and then get the specifics from Dr Challen.

Firstly, Synergy has gone out for expressions of interest; it has short-listed some groups. As I indicated yesterday, there are some surprisingly low-cost ones. I have also asked that the system-wide effects be taken into account when it makes its choice; it is doing that. I expect Synergy to shortly come up with some recommendations; it is its commercial decision. On the other hand, we are also trying to look at, particularly with developing policies, what the long-term outlook will be beyond just this response as to the renewable energy target scheme, the Small-scale Renewable Energy Scheme and the Large-scale Renewable Energy Target: as renewables take off and expand, what will the impact be, given our demand forecast and capacity. Before the end of the year I expect to put out some estimates on long-term forecasts generally, renewables and the composition of our demands for various types of electricity going forward. Of course the PUO is involved in that process. Dr Challen can talk about Synergy.

**Dr R. Challen:** To reiterate the process, it is incumbent on Synergy, in the first instance, to come up with a commercial proposal about how it will satisfy its obligations under the renewable energy target scheme. When Synergy makes that proposal it will actually be of a value that will require ministerial approval. When Synergy makes that proposal, the Public Utilities Office will provide advice on whether it meets the government’s other policy objectives.

**Mr W.J. JOHNSTON:** Is there no timetable yet because we do not know when Synergy will make a decision?

**Dr M.D. NAHAN:** All I can say is that it will be shortly.

**The appropriation was recommended.**

*Meeting suspended from 1.00 to 2.00 pm*

**Division 30: WA Health, \$5 244 127 000 —**

Mr M.J. Cowper, Chairman.

Mr J.H.D. Day, Minister for Health.

Dr D. Russell-Weisz, Director General.

Mrs R.A. Brown, Deputy Director General.

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

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

Mr A. Joseph, Group Director, Resources.

Professor F. Daly, Chief Executive, Child and Adolescent Health Service; Perth Children’s Hospital Commissioning.

Mr W. Salvage, Chief Executive, North Metropolitan Health Service.

Mr G.A. Jones, Group Director Finance, Chief Finance Officer.

Professor T.S. Weeramanthri, Assistant Director General, Public Health.

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

[Witnesses introduced.]

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

The first member with the call is the member for Kwinana.

**Mr R.H. COOK:** On page 336 of the budget papers, I refer to the line item "Perth Children's Hospital" under the heading "Works in Progress". On 26 March, in response to a question asked by Hon Adele Farina in the other place, the minister advised that he did not know when practical completion of Perth Children's Hospital would be achieved. Can the minister tell us today on what date practical completion will be achieved and the hospital handed over to the state government?

**Mr J.H.D. DAY:** That was a question asked on 26 March.

**Mr R.H. COOK:** I believe so. Actually, it was 23 March.

**Mr J.H.D. DAY:** That was about a week before the changeover, but I assume it would have been answered after the changeover.

**Mr R.H. COOK:** On behalf of the government, yes.

**Ms J.M. FREEMAN:** Has it got better since the changeover?

**Mr R.H. COOK:** It has—it is so much better!

**The CHAIRMAN:** I remind members that a quick question evokes a quick response.

**Mr J.H.D. DAY:** Perth Children's Hospital is obviously a very large and complex project. A lot of progress has been made in recent weeks with the managing contractor completing the building. The intention of the government, and certainly the aim of the government, the Department of Health and the Child and Adolescent Health Service is that it be fully operational before the end of this year. I do expect that to occur. The date of handover by the managing contractor and the opening date have not been finalised, but based on the briefings that I had recently, I am confident that the hospital will be operational before the end of the year. The opening will be in a staged manner, similar to the opening of Fiona Stanley Hospital, but we expect the emergency department and inpatients to be moved before the end of the year, subject to everything being on track and subject to no major problems occurring. Obviously, patient safety is paramount.

**Mr R.H. COOK:** The word around town amongst the construction industry is that we are looking for a practical completion date around August. Can the minister confirm that it will be around that time?

**Mr J.H.D. DAY:** I will ask the director general to comment. As I said, the dates have not been finalised at this stage.

**Dr D. Russell-Weisz:** The dates have not been confirmed, but I can confirm that we are doing a lot of work prior to practical completion. Practical completion is a handover date, but certain tranches of work have already been handed over to the commissioning team. Some wards and areas within the hospital are already accessible to the commissioning team. We are putting in computers, furniture and other fittings and equipment as we speak. The actual date of practical completion is not yet defined, but we are hopeful that it will be as early as possible. It will need to be at a time that allows the clinical commissioning to take place, but we can commission the hospital prior to that by doing those basic commissioning tasks first, and that is happening at the moment. Bits of the hospital are already being handed over.

**Mr R.H. COOK:** Prior to any patients occupying the building, one assumes that the contract for clinical cleaning services that was put out to tender some time back needs to be completed. The project management plan for clinical cleaning services shows that prior to any patients entering the hospital, that contract has to be completed. It is a 26-week contract. Can the minister confirm whether that is the case?

**Mr J.H.D. DAY:** I will ask Professor Daly to answer that.

**Professor F. Daly:** Thank you for the question. The cleaning contract is to do the specialist clean that needs occur in all our clinical areas to take the building from a finished or a final builder's clean to a clinical clean.



That has to occur in a wave across the areas as we accept them and begin our clinical commissioning program. We hope to do those clinical cleans in the long-lead commissioning areas—for example, the operating theatres, the sterilising units, medical imaging and pharmacy—as early as July.

**Mr R.H. COOK:** If the clinical clean does not begin until 26 July and it is a 26-week project, how will the department get any patients into the hospital before Christmas?

**Professor F. Daly:** No, not 26 July; we want to start that program in early July.

**Mr R.H. COOK:** But July is the seventh month, so 26 weeks from July bangs straight into Christmas.

**Professor F. Daly:** We currently have a very detailed map of a 20-week commissioning process as soon as we have access to those key areas. The longest commissioning periods are 20 weeks. For many areas, such as the generic wards and open-space areas, we plan to commission in a 16-week time frame. For the longest lead-time areas—the ones I listed in my answer to the previous question—it is a 20-week program.

**Mr R.H. COOK:** Can the minister confirm that the department is looking to admit patients to the hospital prior to the specs of the contract? The contract is for a 26-week clean, but it will now be jammed into a 20-week clean; is that correct?

**Mr J.H.D. DAY:** I ask the director general to answer that.

**Dr D. Russell-Weisz:** I will make one comment and then maybe, through the minister, Professor Daly can answer too. We will not put patients in any of our hospitals unless the appropriate cleans have been done. There is number one, a builder's clean, and then a hospital clean. Some areas in the hospital have to be cleaned a number of times. At one of our other hospitals, areas needed to be cleaned three or four times before patients went into the hospital. The hospital is aimed to be opened in stages, not through such a long period as was the case with Fiona Stanley Hospital, but over a four to five-week period, and we would obviously have the cleans done appropriately and would not let patients in until the cleans were done and it was safe to let them in. Professor Daly might be able to give further details about the question.

[2.10 pm]

**Professor F. Daly:** All I can say is that I do not have the contract in front of me, or its terms.

**Mr R.H. COOK:** I do, if Professor Daly wants to have a look at it.

**Professor F. Daly:** I would say that the duration of the cleaning contract does not in any way prescribe the commissioning procedures or activities that we will need to undertake. The term of that contract has been determined such that it gives us the greatest flexibility to deploy those cleaning services across the hospital as we need them, and a six-month contract allowed us the scope to do so.

**Mr R.H. COOK:** With respect, minister, the contract goes into some detail about the actual cleaning process.

**Mr J.H.D. DAY:** Is this the contract for the construction of the building?

**Mr R.H. COOK:** It is for the clinical clean.

**Mr J.H.D. DAY:** What date is it roughly?

**Mr R.H. COOK:** It runs from practical completion.

**Mr J.H.D. DAY:** But what date does the contract state?

**Mr R.H. COOK:** The contract closed on 15 March 2016, so it is not a historic document; it is a very recent document. It runs from practical completion and it has a very detailed layout of the cleaning process up to what it refers to as “move day”. Can I say also that this is the first time we have heard about a staged commissioning of the hospital—to date, the minister has talked only about a single move, so this is new information that we will come back to in a jiffy. In this very detailed project management plan there is a 26-week program that then refers to “move day”. I assume that “move day” is when patients are brought in. If practical completion is not to be before July and there is a 26-week clinical cleaning project that takes us up to “move day”, how will the latest so-called deadline of the end of 2016 be met?

**Mr J.H.D. DAY:** As we have mentioned, access to the hospital is being obtained now, so some of the commissioning is starting. It is not a matter of waiting until July or August for the health system to get access. That is already commencing, and a large part of the hospital is now available for equipment, information technology services and so on to be installed and commissioned. In relation to the question about the 26-week period for the cleaning contract, I will either need to take that on notice or seek further information from Professor Daly, if he can make any more comments.

**Professor F. Daly:** I think that if the member's question is about the contract and the actual stages of the cleaning process, and what that dictates for our commissioning process, we will need to take it on notice.

**Mr R.H. COOK:** This is the government's single biggest project. I mean, the government is spending a lot of taxpayers' money promoting itself around the new Perth Children's Hospital through its Bigger Picture advertising campaign, which we will discuss shortly. I refer the minister to a tweet from 720 ABC that came out of an interview with the director general. It quotes the director general as saying that every effort is being made to open the new children's hospital by the end of the year but it is dependent on the builder. Is the minister not talking to the builders? Why is he so incapable of giving us an opening date? Given that a significant contract is in place, why is the minister so confident that the hospital will open in 2016 when there is not yet practical completion and he cannot tell us when practical completion will be?

**Mr J.H.D. DAY:** That is based on the best advice I have been given. I assure the member that there is a very large amount of communication between the government and the builder, John Holland. John Holland has been later in delivering the project than we would like, and I think that has been well publicised, but in the last couple of months in particular, from all that I am advised, a very big effort has been put in to try to ensure the hospital is completed in a timely manner and will be open for patients before the end of this year. The agency that has direct responsibility for communicating and liaising with, and providing directions to, John Holland, and so on, is the strategic project and asset sales section of the Department of Treasury. It has a substantial team very actively engaged on this project, as does the Health portfolio.

**Mr R.H. COOK:** Yet even they cannot give the minister an actual date. Even my builder could give me a date, and there was only one person. The minister has a whole bunch of departments, and he cannot tell me when he will get the building handed over to him by the builder.

**Mr J.H.D. DAY:** That is because it is a very large and complex project. We are fairly close to being able to finalise a date. It has been very much literally a work in progress, obviously, and a bit of a fluid situation in the last 12 months. However, based on all that, I am advised that there is a high level of confidence that the hospital will be able to be fully opened before the end of this year, and the next few weeks will be very important in achieving that target. The way things have been progressing for the last few weeks, we are confident that that target will be reached, but I will not give a precise date here without having formal advice from strategic projects or the Department of Health.

**Ms J.M. FREEMAN:** As part of the fluid situation with the building, I have just been informed by a colleague that all the operating theatres had to be redone because they did not meet the specifications required. There was also an issue with having to put in one or two more theatres, so the theatres that had been built had to be ripped out and replaced.

**Mr J.H.D. DAY:** Can I ask which aspect of the operating theatres?

**Ms J.M. FREEMAN:** I assume they are the theatres that surgeons operate in—the operating theatres, not an operatic theatre, minister. We are not doing arts; we are doing health.

**Mr J.H.D. DAY:** What I asked is which aspects of the operating theatres. I know what an operating theatre is.

**Ms J.M. FREEMAN:** My understanding is that two more theatres were needed. There was not enough room, and the whole thing in the building had to be remodelled.

**The CHAIRMAN:** Member, what is the question?

**Ms J.M. FREEMAN:** Was there or was there not a delay because all the operating theatres had to be remodelled? Were an extra one or two theatres required on the specifications that the government had; and has that delayed the project?

**Mr J.H.D. DAY:** If that was the case, that decision would have been made two years ago at least, but I will ask Professor Daly to comment.

**Professor F. Daly:** I am not aware of that rumour. The theatres were completed according to the process and the program. The number of theatres, operating suites, procedural rooms and intraoperative MRI have been on the plans and completed for a number of years, and they certainly predate my involvement with the project.

**Mr R.H. COOK:** A little while ago, the minister talked about John Holland, the head contractor, with whom he has had little relationship.

**Mr J.H.D. DAY:** I did not say that at all. The government has a very active relationship with John Holland.

**Mr R.H. COOK:** The minister does not talk to John Holland. Seemingly, he does not know what John Holland does, but that is okay.

**Mr J.H.D. DAY:** I have a pretty good idea about what John Holland does—it builds things.

**Mr R.H. COOK:** All right, good. On that basis, can the minister please advise us that all subcontractors, many of whom were owed substantial amounts of money by the head contractor, John Holland, have had all outstanding payments owed to them paid in full?

**Mr J.H.D. DAY:** That is really a question that should be directed to the Treasurer, because that is the responsibility of strategic projects within Treasury. However, from a conversation I had three weeks ago in relation to this issue, which involved the Treasurer and the Department of Treasury, the comment made to me or the Treasurer when this issue was raised was that John Holland had been doing everything it could to accommodate subcontractors and to try to ensure that they are supported in an appropriate way. That is not a definitive answer. The question should really be directed to the Treasurer. It is not the responsibility of the Department of Health or the health portfolio to deal with that issue. The government, through the health department, is the client in this case and the Department of Treasury is the agency directly engaged with John Holland.

[2.20 pm]

**Ms J.M. FREEMAN:** Is the Telethon Kids Institute office fit-out part of the construction costs for the Perth Children's Hospital? Who is undertaking the fit-out? What is the cost of the fit-out? Was this contract subject to a tender?

**Mr J.H.D. DAY:** Similarly, it really should be directed to the Treasury portfolio, but I will ask Professor Daly to comment.

**Professor F. Daly:** The fit-out of the Telethon Kids Institute area on the top two floors of the hospital was to be done by the managing contractor, John Holland. Work had been done for a guaranteed cost contract of approximately \$53 million in value. Recently the managing contractor—through Strategic Projects—informed the state that it was unable to complete the works on schedule and decided to withdraw from that contract. We are working with TKI. That contract for the fit-out will now go out to tender. The work is being done at the moment by Strategic Projects to work out the tender and procurement process. It anticipates that that will be going out to tender in coming months. The works for the TKI fit-out on the top two floors of the hospital can be quarantined from the rest of the hospital. It is not part of the practical completion of the whole hospital.

I will refer to the funding arrangements. I do not have the exact notes to bear, but the state has previously provided \$5.4 million for the fit-out. Largely through commonwealth funding, TKI is providing a sum of approximately \$38 million for the fit-out. The difference between that \$40-odd million and the total cost of the fit-out is in the Strategic Projects budget and in the quantitative risk assessment process; it will be paid for out of existing contingency.

**Mr R.H. COOK:** This relates in part to budget paper No 3 and it is to do with the information and communications technology at Perth Children's Hospital. The government's budget shows a significant retraction of investment in ICT at the hospital.

**Mr J.H.D. DAY:** Which page is the member on?

**Mr R.H. COOK:** Page 168 of budget paper No 3 states —

**Perth Children's Hospital (Information and Communications Technology)**

...

This comprises a reduction of \$46.8million as a result of the decision to defer the procurement of the IHS, and reallocating \$28.5 million of this funding to support critical PCH ICT systems that will ensure the delivery of safe and effective hospital ICT systems and prevent further delays to hospital commissioning.

What is going on with that? We have previously been told that we were simply either buying off the shelf for Perth Children's Hospital or just using the Fiona Stanley Hospital bespoke model. The government now seems to be abandoning both those ideas. Firstly, what is going on? Secondly, does this impact upon the capacity for records from different hospitals to be reviewed in relation to the Perth Children's Hospital?

**Mr J.H.D. DAY:** I will ask the director general to comment. He had a lot of experience in this area with the commissioning of Fiona Stanley Hospital.

**Mr R.H. COOK:** He still has the scars.

**Dr D. Russell-Weisz:** In a minute I will ask whether Professor Daly would like to comment on this. The first question was on the integrated health solution. The procurement process for an integrated health solution is very complex. Western Australia has not done an integrated health solution before. Some hospitals in the eastern states have a one-size-fits-all integrated health solution. The market is changing at all times. We also have in the background the government's direction for GovNext. I am no ICT expert, though I might try to sound like one, but we are putting much more into the cloud.

A decision was made that when—not if, but when—Perth Children's Hospital goes to an integrated health solution, it should occur after commissioning. To put in an integrated health solution to basically replace the majority of ICT systems—WA Health has many legacy systems—would put so much strain on the project. To

put that in prior to opening the hospital would provide quite a risky commissioning. Therefore, we decided to defer the integrated health solution, but we will bring into Perth Children's Hospital our new patient administration system, webPAS, which is already in Princess Margaret Hospital for Children. WebPAS is in the current children's hospital, if I am correct. Post commissioning we will also bring in Bossnet, which is a digital medical record solution at Fiona Stanley Hospital. The integrated health solution is a very, very big departure. However, it is a very large decision for any health system to decide to put that in a hospital. Perth Children's Hospital will still be our first hospital with an integrated health solution when we do it, and we made the decision to wait on the grounds that it would otherwise make the commissioning process much more difficult. It is not as simple as saying that we will take something off the shelf, go to procurement, put it in and it replaces everything. Multiple existing solutions need to integrate with the new system or be replaced by it. It is a huge detailed process. A decision was made to do that post commissioning.

Through the minister, I ask Professor Daly to provide some more intricate comment.

**Professor F. Daly:** I am not sure whether I can add to my director general's comments. I think he summarised the issue very well. The business case for Perth Children's Hospital was predicated on a new breed of integrated health solution software, which is essentially a sophisticated medical record that brings all the information around the patient together in one place. It is not a suite of applications that we open and close; it is one integrated solution. The major business case for this large investment is to improve safety. A number of children's hospitals around the world have made this large investment.

I am absolutely committed in the medium term to the procurement and implementation of an integrated health solution. I think it is a wonderful step forward for young patients in Western Australia and I would be very proud for Perth Children's Hospital to be the first site. A team from Western Australia explored this almost exactly 12 months ago; we went to two children's hospitals in the eastern states where this was being undertaken. The very strong message we had was not to try to implement this kind of system at the same time that we commission a new hospital. This needs to be the singular reform endeavour and reform effort of a large group of clinicians, because it needs to be clinically led. It needs to be the singular focus of the area health service for at least two to three years to be done successfully. The procurement process that we were nearly at the end of completing did not allow us to do it within safe time frames. We halted the procurement process and postponed the IHS until after we commissioned the hospital to allow us to do this safely, and then we will embark on the process again.

The director general made an important point; that is, the models of delivery of an integrated health solution are changing very rapidly, as are the cost structures that underlie them. We are moving from an off-the-shelf CD-ROM, if you like, that is plugged into a computer, to a cloud-based system that is much more fluid. I think it was a very wise decision to postpone this until we have safely moved into the new hospital.

[2.30 pm]

**Ms J.M. FREEMAN:** We will just leave it to the Auditor General.

**Mr J.H.D. DAY:** I think that was a very comprehensive answer. I hope it does answer the member's question.

**Mr R.H. COOK:** The minister could give us a summary now of what he said!

**Ms M.M. QUIRK:** I understand that there have been a number of contract variations for Perth Children's Hospital. By way of supplementary information, could the minister provide a list of those variations and the additional costs that that will impose on the Department of Health?

**Mr J.H.D. DAY:** I suspect on a project of this scale there is a very large number, but that is just off the top of my head.

**Ms M.M. QUIRK:** There should be a record of them somewhere, surely.

**Mr J.H.D. DAY:** Yes. Maybe we could provide the most substantial ones, but I will ask the director general to comment.

**Dr D. Russell-Weisz:** I presume the member is referring to construction variations?

**Ms M.M. QUIRK:** Yes.

**Dr D. Russell-Weisz:** I would concur with the minister that the Office of Strategic Projects and Asset Sales in the Department of Treasury would have those in detail. Some of those would still be on foot and some would be still to be considered. Thinking about Fiona Stanley Hospital, there are a number of contract variations both in and out that would occur on a project of this size.

**Ms M.M. QUIRK:** Is that a yes or a no? If it is a yes, can the minister provide them?

**Dr K.D. HAMES** interjected.

**Ms M.M. QUIRK:** I am sorry, is the member for Dawesville the minister?

**Mr J.H.D. DAY:** It is a question that should be directed to the Treasurer.

**Ms M.M. QUIRK:** I will put it this way: by way of supplementary, is the minister able to provide the additional costs that will have been created by payment for the variations? That is something within the health budget.

**Mr J.H.D. DAY:** I am happy to seek to provide through supplementary information a summary of key changes that have been made and an estimation of the costs involved. I make the point that the overall cost of the project is about \$1.2 billion. I do not think that has changed since the project was initially committed to, but that is a broad figure. I seek to provide that information, subject to it not putting the state's position in jeopardy—that is, the public interest in relation to any negotiations with John Holland. This is still very much a live project and there would be negotiations going on. Subject to that qualification, I will see what information is available by way of summary of any major changes that have been made.

*[Supplementary Information No A43.]*

**Ms M.M. QUIRK:** Would it assist if we said every variation that cost over \$50 000 or \$20 000?

**Mr J.H.D. DAY:** We can take that as a guide, perhaps. I will see what comes back.

**The CHAIRMAN:** Next question—it has taken us a bit over half an hour for the first one. Member for Mirrabooka.

**Ms J.M. FREEMAN:** I defer my question to the member for Eyre on the basis that we have had a good go.

**Dr G.G. JACOBS:** I draw the minister's attention to about halfway down page 322 and the second dot point under "Other Patient Safety and Quality Initiatives", which is about the capital grant of \$10 million to PlusLife. Can the minister tell us the status of the bone and tissue bank services now and what they will look like after the development of the processing and laboratory facility with the \$10 million grant for PlusLife?

**Mr J.H.D. DAY:** PlusLife, as I said in this chamber a week or two ago, is a non-government not-for-profit organisation that was originally established in 1992 as the Perth Bone and Tissue Bank and is Western Australia's only bone and tissue bank. It is now an essential part of the health system in the state. Bone and tissue grafts are used, as the member is probably aware, for people with bone tumours, joint problems and traumatic injuries and also for children and adolescents who have spinal deformities and need surgery to correct those problems. PlusLife, as it is now known, has been located on the Hollywood Private Hospital site. It needs to vacate there by around the end of next year and the government has provided assistance, initially through the Metropolitan Redevelopment Authority. This was subject to a cabinet decision. In my previous role as the Minister for Planning it was something I was involved with, in making the building owned by the MRA in the Midland precinct—a heritage building, part of the old Midland railway workshops site—available to PlusLife. As well as having access to that at an affordable rent, PlusLife also needed funding of about \$10 million to fit out the building with freezers, laboratory facilities and other aspects that need to be provided for, including clean rooms. Therefore, \$10 million has been allocated in this budget. It is a substantial decision and commitment by the government and is another aspect of how even in difficult financial times we are making a very strong commitment to try to ensure that world-class services are provided in Western Australia's health system.

**Dr G.G. JACOBS:** What is in the building at the moment? Is it a building that is already there?

**Mr J.H.D. DAY:** Yes, it is a heritage building that is part of the Midland railway workshops on the corner of Yelverton Drive and Helena Street, just near the traffic lights. It is very close to Midland railway station and it is where the MRA's Midland office is. It is where the previous Midland Redevelopment Authority was based, so the MRA at some stage will be vacating it. It is a lovely building, in fact. I have been in there quite a number of times and it will be of great assistance to PlusLife, I am sure. It is also of great benefit to the Midland region. It is close to the new Midland Public Hospital, but it does add to the commitment being provided by the government to encourage economic and other development in the east metropolitan region.

**Dr G.G. JACOBS:** Can I ask another question?

**The CHAIRMAN:** Further question, member.

**Dr G.G. JACOBS:** This is not added to the budget, but what is —

**The CHAIRMAN:** Clarification, member, are we talking about the same subject?

**Dr G.G. JACOBS:** Yes. It is on the operating expenses of the processing and laboratory facility. What does that look like as far as a quantum?

**Mr J.H.D. DAY:** I am not sure what PlusLife's annual operational expenses are. My understanding is it certainly has philanthropic support. Presumably there is some fee-for-service arrangement. PlusLife provides bone and tissue grafts for not only Western Australia, but also other parts of Australia. The member would need to go to its website or get information from PlusLife or we could provide it to the member just to check its operational expenses. I presume its annual report is on its website.

**Ms M.M. QUIRK:** I refer to the total appropriations at page 317 of budget paper No 2. Are any public metropolitan hospitals currently estimated to be in deficit; and, if so, which hospitals? What was their allocated hospital budget for 2015–16? For those hospitals with the deficit, does the deficit carry over into the next budget? Do any cost overruns over the hospital's existing budget come out of its budget for 2016–17 or is the slate wiped clean at the end of the financial year?

**Mr J.H.D. DAY:** In relation to the possibility of a deficit across the health system overall, a lot of work is being put into trying to ensure that by the end of the financial year there is not a deficit. I cannot remember what was predicted in the midyear review, but I will ask the director general to comment in a moment. A lot of work has been done to ensure that any projected deficit is brought down to within \$100 million or so out of an \$8.6 billion budget. It is not a large variation, but the aim is to ensure that it is as close to zero as possible across the system by the end of June. I will ask the director general to comment on any hospitals specifically. I am not sure whether we can answer that, but perhaps the director general can advise whether it is carried over or not.

[2.40 pm]

**Dr D. Russell-Weisz:** If I can put it into context, it was very evident at the beginning of the financial year that there were significant risks to the financial settings for health. However, expenditure growth has been reduced to below five per cent and our full-time equivalent or our staffing numbers have been brought under control, whilst accommodating activity growth above the target. We had target activity growth, but we have actually done more. We have done two per cent more than we thought, because more activity is coming in. We have done eight per cent more elective surgery than we did this time last year. Also, our elective surgery performance has improved over that time. That is around what we call our weighted activity unit; there are about 20 000 weighted activity units, which is actually very substantial. At the end of July, we were predicting over \$300 million in deficit—this was not kept secret. At the midyear review, debt was reported at around \$176 million, and we are slowly paring that back. There is a lot more work to be done in May and June. A lot of the health services have put in substantial strategies over the course of the year, and a lot of those are back-ended, so they will come to fruition in May and June. We have not sought any funding supplementation. It is very clear that we aim to come in on budget, or as close to budget as possible, and to manage any deficit—if there is any deficit—within our current settings. We have done a lot of work on saving measures, and good control of our FTEs, overtime, and recall and rostering practices. A few outstanding hospitals have shown new rostering practices that are probably safer than we had in the past. As the member would be aware, we have also had a voluntary severance scheme. We had 8.6 per cent expenditure growth last year; this year, we are expecting 4.7 per cent. We have done around 4.5 per cent activity over the last year, which is two per cent over what we expected.

**Ms M.M. QUIRK:** Mr Chair, neither the minister nor the director general have given a response. My question was about particular public hospitals.

**Dr D. Russell-Weisz:** In relation to hospitals, we look at our area health services. In area health services currently, yes, there is a deficit. I may pass to Angela Kelly to give any details that we have today, or we can take it on notice. There are still deficits within the South Metropolitan Health Service and the North Metropolitan Health Service, which are our biggest health services. There are strategies to address those deficits. We are expecting the WA Country Health Service and the Child and Adolescent Health Service to come in very close to budget. Remember, that is not just the area health services. There is obviously money in other parts of health, and that will enable us to get close to balancing our budget.

**Ms M.M. QUIRK:** Before the minister passes on, does he concede that the hospital deficits are likely to be large drivers to why the area health services are in deficit?

**Dr D. Russell-Weisz:** Generally, yes. The pressures come from hospitals, there is no doubt, and the system has been through a significant reconfiguration over the last six years, but really over the last 12 months to 18 months. We brought on additional staff through the reconfiguration process to make sure that we reconfigured safely. However, we need to stay within budget and that is why we have not sought any supplementary funding.

**Mr J.H.D. DAY:** I will ask Angela Kelly to comment further.

**Ms A. Kelly:** At the moment, the area health services are forecasting some deficits and they are varying. As the director general indicated, we have some strategies in place. We can provide that information in detail as supplementary information, rather than have me go through it and perhaps not get the numbers right. In answer to the member's question about a deficit carryover, each year starts as a new year. We allocate an activity target and a price to health services, as well as some block funding for particular services. Each year starts a new year, to answer that question.

**Ms M.M. QUIRK:** Thank you.

**Mr J.H.D. DAY:** That is the current projected deficit per area health service, but we would expect that the situation now will not be the situation at the end of the financial year. That needs to be remembered. We will do that to the extent indicated.

**The CHAIRMAN:** Minister, would you like to clarify what information you will provide?

**Mr J.H.D. DAY:** Information regarding any projected deficits for the current four area health services, as is the situation at the moment.

[*Supplementary Information No A44.*]

**Mr R.H. COOK:** I think we now have the principle—the minister is saying that even if an area health service runs at a deficit, the slate will be wiped clean and it will start afresh on 1 July; that is correct. Also, the department is not seeking supplementary funding; however, by the same token, the director general said that at the midyear review, the department had a deficit of about \$176 million. Therefore, where is the money coming from?

**Dr D. Russell-Weisz:** At the midyear review, we were predicting. All hospitals and health services now have a suite of strategies in place, which we are measuring. Many of those strategies were back-ended to the last quarter. If we do end up with a deficit at the end of the financial year, regardless of whether we have sought supplementary funding—I am not seeking that supplementary funding—then, yes, there may be challenges going into the next year. However, as the member would be aware from the budget paper, the price that we got for our activity-based funding is different from the price that we got last year. Our strategies will not stop on 30 June; they will continue into next year to make sure that we continue that downward trend and better performance in our financial management.

**Ms J.M. FREEMAN:** It could grow though, could it not? The deficit will just be rolled into the next year and the department hopes that the strategies it has put in place will pay it off.

**Mr J.H.D. DAY:** We are not saying there will be a deficit at this stage.

**The CHAIRMAN:** What is the question?

**Mr J.H.D. DAY:** The aim is to get the deficit to zero across the system. There is another month and a bit to go.

**Mr R.H. COOK:** Is the minister saying that the public health system might prop up a hospital that is not running its budget properly, or preventive health might take a hit because the government needs to back up some other part of the system that is not managing its budget?

**Mr J.H.D. DAY:** There will be a lot of continued engagement between the Department of Health and the Department of Treasury.

**Ms J.M. FREEMAN:** So the department will seek additional money from Treasury if it is not able to bring the deficit to zero?

**Dr D. Russell-Weisz:** I am aiming not to do that and to manage within the budget and the cash that I have at the end of the financial year. In my view, we need to have a culture of sticking to our budget whilst optimising patient outcomes and services. This year, I think we have shown that we have done significantly more activity and we have managed to bring our budget down. It is tough at times—there is no doubt about that. I think we just need to carry that forward into next year.

**Ms J.M. FREEMAN:** If the department carries a deficit forward into next year, because it wants everyone to live within their budgets—the director general is hoping it will get to zero; but, if not, the deficit will be carried forward into next year —

**The CHAIRMAN:** The question, member, please?

**Ms J.M. FREEMAN:** Yes. If the deficit is carried forward into next year, does that not mean that some other part of the health system will have to pay for it? The department will go forward, but it will already be taking money out of its budget for next year.

**Dr D. Russell-Weisz:** We get one appropriation, so we are measured on that one appropriation and we are measured on our expenditure, revenue and net cost of service. So, yes, where there are gains and where we have more money in one area that is not expended, it comes to a final figure. When I referred to next year, I was referring to our efforts and our strategies, which will continue into next year.

**Mr J.H.D. DAY:** I do not think people can complain about the government's commitment to provide substantial funding to our health system. In the eight years we have been in government, the funding has gone up from about \$4.8 billion to \$8.6 billion; the commitment has almost doubled.

**Ms J.M. FREEMAN:** The government has not managed it for the last four years—we get that.

**The CHAIRMAN:** Members!

[2.50 pm]

**Mr J.H.D. DAY:** The member would like less spent on the health system; is that right?

**Ms J.M. FREEMAN:** We would like the government to manage what it gets.

**The CHAIRMAN:** Members! Do you have a further question, member for Eyre?

**Mr J.H.D. DAY:** I trust opposition members will convey that to all their friends across the health system.

**Mr R.H. COOK:** We are explaining to them how incompetent the government is in managing budgets, yes. It is a key part of our approach.

**The CHAIRMAN:** Members, this is unhelpful!

**Mr J.H.D. DAY:** The need to operate within budgets is the responsibility of governments.

**The CHAIRMAN:** The member for Eyre has the call.

**Dr G.G. JACOBS:** In relation to deficits, there is uncontrollable demand and the money is not going around and is not meeting the budget. In the last eight years, the number of emergency department presentations has increased by 30 per cent. My question about this activity demand is: has any thought been given to diverting patients who are not acutely ill away from emergency departments, otherwise that 30 per cent increase in emergency presentations over the last eight years will become increasingly unsustainable?

**Mr J.H.D. DAY:** In short, it is the case that the better we make the public health system, the more people want to use it. We have been seeing that over many years. For example, there have been well over 100 000 presentations to the Fiona Stanley Hospital emergency department since the hospital opened—in fact, I think it is now in the order of 125 000, so it is up to about 350 a day. A lot of them are not of a high level of acuity and could be seen elsewhere. To answer the member's question about whether any thought has been given to diverting people away from hospitals, for many years there has been and there are GP after-hours clinics in some locations. I am sure that there is one in Midland, for example. There was one at Swan District Hospital and there is one at Royal Perth Hospital. There is not one at Fiona Stanley Hospital. I am not sure whether that has been contemplated, but I will ask the director general to add to that.

**Dr D. Russell-Weisz:** There is a GP clinic next to Royal Perth Hospital. A lot of thought and actions have been put into this over the last few years, with our interactions with the non-government sector, with providers such as Silver Chain, to provide more hospital in the home. If we look back eight years, there was very minimal hospital or rehabilitation in the home, but that has increased substantially. The commonwealth recently announced the WA primary health networks. Area health services will be working with them to increase hospital avoidance and also to treat more patients in the home. They tell me that they get a substantial amount of money from the commonwealth, and it is up to the area health service to work with it to reduce the demand on hospitals. Fiona Stanley Hospital, I think, saw its largest number of patients recently, at 359 patients a day. A lot of them are triage 4s and 5s, but it is a huge volume, putting a lot of pressure on the system.

**Mr R.H. COOK:** Let us have a chat about the state pricing policy. Over the last three or four years at least, member for Dawesville, the budget papers have referred to the weighted average unit price and the elusive convergence to the national efficient price. On page 319 of volume 1 of the *Budget Statements*, under the heading "Continued Investment In Public Hospital Services", it refers a little to the weighted average unit cost, but the government no longer wants to talk about the national efficient price. Hidden within budget paper No 3 is a critique about how the government is decoupling itself from the national efficient price. I am sure that is a medical procedure in itself.

**Mr J.H.D. DAY:** What was that comment?

**Mr R.H. COOK:** Decoupling might be a medical procedure in itself. I wonder whether the minister can provide an explanation for why the government has failed to arrest the increase in the weighted average unit price and why the government has now failed and, indeed, conceded that it cannot meet this convergence to the national efficient price.

**Mr J.H.D. DAY:** As the member indicated, it has been the aspiration of the government, and within the Treasury portfolio in particular, to do everything it could to move towards the national efficient price and not have such a large differential between Western Australia and elsewhere. As the budget papers indicate, we are currently about 17.8 per cent above the average national efficient price across Australia. About half of that is explained by the fact that salaries and wages in the health system in Western Australia are, generally speaking, about 20 per cent higher than they are in other states. Health professionals here, whether doctors, nurses, or allied health professionals or others in the health system, are paid very well compared with what people are paid in other states, which explains about half of the differential. The large size of the state, its remoteness and so on explains some of it and some other particular characteristics. As I recall, Treasury's recommendation to the government, through the Treasurer, was that it was simply not realistic for us to continue having the national efficient price as the target. It is clear that we need to limit the increasing costs in the state's health system, given the enormous pressure it is having on the state's finances, together with all the other pressures.

As indicated in the budget papers, the Health budget is now almost 30 per cent of the overall state budget. That has gone up from about 24.5 per cent when we came into government. That indicates that there has been a lot of



growth in salaries and wages, growth in the number of services provided and the fact that we generally have an outstanding system. A decision was made to move to a different target and, therefore, the increase in this year's budget for hospital services is about 2.4 per cent for increased activity due to increasing population growth on an age-weighted basis and 1.5 per cent for salary and wage increases. Therefore, the overall increase for hospitals, as I recall, is around 3.9 per cent. That is, therefore, essentially the target for this year. I hope that answers the member's question.

**Mr R.H. COOK:** I thank the minister for his response. The health department's own documents—for example, the health funding and purchasing policy guidelines of 2015–16—project a price of \$5 676, but the average weighted price has gone up to \$5 776, representing a community service subsidy of \$491. This is the community service subsidy that was previously sponsored by the Department of Treasury and Finance and was part of what was described as a rock-solid contract between Health and the Department of Treasury and Finance for the convergence with the national efficient price. What are the consequences for health? It is great that we are spending more on health, but it is not good that we are becoming more and more inefficient. In fact, the weighted average unit price is increasing year after year. It is not being constrained and we are certainly not getting anywhere near the national efficient price. As taxpayers, should people not be concerned about that?

**Mr J.H.D. DAY:** The rate of increase is slowing, and that is really the important aspect. I will ask Angela Kelly to comment on the community service subsidy and any other additional information on this general issue.

**Mr R.H. COOK:** The minister does not have to talk about the CSS because it is not mentioned anywhere in the budget papers at all. The government has given up any commentary around the CSS. We do not need any explanation about the CSS because it is clear that the government is not constrained by it at all; it is now just in an open-slayer exercise of not holding itself accountable to any measure on the weighted average unit cost.

[3.00 pm]

**Mr J.H.D. DAY:** I disagree with that.

**Mr R.H. COOK:** Show me in the budget papers where it uses the words “community service subsidy” in relation to the Health budget. It is not there.

**Mr J.H.D. DAY:** That does not mean to say that we are not aiming to operate in an efficient manner. I am glad the member is very supportive of us putting in place changes that will lead to a more efficient health system and that is more financially sustainable and affordable for the community. I appreciate the bipartisan support.

**Mr R.H. COOK:** I am, but the minister is clearly not, because he has given up on any sort of pretence that Health can get towards the national efficient price. There are two reasons for that. Our health department's system is getting more inefficient and other systems are getting more efficient, so this mythical convergence in 2021 to the national efficient price —

**Mr J.H.D. DAY:** As I said, it has been largely driven by higher salaries and wages in this state.

**Mr R.H. COOK:** Is it true that you have failed and have given up trying to reach that?

**The CHAIRMAN:** Members! Hansard is looking concerned. I am assuming that means they are not getting this on the record, so one at a time please.

Member for Kwinana, you have the call to ask a question. If you would like to complete that question and then allow the minister to answer, that would be appreciated by all of us.

**Mr R.H. COOK:** The question is: is there no longer any regard for the national efficient price?

**Mr J.H.D. DAY:** I will ask the director general to answer on this issue.

**Dr D. Russell-Weisz:** There is great regard for the national efficient price.

**Mr R.H. COOK:** As you wave it goodbye, as it goes out the door!

**The CHAIRMAN:** Members!

**Dr D. Russell-Weisz:** No; not at all. As I think I said in my last answer, we are taking budget rigour very seriously. We have to stay within our means. I and the team here are committed to that.

**Mr R.H. COOK:** I do not mean to interrupt but what is the benchmark because you do not talk about the national efficient price? That is where I am trying to get to.

**Dr D. Russell-Weisz:** There is reference to the national efficient price in that we continually look at the pricing from the national efficient price in other states. We have seen that they have been declining. The estimates have declined just over five per cent over the last five years from five per cent to 0.86 per cent. That is because other states have become more efficient and they have had lower wage cost growth. As the minister said, we now know—we have done an analysis—why we differ so much from the national efficient price. We have just conducted that analysis. As the minister said, around 50 per cent, and probably more than 50 per cent, is wages

growth. Does that mean we give up? Absolutely not, because another 50 per cent can be split into three areas. We think 25 per cent is due to under-coding. As patients come in, are we coding them well enough? We have seen a huge increase in activity in outpatients this year and with inpatients. Some of that is due to better coding. That will allow us to get more money next year from the commonwealth because it funds 45 per cent of the national efficient price, and that will continue. That is the 25 per cent of the gap that we have to make a difference on. Twelve per cent of the gap as we see it is attributable to factors under management control, such as longer length of stays. Already 37 per cent of that gap is within our control. There are unique factors due to remoteness—location-based factors—that may be outside our control but every effort is being made to close that gap. We know that between 35 and 40 per cent is definitely within our control.

**Ms J.M. FREEMAN:** Minister, thank you for that answer through the director. The director said the commonwealth funds 45 per cent of the national efficient price and it will continue, yet on page 343 of budget paper No 2, the National Health Reform Agreement shows a \$52.12 million reduction in income across the forward estimates. Obviously, the federal government has cut the department's funding. Is that because the department is not meeting the national efficient price and that it is effectively a reduction on the basis that this state is not as efficient as other states in meeting those targets?

**Mr J.H.D. DAY:** Which line is that on?

**Ms J.M. FREEMAN:** It is commonwealth grants on page 343 under "Net Appropriation Determination". It shows reductions from \$359 million, to \$311 million, to \$313 million, to \$287 million and to \$270 million. Given that over that forward estimates there is a \$52.12 million reduction in income across those forward estimates, I question whether the commonwealth is rewarding the department by continuing to fund it at 45 per cent of the national efficient price or is saying that we are not meeting it, therefore, it is reducing its funding. Is that what is occurring there?

**Mr J.H.D. DAY:** I will ask Dr Russell-Weisz and then Andrew Joseph to comment.

**Dr D. Russell-Weisz:** I will defer that question about the grants to Mr Joseph because I do not think that reflects the full picture of what we get under activity-based funding from the commonwealth. Because we have done more activity this year, we have seen an increase. Last year, in 2014–15, there was a decrease in what we received from the commonwealth because we did less activity than we predicted due to the reconfiguration. Because we have done two per cent more this year than we predicted, and because of the recent Council of Australian Governments agreement on 1 April this year to maintain activity-based pricing, that will flow into our budget next year. I might pass to Mr Joseph.

**Ms J.M. FREEMAN:** Before you do that, after years and years of doing estimates, when you defer, someone starts talking about where it is. We always have to give you the line items. If you are going to say that you can grab some other mystical money from somewhere else and take it into future years—I have always said Health is like a giant Ponzi scheme, and I will put that on record again —

**Mr J.H.D. DAY:** That is a bit rough is it not?

**Ms J.M. FREEMAN:** In a Ponzi scheme someone borrows from here to sort of spend there.

I want it to be clear. If the minister is saying that that is not what the commonwealth is giving us, he needs to show me where it states that the commonwealth is giving us money.

**Mr J.H.D. DAY:** I have been able to find some detailed information. In the commonwealth programs between the 2014–15 actual and the 2015–16 estimated actual, the decrease of \$90 million is mostly due to decreasing the following programs: \$36 million for capital programs, \$24 million for Department of Veterans' Affairs, \$22 million for treating public dental patients and \$8 million for various programs, including the Australian immunisation agreement vaccinations, Indigenous early childhood and trachoma surveillance. From that information, it is not in relation to hospital treatment. The reduction of \$48 million predicted from 2015–16 to 2016–17 is mostly due to a reduction of \$28 million for multipurpose service units.

**Ms J.M. FREEMAN:** What are multipurpose service units?

**Mr J.H.D. DAY:** I think I am right in saying that they are a combination of aged care and hospital services in smaller country locations. I am getting a nod from the back. There is also a \$13 million reduction for adult public dental services, \$12 million for an aged-care assessment program, \$5 million for capital programs, \$4 million for organ tissue donation and \$5 million for various programs, including home and community care and various other things. Why they have been reduced specifically I am not sure, but it is obviously part of the agreement and forecasting between WA Health and the commonwealth. Do you want to add anything to that, Mr Joseph?

**Mr A. Joseph:** The table the member referred to is not the funding received for activity-based funding. It pertains to funding received from the commonwealth through national partnership agreements. The national health reform funding is contained on page 340 of the budget statements, and we can see that that shows there is growth over the forward estimates.

**Ms J.M. FREEMAN:** Can you take me to the actual line item?

**Mr A. Joseph:** It is under “Income”.

**Ms J.M. FREEMAN:** Yes. We go from a budget of \$1.7 billion in 2015 and it went down to \$1.6 billion, which is what the director was saying before; that is, it reduced and it goes to \$1.7 billion, \$1.9 billion and \$2 billion.

[3.10 pm]

**Mr R.H. COOK:** Just on that point, is the incentive funding around the national emergency access target and the national elective surgery target still in place or has it gone under the federal government’s new arrangements?

**Dr D. Russell-Weisz:** The original NEAT and NEST through the National Healthcare Reform Agreement have gone, but we have kept the targets which now have the acronyms WEAT and WEST—the WA emergency access target and the WA elective surgery target.

**Mr R.H. COOK:** I noticed that as part of the changing language; there is no longer any mention of the national efficient price—NEP—and there is no longer any mention of NEAT and NEST. It is cute!

**Mr J.H.D. DAY:** One thing I have noticed in the last few weeks is that the number of acronyms in the health system has grown commensurate with the increase in the budget!

**Ms J.M. FREEMAN:** Just as a clarification for those of us who are not dealing with them all the time, I understand that NEAT is the national emergency access target and NEST is the national elective surgery target. The minister is saying that we no longer comply with those acronyms and now do Western Australian acronyms. We have de-coupled from those and we are doing Western Australian acronyms.

**Dr D. Russell-Weisz:** No, that is not quite right. The national partnership agreements on those specific programs have ceased, so we have said that we are going to keep with the targets set and led by Western Australia over the last eight years and the four-hour rule. We know that the four-hour rule has benefits—that is for NEAT—and we have just given it a purely Western Australian slant because the national program has ceased, but the targets are the same.

**Mr M.H. TAYLOR:** I refer to page 322 of budget paper No 2 and the third dot point under the “Other Patient Safety and Quality Initiatives” subheading; the dot point makes reference to Fiona Stanley Hospital in my electorate and initiatives to provide safe and efficient patient care. Can the minister please tell me about the services that have been provided at Fiona Stanley Hospital and these new initiatives?

**Mr J.H.D. DAY:** Since Fiona Stanley Hospital opened fully in February last year, the services provided—in number and, overwhelmingly, in quality—have been outstanding. As with any major project or new service that is introduced in which there are large numbers of people involved, it is always possible to find some patients who will not have the experience that they either expect or, in some cases, deserve; but overwhelmingly, the experience of patients there has been very, very positive. I am sure my predecessor had positive comments coming through and I know that my office also has received some. It has been a very busy hospital; to the end of April, there have been about 126 000 patients through the emergency department, averaging from 278 per day up to, as we said earlier, about 350. About 30 per cent of those patients are admitted; a further 51 000 people have been admitted as inpatients; 386 500 as outpatient clinical appointments; and 22 600 surgeries have been performed. Since the hospital opened in February last year, there have been 11 heart transplants, 26 lung transplants and 47 kidney transplants; all of those are obviously very major undertakings. More than 3 000 patients have been admitted to the intensive care unit since the hospital opened—the ICU unit there is one of the five busiest in Australia—and nearly 3 500 babies have been born there. Overall, it is operating very well and providing wonderful services to many, many thousands of people. I think that reflects the commitment of both clinical and nonclinical staff there and the pride they take in the service they provide to people. That was certainly apparent to me when I visited the hospital a few weeks ago. It was unsolicited, but the leaders and other staff of the particular units that I met with took a lot of pride in the outstanding treatment and services they provide.

**Mr R.H. COOK:** Is it true that at the end of 2015 Fiona Stanley Hospital had a weighted average cost of around \$7 600 compared with Sir Charles Gairdner Hospital at \$6 500 and Royal Perth Hospital at \$5 900? Although this is a great Labor project the government is implementing and we are really pleased about that, are there not some significant cost problems in relation to Fiona Stanley Hospital? The operations the minister talked about are great, but they come at a great cost, do they not?

**Mr J.H.D. DAY:** Are those numbers in the budget papers?

**Mr R.H. COOK:** No, sometimes shadow ministers find out —

**Mr J.H.D. DAY:** One way or another.

**Mr R.H. COOK:** It was certainly not from the minister’s reports, which he cut; I have to find things out through other means.

**Mr J.H.D. DAY:** I will ask the director general to comment; I do not know whether we can confirm the numbers or not, but in relation to the general aspect of what the member is asking, I suspect the fact that there have been substantial commissioning costs would explain the higher per unit cost there initially, and I trust that the unit cost will come down. That is my immediate response, but I will ask the director general for comment.

**Mr R.H. COOK:** The government has been promising that unit costs will come down for some time now!

**Dr D. Russell-Weisz:** I cannot confirm those unit costs, but I can say that it is the experience, not only in Western Australia but right around the world, that new hospitals when they open—especially complex hospitals such as Fiona Stanley Hospital—do have some inefficiencies. I really do not apologise for that because when we commission a hospital, we want it to be safe and we want it to have extra staff. If we go back to 2009 and look at Rockingham General Hospital, it had a much higher unit cost than many of the hospitals around the nation and that has now settled.

**Mr R.H. COOK:** Yes, but it has a great local member of Parliament, so we could not criticise Rockingham General Hospital!

**Dr D. Russell-Weisz:** It is now down to an efficient cost. We expect those costs to settle, but I do not think we would be able to comment on those costs at this time.

**Ms J.M. FREEMAN:** I refer to page 336 of budget paper No 2 and the line item “Royal Perth Hospital Redevelopment Stage 1” in the table headed “Works in Progress”. This morning when I chaired the Treasury estimates hearings, the Treasurer outlined a list of ongoing projects and made a particular comment—I cannot quote him word-for-word—that this project was on hold pending any policy decisions. I note that there are funds allocated under that line item. Given that Treasury says this is not a project at this point in time, what is that paltry funding allocation for; and given Treasury’s comments, is this another sign that the minister has failed to implement the government’s election promise to redevelop Royal Perth Hospital?

**Mr J.H.D. DAY:** I am not sure if the member is saying that \$17.371 million as an allocation to capital works is a paltry amount; I do not think most people would consider \$17 million to be a paltry amount —

**Mr R.H. COOK:** Compared with the \$200 million the government used to have in there it is not a hell of a lot.

**Mr J.H.D. DAY:** Maybe compared with the \$7 billion that is being spent by this government on major health projects across the state, the member might have a point, but my point is that we have spent about \$7 billion overall, which shows a very strong commitment to rebuilding the health system in Western Australia and allowing it to grow. There is about \$8.1 million for 2015–16, as it says in the budget papers, and \$9 million for 2016–17. Those works include essential maintenance works such as replacement of the lifts and other aspects that are underway.

**Mr R.H. COOK:** That is maintenance, it is not redevelopment.

**Mr J.H.D. DAY:** It is replacement. I will go through some of what is being undertaken. There are 24 projects listed, in fact, including the upgrading of the lifts, as I mentioned; the replacement of central cooling towers; the replacement of the emergency generator with a new emergency generator to prevent overloading, and additional emergency generators to run a chiller during blackout conditions; replacement of emergency generator sets; improvement of fire services; replacement of the central steam boilers; refurbishment or replacement of the rooftop cold water storage tanks; replacement of high-voltage breakers containing SF6 gas; low voltage switch replacement; replacement of patient meal service; a re-thermalising system; infrastructure enhancements to the acute medical unit and acute surgical unit areas; and other safety and compliance projects. This will ensure that the hospital is able to operate in a safe manner, as it has done for many years.

[3.20 pm]

**Mr R.H. COOK:** The minister will be familiar with this Liberal Party–blue billboard that has been stuck outside Royal Perth Hospital at the Victoria Avenue entrance that lists some of those items. Would the minister agree with me that replacement of the chiller, the steam boiler and emergency generation are all maintenance issues that would be undertaken as an ordinary part of government? The billboard also refers to patient catering food delivery upgrades, which I assume means replacing the trolleys! I put it to the minister that this is not stage 1 of a long-forgotten election promise in 2008 but simply maintenance exercises that any hospital undergoes as a matter of course. I refer in particular to patient ward fire safety upgrades resulting from an audit of the building that showed fire safety fell short. If this is stage 1 of the redevelopment, what is stage 2 and what will it cost?

**Mr J.H.D. DAY:** I do not accept that those projects are something that happens as a matter of course and are routine maintenance. Routine maintenance goes on any day of every week over the year. A \$19 million commitment for these substantial upgrades is very significant. Obviously, as I said, the government spent a very large amount of taxpayers’ money rebuilding and expanding the hospital system in the state. As wonderful as new equipment and facilities are, what is most important is the commitment of the people and the standard of care that is provided within hospitals. I have no doubt that Royal Perth Hospital meets that standard of care and has a very strong level of commitment by the staff there.

**Mr R.H. COOK:** Could the minister clarify the allocation of \$19 million, because only \$9 million is contained in the forward estimates? Does the sign outside Royal Perth Hospital list things that have already been done and that were previously under the title of “holding works” for RPH and that the government has now reinvented as its stage 1 redevelopment? I appreciate that the staff and services being provided are important, but so is the honesty of the government. The Barnett government has promised in two elections that it would redevelop this hospital; and, in fact, the previous minister said that this would be a second-term project. I am simply asking the minister why the sign refers to \$19 million when the forward estimates contain only \$9 million? Is the minister trying to embellish this maintenance program to make it look as though it is doing something there? I ask again: if that is stage 1, what is stage 2 of the redevelopment of Royal Perth Hospital?

**Mr J.H.D. DAY:** That is to be determined, in relation to —

**Mr R.H. COOK:** Then it is a single stage, if there is no stage 2.

**The CHAIRMAN:** Can the member let the minister answer.

**Mr J.H.D. DAY:** As I said, it is to be determined, and by definition stage 2 will follow stage 1, but exactly when and what it will include remains to be determined. In relation to what is on the sign, I have not seen it personally. I will go and have a look sometime. An amount of \$17 million was allocated originally, and \$8 million will have been spent by the end of this financial year, with another \$9 million to go; so nine plus eight equals 17. I am very familiar with the Royal Perth Hospital facilities and precinct. I have spent a lot of time in that area over the years, but I have not seen that particular sign.

**Mr R.H. COOK:** It is a fairly new sign, minister. Again, I ask: has the minister rebadged projects that were previously maintenance projects to try to make it look as though the government is redeveloping the hospital?

**Mr J.H.D. DAY:** I would not have thought so; no.

**Ms J.M. FREEMAN:** Will Royal Perth Hospital get a mental health observation unit, as has been given to other hospitals and for which there is an expectation in hospitals that it is important in terms of dealing with emergencies, and for the safety of patients and staff?

**Mr J.H.D. DAY:** To the best of my knowledge there is one mental health observation area in operation now and it is at Sir Charles Gairdner Hospital, and it has been operation for about two years. Of course, the government announced a couple of weeks ago that one is going to be provided at Joondalup hospital. It is desirable that they exist in other major hospitals. As to the thinking of Royal Perth itself, I ask for some advice from the director general on that.

**Dr D. Russell-Weisz:** It has been seen as a priority and it is probably on the next list of four items that would be a priority for Royal Perth Hospital and other hospitals.

**Mr R.H. COOK:** Is that stage 2 of the redevelopment of Royal Perth Hospital?

**Mr J.H.D. DAY:** It could be—who knows?

**Mr R.H. COOK:** The minister clearly does not! Perhaps the previous minister can tell us.

**Ms J.M. FREEMAN:** If it is on the list of four items for Royal Perth Hospital, what are the other three items?

**Dr D. Russell-Weisz:** Not off the top of my head, but there are —

**Ms J.M. FREEMAN:** Can you give me that by supplementary information?

**Mr J.H.D. DAY:** No, we are not going to provide it. We have not made any decisions about what further development is going to occur there.

**Ms J.M. FREEMAN:** Something is being handed to the minister from behind him—it is the list of four items. I did not raise the list of four items. The director said that the mental health observation unit was one item on the list of four items that are priorities. I am happy to sit here and guess what the others are. What are the other items that are priorities for Royal Perth Hospital? Can the minister list them? I understand there is a bit of paper that lists them, or would the minister like to provide it as supplementary information?

**Mr J.H.D. DAY:** They are generally relatively small projects, I understand. One involves a helipad. What are the other two?

**Dr R. Lawrence:** The other two clinical things on that top four are some refurbishment of the acute care unit, which provides the acute facilities for medical and surgical patients, and some refurbishment of the A-block wards.

**Ms J.M. FREEMAN:** Is it the case that those four items are currently not funded?

**Mr J.H.D. DAY:** That is correct.

**Ms J.M. FREEMAN:** Those are four items on the wish list. If they get from the wish list into the budget to add to the \$9 million for Royal Perth Hospital redevelopment stage 1 will they also get a sign?

**Mr J.H.D. DAY:** We would need to give that careful consideration.

**Dr K.D. HAMES:** I refer to page 318, the third dot point on the health system overview, and the increase in expenditure of five per cent that the minister referred to in an earlier answer. Can the minister tell me how much the Department of Health has grown since the government came to power and how this increase in 2016–17 translates into services?

**Ms J.M. FREEMAN:** The member cannot even give us the amount!

[3.30 pm]

**Mr J.H.D. DAY:** He is asking for dollars. As intimated in the question, there has been a very substantial commitment by the government since it came into office in September 2008 to ensuring that we have a very well-funded health system. The member for Dawesville, my predecessor, has been very successful in ensuring there has been substantial growth in the amount of taxpayer funding that is allocated. There has been 80 per cent growth, from \$4.8 billion up to \$8.6 billion, which is having a major impact on the state's finances, as I said, together with major growth in other areas of government as well. What that has provided for is a significant increase in the number of units of service. This forthcoming year's budget provides for 879 392 weighted activity units—that is what WA uses—which are estimated to provide for over 628 000 inpatient episodes of care, nearly 1.1 million emergency department episodes of care and over 2.5 million service events in outpatient clinics and community settings. As I mentioned earlier this afternoon, the budget provides for cost growth in line with the public sector wages policy of 1.5 per cent per annum for hospital services and for savings from the agency expenditure review for non-hospital services, which totals over \$148 million over three years from 2017-18 to 2019-20, for that \$148 million to be allocated to provide hospital-based services. There has been substantial growth. It does show a very strong commitment by the government over the last almost eight years to ensure that we have a very well-funded and provided-for health system in the state.

**Dr K.D. HAMES:** When the minister referred to the last time he was Minister for Health, he said that the budget was about \$2.5 billion and it is up to \$8.6 billion. Can the minister advise what the compounding growth increases have been on an annual basis since that time to get to that figure?

**Mr J.H.D. DAY:** From memory, in 2000–01 the budget was about \$2.25 billion. This forthcoming year the budget is about \$8.6 billion for recurrent services and about another \$500 million for capital works items. From recollection and from what the member has discussed with me, I think the compound growth rate is about five per cent a year.

**Dr K.D. HAMES:** It is eight per cent.

**Mr J.H.D. DAY:** Eight per cent a year. It is much greater than any other portfolio—there is no doubt about that. As I said, it indicates a very strong commitment by the government to ensure that we have a well provided for health system in the state.

**Mr P.B. WATSON:** I refer to page 319 of the *Budget Statements*, which states that the number of scheduled child health checks increased by 14 per cent in 2014-15 relative to 2013-14, and a further three per cent in the first half of 2015-16. Can the minister break that down into the number of health checks in regional areas versus the number of checks in the metropolitan area? Those figures could not possibly be right for the Albany region. From the feedback I have received from my community, the number of child health checks is very low because we do not have a paediatrician or enough nurses. Can I get a breakdown of those figures, even if I have to take it on notice?

**Mr J.H.D. DAY:** It is good that an issue that relates to community health services as opposed to hospital-based services has been raised, because it is a very important aspect of the health system, I must say. I am not sure whether we have information about the number of checks provided in different parts of the state. I will ask Mr Moffet to comment.

**Mr J. Moffet:** I have information for the whole of country, but not for the regions specifically. I can talk to those and the child health check outcomes to date. There are three child health check parameters. The first is zero to 41 days, and the percentage of children entering school who had the child health check in November 2010 was 82 per cent. As at December 2015, that is 97 per cent. In the 18-month-old child health check category, in November 2010 the rate was approximately 30 per cent. As at December 2015, it is 64 per cent. Finally, in the three-year-old category, in November 2010 the rate was 20 per cent. As at December 2015, it is 57 per cent. That is for country as a whole.

**Mr P.B. WATSON:** Can the information for the age groups be provided for the regions?

**Mr J. Moffet:** Yes, that is possible. I do not have that information with me.

**Mr P.B. WATSON:** Can I have that as supplementary information, minister?

**The CHAIRMAN:** Minister, can you please repeat for Hansard what are you prepared to provide?

**Mr J.H.D. DAY:** We are prepared to provide a breakdown by various country regions the information that the member for Albany is seeking in relation to the number of child health checks.

**Mr P.B. WATSON:** And can that be compared with the rates from the city?

**Mr J.H.D. DAY:** I suppose we can give a percentage for the metropolitan area.

**Professor F. Daly:** Yes, we will be able to provide those figures.

*[Supplementary Information No A45.]*

**Mr R.H. COOK:** I refer to the recruitment freeze process. How much money did the department save as a result of the recruitment freeze? I note that the Treasurer announced the lifting of the recruitment freeze effective from 12 May. However, a number of hospital admin staff are reporting that they still need to seek exceptions to backfill vacancies or positions. Is that still the case?

**Mr J.H.D. DAY:** If they do, it is not because of the freeze. I will ask the director general to comment in a moment. I am not sure whether we can provide an amount of savings; I am not sure whether that is really available. I make the point that given the critical nature of a lot of positions in the health system, a lot of exemptions were sought and almost all of the requests for exemption were approved by the Treasurer. I will ask the director general to comment.

**Dr D. Russell-Weisz:** The freeze has been lifted; there is no freeze at the moment. But there is a process of approval. The process of approval was there prior to the Treasurer's freeze. That approval is set in place and goes through the normal channels of management in hospitals. It then goes to the chief executive for endorsement or non-endorsement and through the department to me to create a new position or appoint a new position. A process is in place, but it is not a freeze. If it is approved, then the area health service can go ahead and create the position and advertise the position. We need good budget control and we need good staffing control and other controls as well. It is basically continuing what was in place prior to the government freeze.

**Mr R.H. COOK:** On the issue of staffing, I refer to page 318 and to the revised 1.5 per cent public sector wages policy. I assume that this is part of trying to rein in budgetary costs. The budget papers show that the consumer price index is predicted to rise to 1.75 per cent in 2016-17, 2.25 per cent in 2017-18, 2.5 per cent in 2018-19 and 2.5 per cent in 2019-20. If the government is going to hold wages growth to 1.5 per cent, does the minister acknowledge that the department will be forcing a real pay cut for staff? In addition, given that some enterprise bargaining agreements fall due around September this year, will the government seek to protect the lowest paid staff from the impact of those real wage cuts?

**Mr J.H.D. DAY:** The overall government policy, as we have discussed, is to fund a 1.5 per cent increase over the next two to three years. Whether the forecast inflation rate is achieved is a matter for debate. As I understand it, Treasury sometimes overestimates the amount of inflation forecast compared with what actually occurs.

[3.40 pm]

**Mr R.H. COOK:** That is what is planned against; one assumes it is mandated by the system.

**Mr J.H.D. DAY:** We need to take into account not only what is forecast over the next two to three years, but what it is expected to be for the current financial year—and that is 1.2 per cent, which is obviously less than 1.5 per cent. We also need to take into account the fact that there have been increases provided for all the health sector employees well above that 1.2 per cent in the current financial year. In relation to doctors, it has generally been a 3.5 per cent increase this year, for nurses five per cent and for other allied health personnel about three per cent. All of those are well above the current rate of inflation. In short, it is necessary to look at more than just one year; it is really necessary to look at the last couple of years together with the next couple of years.

**Mr R.H. COOK:** My question was: does the minister acknowledge that this will represent a real pay cut in relation to those CPI, and will he seek to protect the lowest paid workers? Obviously, there are some extremely highly paid workers in the health system and there are some very low paid workers as well. For those higher paid workers, there is probably a bit of fat in the system, but those lowest paid workers are doing it tough already, and the government seeks to maintain any wages growth for them below the CPI. Will the minister seek to protect the wages outcomes of those workers?

**Mr J.H.D. DAY:** If we take into account increases that have occurred this financial year together with those of the next financial year, there would not be any real reductions. The figures indicate that there would still be a real increase. In relation to whether higher paid workers might give up some of their increases for some of the lower paid workers, it is probably an interesting industrial relations suggestion that I suspect one or two employee representative organisations would not necessarily agree with, if I can put it as delicately as that.

However, the overall policy is that if there are any increases provided above the 1.5 per cent, they need to be funded from within the system—the portfolio itself—so there would need to be savings found in some other way. If there could be greater efficiencies found or greater productivity amongst parts of the workforce, perhaps there would be room for some discussion there, so long as there is not a net cost to government, and therefore taxpayers, of more than 1.5 per cent.

**Ms J.M. FREEMAN:** Just keeping with that thought about net cost across the health sector, one thing the minister could consider and argue for in cabinet to ensure that low-paid workers were not disadvantaged would be to grant wage increases as an amount and not a percentage. I am not sure of the figure for 1.5 per cent, but there could be a \$10 increase across the board, which would then become a greater percentage increase for low-paid workers, but a lesser percentage increase for those who could absorb that cost. That way, greater fairness for low-paid workers could be achieved. I understand that the minister is limited because those things go to the central agency, but will there be any consideration in the minister's discussions to ensure that low-paid workers in the health system are not disadvantaged by the Treasury's decision on wage increases?

**Mr J.H.D. DAY:** That is an interesting suggestion, and perhaps the member would like to consult the Australian Nursing Federation and the Australian Medical Association about whether they would be supportive of such a proposition! I am sure there are a lot of altruistic people around who would be interested to have a discussion about that proposition. As the member indicated, I am not involved in industrial negotiations in any detail, but if there could be productivity improvements and savings found as a result of changes being put in place that allowed for lower paid workers to receive a higher increase, perhaps that could be entertained. But I do not want to go too far in this area, because as I said, industrial relations strategy is not something I am directly responsible for; the Minister for Commerce is.

**Ms J.M. FREEMAN:** Further to the recruitment freeze, which is now over, and the process of now filling vacant positions, whether they are new or those vacated by someone else during the freeze, what is the time line for that process?

**Dr D. Russell-Weisz:** We try to turn these things around very quickly, so during the freeze process and prior to it, my colleague Angela Kelly and the workforce team would get the requests in that had been approved by the chief executive. They would come up to me and I would sign them within one or two days. There is no delay; if they have been signed off by the chief executive in the area health service, they will go quickly. Obviously, there is a process to go through at the hospital level, but usually if it is supported by the chief executive, I will support it.

**Ms J.M. FREEMAN:** I refer to the Fremantle Hospital and health service reconfiguration in the works in progress listed on page 336 of budget paper No 2. In the 2015–16, there was a total budget for this project of \$5.5 million, but in the current budget total allocation has been slashed by over \$2.3 million to \$3.2 million, and there is only \$617 000 to be spent in the 2016–17 year and nothing at all in the forward estimates. Has the government abandoned Fremantle Hospital's reconfiguration? How many beds have been closed at Fremantle in 2015–16 and how many further bed closures are planned, mainly over the forward estimates? I have further questions, but I will stay with those at this point in time.

**Mr J.H.D. DAY:** I will ask Dr Lawrence to comment on Fremantle Hospital.

**Dr R. Lawrence:** Fremantle Hospital has undergone the reconfiguration that was necessary and is operating within its 300-bed capacity, which is what it was enabled to do. Its reconfiguration works from the capital perspective centred around the day procedure unit, some works around some theatres to facilitate ophthalmology at the site, plus some local works to allow the consolidation so we are not spread out right across the hospital. We continue to look at the function of Fremantle Hospital, and that will be an ongoing process as we move into the new South Metropolitan Health Service over the next coming years.

**Ms J.M. FREEMAN:** Can I just confirm that Ms Lawrence is saying that the reconfiguration is finished, and, if that is the case, I assume the department will not relocate Fremantle volunteer transport services vehicles to be based at Fiona Stanley Hospital because the reconfiguration is completed? Is the relocation proposed; and, if it is, why is it being proposed?

**Dr R. Lawrence:** There is no proposal to relocate the volunteer transport services to Fiona Stanley Hospital.

[3.50 pm]

**Ms J.M. FREEMAN:** Will the Royal Perth Hospital eye clinic be relocated to Fremantle Hospital?

**Dr R. Lawrence:** There is no ongoing proposal to move the Royal Perth Hospital service to Fremantle.

**The CHAIRMAN:** I suggest that it would be appropriate to break now, if that suits the minister.

**Mr P.B. WATSON:** I have a question.

**The CHAIRMAN:** Are you prepared to take one more question?

**Mr J.H.D. DAY:** I always try to be as accommodating as possible.

**Mr P.B. WATSON:** I have worked with the minister for 16 years and I agree with him for the first time!

On page 333 of budget paper No 2, Under "Prevention, Promotion and Protection", it states —

Prevention, promotion and protection services describe programs implemented to increase optimal health ...



That is the prevention of health issues. I notice that in 2015–16 budget the government had \$541 million, but it spent only \$528 million. We were talking about the budget increasing to \$8.6 billion. Would it not be better to increase prevention, rather than decreasing it, and then we would not have the former minister asking questions about how big the budget is? If we are not spending enough on prevention, obviously it will go up on a regular basis.

**Mr J.H.D. DAY:** That is always an issue and we need to aim to put as much into preventing illnesses and diseases occurring as we can. There is no question about that and that is very much the philosophy that I support. I am not sure why there has been a reduction from the 2015–16 budget to the estimated actual amount of \$528 million. I am trying to find the relevant information in the notes that I have here.

**Mr P.B. WATSON:** You can do it on notice, if you like, minister.

**Mr J.H.D. DAY:** I am sure we have the information here. Could Mr Joseph please provide some information on this and then I will ask Professor Weeramanthri as well.

**Mr A. Joseph:** I point the member to the footnotes that accompany that table, which state that the information has been adjusted —

... to ensure comparability with the methodology applied in deriving the 2014–15 Actual, the 2015–16 Estimated Actual and the 2016–17 Budget Target.

That is the only information that I can provide now. I am happy to do more research into that.

**Mr J.H.D. DAY:** Can Professor Weeramanthri add anything?

**Professor T.S. Weeramanthri:** This output is a composite output of a number of different areas, so, for example, it is not only the public health division, but also the Office of the Chief Medical Officer, Aboriginal health and child and community health within the Child and Adolescent Health Service. To get a full accounting of the difference between those two numbers, we would have to get the ons and offs for each of those specific areas. This is an aggregate of those ons and offs, so we would have to come back to the member with some further information on that.

**Mr P.B. WATSON:** Can the minister provide that by way of supplementary information?

**Mr J.H.D. DAY:** We will provide an explanation of the reduction in the budget for prevention, promotion and protection, as on page 333 of the budget paper, from \$594.666 million allocated in the 2015–16 budget to the estimated actual amount of \$578.891 million. We will provide an explanation of that change.

*[Supplementary Information No A46.]*

**Mr P.B. WATSON:** Obviously, these strategies are not working overly well. Are there any plans to look outside the square or find other ways or look overseas or interstate? This is \$8.6 billion; it cannot keep going up like that. Have any strategies been put forward by the Department of Health to try to bring this figure down?

**Mr J.H.D. DAY:** There are a lot of ongoing public health strategies, advertising campaigns, promotion campaigns and so on, whether it is providing support for anti-smoking promotion, which is very much an increasing issue in the community —

**Mr P.B. WATSON:** What about the Fremantle Dockers supporters; does the minister have anything for them?

**Mr J.H.D. DAY:** No. Maybe that needs to be given an increased amount of attention in the next couple of months, but increasing obesity in the community is obviously a major problem, and particularly in remote areas of the state, but not only.

**Mr P.B. WATSON:** I walked through the city today at lunchtime and it is not only up north; it is huge.

**Mr J.H.D. DAY:** Fair point. We could have an hour discussing that issue, but Professor Weeramanthri might want to provide some additional comment. Obviously, this is a very big issue.

**Professor T.S. Weeramanthri:** Investment in prevention and public health has a fantastic return. The state government's investment in this area has kept pace with inflation over the eight years I have been here. It is not as though it has diminished; it has grown but at the rate of inflation. We continue to look at really effective ways to provide some services that have been for 50 or more years known as fantastic investments, such as immunisation or other core services. We are also looking at new ways of driving forward public health and one of the main changes that will, hopefully, occur this year is the new Public Health Bill. If passed, we will have a new act after over 100 years and a whole new framework for addressing new and emerging public health risks for the twenty-first century.

**Mr P.B. WATSON:** Professor Weeramanthri said it has kept up with inflation, but should it not be higher than inflation? It should be one of the major projects, so if it is going up only with inflation, we are just keeping it steady. Should more money be put into it?

**Mr J.H.D. DAY:** Of course, we would always like to do more, but we need to take into account that people who are ill need treatment and expect it, and the overall financial settings of the state. I appreciate the aspiration and I share that.

**Ms J.M. FREEMAN:** The Public Health Bill is in the upper house. Does the minister know whether it is listed and whether it will go through the upper house within a short period? Is the minister having discussions with his colleagues in the upper house to ensure that this very important piece of legislation that will give this new structure will get through and be pushed forward?

**Mr J.H.D. DAY:** I am not sure whether it is on the list to be completed before the end of June, as much as we all would like that to occur, but certainly I hope it will be fairly early in the resumption of sittings in August. We certainly want to get it through this year.

**The CHAIRMAN:** We will have a 10-minute break and resume at 10 past four.

*Meeting suspended from 4.00 to 4.11 pm*

**Dr G.G. JACOBS:** I refer the minister to the fifth line item on page 337 of the *Budget Statements* in relation to St John of God Midland Public Hospital. It is from time to time quite maligned by the opposition, but I know that the hospital is now open. Can the minister update members on the transition from the Swan District Hospital to the new \$344 million Midland Public Hospital?

**Mr J.H.D. DAY:** The transfer from Swan District Hospital overall has gone very well. The hospital's formal opening was on 24 November last year—I have never been—obviously by the then Minister for Health, the Premier and quite a number of other members of Parliament. It is a very substantial investment by the state and the commonwealth governments in providing world-class hospital services to people in the east metropolitan region. A number of patients have been seen up until the end of April. More than 25 000 people have presented to the emergency department, there have been 28 000 outpatient attendances and over 650 births. Nearly 9 000 patients have been admitted to the hospital, and also there have been 130 sessions in March and April of this year at the chemotherapy unit that commenced services in December 2015. It is a public–private partnership project of course. Public hospital services are being provided by St John of God Health Service, and overall it is going very well. As I said earlier, particular examples can always be found of things that do not go as well as perhaps people expect; however, it is an outstanding facility, and I have no doubt people will be overwhelmed by the very high standard of care it provides. It has been a very welcome development. The \$360 million project was roughly funded half by the state government and half the commonwealth government, and it is of great benefit to the east metropolitan region. It has very much added to the overall development in the Midland precinct, together with the major police facilities there, the commitment for the Curtin University facility, which will be there, and all of the other redevelopments that occurred under the Metropolitan Redevelopment Authority.

**Mr R.H. COOK:** In relation to that, I draw the minister's attention to the private sector contracts expense on page 340. Could the minister provide us with details of the contracts covered under this line item? Why has it increased by about \$30 million, and what are the government's plans with regards to privatising further services in health?

**Mr J.H.D. DAY:** I think the best thing might be to go to Mr Joseph for this question.

**Mr A. Joseph:** Sorry, I missed the question.

**Mr R.H. COOK:** It is about private sector contracts expense under "Income Statement" on page 340 of the budget papers. Can details of the contract and their values be provided as a subset of the \$671.7 million? What further plans does the government have for private sector contracts through privatisation?

**Mr J.H.D. DAY:** To my knowledge, we do not have any additional projects in mind that involve the private sector but that does not mean that it would not be a good idea at some stage. We have a hybrid model really, in which some hospitals operate entirely through the public sector and others run in conjunction with the private sector, but that does not mean that any lower standard of treatment is provided, of course. I will ask Mr Joseph to comment on the change in the cost.

**Mr A. Joseph:** Thank you, minister. That line item obviously refers to the private sector contracts with the private providers in Midland, Peel and Joondalup. At this stage, I do not have the information to advise the member what other private contracts are included in that amount. In response to the member's question, I am happy to look into that, but bear in mind that there are some sensitivities in dealing with individual contracts and detailing contract values that are generally considered to be commercial-in-confidence.

**Mr J.H.D. DAY:** Is Mr Joseph able to give a general explanation as to why there is an increase from \$648 million in the 2015–16 budget up to \$671 million? I presume it is increased activity and is reflective of the increase in cost, which would be planned for.

**Mr A. Joseph:** Contracts are struck with respect to activity and price adjustment. They increase in 2016–17. It is a guess on my part at this stage, but it reflects increased activity that we expect in 2016–17, delivered through the private contract hospitals.

**Mr J.H.D. DAY:** I am advised that the change also reflects the fact that the new Midland Public Hospital started to operate under the new arrangements from November last year, not for the full financial year. That therefore explains some of the increase in 2016–17.

**Mr R.H. COOK:** I wonder whether the minister is offering to provide a breakdown of that line item by supplementary information.

**Mr J.H.D. DAY:** I was not; no.

**Mr R.H. COOK:** Okay. Mr Joseph said it would require further research.

**Ms J.M. FREEMAN:** Further to that, there was a concern around confidentiality but we are not asking for the amounts, we are asking for breakdowns of what the contracts are. We do not need the amounts but there should be transparency in what private contracts the public health system has with organisations.

**Mr J.H.D. DAY:** As has been explained, the main contracts are with Ramsay Health Care and St John of God Health Care. From my recollection, quite a bit of information about the contracts is available. It is probably not the figures, but —

**Ms J.M. FREEMAN:** Is it available somewhere publicly? No, it is not available somewhere publicly, so can it be provided as long as it does not have the amounts attached?

**Mr J.H.D. DAY:** I will seek advice about what can be provided. I agree that there should be as much transparency as possible but we need to ensure the public interest is protected, of course. It is not about protecting the government's interest; it is about protecting the public interest.

**Ms J.M. FREEMAN:** There was lots of nodding.

**Mr J.H.D. DAY:** I will seek advice about what further information we can provide about what is contained within the “Private sector contracts expense”. It is on page 340 of the budget papers. I undertake to provide further information about what is contained within that line item.

*[Supplementary Information No A47.]*

**Mr R.H. COOK:** Can the minister clarify whether the private contractor expenses include payments to Capella Parking consortium? I want to know how much money Capella Parking put into the trust account in 2015–16, what the estimation is for 2016–17, and how much will be paid out of the trust account to Capella Parking consortium under the private sector parking contract for those two years?

[4.20 pm]

**Mr J.H.D. DAY:** Capella has the major new parking facility on the Queen Elizabeth II Medical Centre site.

**Mr R.H. COOK:** It includes all parking on the QEII site.

**Mr J.H.D. DAY:** That is the new facility and other parking on the QEII site. Essentially, there has been a big increase in the parking capacity available at that location, as is necessary with the development of the Perth Children's Hospital. For further information, I will ask Mr Salvage to comment.

**Mr W. Salvage:** Could I seek a clarification on the reference to “trust”?

**Mr R.H. COOK:** I understand that the way the contract with the Capella Parking consortium operates is that Capella, through its consortia, collects all the parking revenue at QEII. It is then required to put that money into a trust account and what comes out of that trust account is the agreed value of the contract and, therefore, the trust account is topped up by the government. As someone who holds great store in transparency and accountability, I want to know how much Capella collected last financial year and will collect in this financial year, and how much will be paid out of that trust account to Capella in the last year financial year and this financial year.

**Mr W. Salvage:** We will have to take the details of that question on notice. There is an arrangement whereby the fees for parking at the QEII campus are actually set by the QEII Medical Centre Trust and there is a pass-through arrangement whereby the revenue collected is passed on to Capella. We can provide the member with advice on what the pass-through component of the contract is for this year and last year.

**The CHAIRMAN:** Minister, can you define for the clerk that supplementary information.

**Mr J.H.D. DAY:** We will provide as best as possible the information that Mr Salvage has just referred to. We will of course need to seek advice that any information we are putting out there will not go against the public interest. Within that constraint, we will seek to provide the information that has been sought in relation to Capella and parking at QEII.

*[Supplementary Information No A48.]*

**Dr K.D. HAMES:** I refer to page 328 and seek clarification about some of the figures in the line item “Efficiency Indicators”. At the bottom of that page it states —

**Explanation of Significant Movements**

(Notes)

1. The variance between the 2015–16 Budget and 2015–16 Estimated Actual Cost Per Capita of Supporting Treatment of Patients in Public Hospitals is due to efficiency improvements.

The line item shows that, indeed, it has gone from \$29 in 2014–15 to \$28 per capita in 2015–16. When I look at that I think that that is pretty good, but how did we get there? Then three lines above at line item “Average Cost per Casemix Adjusted Separation for Tertiary Hospitals” the budget figure has gone up, albeit less than the actual. The budget figure for non-tertiary hospitals has also gone up, as has the figure for the “Average Cost of Admitted Public Patient Treatment Episodes in Private Hospitals” line item. How do net costs come down when the rest of the costs are going up? Perhaps the explanation is in the first line. Is it because there has been a decrease from the actual in 2014–15 of \$8 286 000 to the estimated actual in 2015–16 to \$7 917 000? If so, that would be reasonable.

**Mr J.H.D. DAY:** I will ask Mr Joseph to answer that question.

**Mr A. Joseph:** The efficiency measure line item “Cost per Capita of Supporting Treatment of Patients in Public Hospital” is not the same as “costs per national weighted activity unit”. These are support costs. Included in those costs are costs such as those allocated to the Department of Health or the supporting infrastructure to support the delivery of hospital services. It is basically the overhead cost, and the cost per capita of those support costs in treating patient has reduced, reflecting the fact that non-hospital services costs or support costs have become less and, therefore, more efficient over that period.

**Ms J.M. FREEMAN:** I refer to the works in progress on page 336 of budget paper No 2 and the fourth line item from the bottom of the page “Remote Indigenous Health”. The 2016–17 budget papers forecast that total project expenditure will reach a total of \$13.9 million by 30 June 2016, with \$6.8 million required to complete the project in the two subsequent financial years. However, the 2015–16 budget—last year’s budget—expected total project expenditure to reach \$18.7 million by 30 June last year. That project should have been completed by the 2016–17 financial year. Would the minister explain why there appears to have been a two-year delay in the completion of this important regional health project?

**Mr J.H.D. DAY:** What line is the member referring to?

**Ms J.M. FREEMAN:** I am referring to the line item “Remote Indigenous Health”.

**Dr K.D. HAMES:** What page?

**Ms J.M. FREEMAN:** I am on page 336. I think there is a bit of mansplaining going on!

I refer to the fact that page 140 of last year’s budget papers, which members will not have before them, shows that expenditure was to reach \$18.7 million by 30 June last year. There has been a delay in this project. My question is: why has there been a delay in the completion of this important regional health project?

**Mr J.H.D. DAY:** This project will provide a number of new and extensive refurbished clinics and staff accommodation to assist in the delivery of improved health services to Aboriginal communities throughout the state. For example, a tender has been awarded for the Noonkanbah staff accommodation project. Construction has been on hold due to the road not being trafficable for large vehicles and due to the service issues that have affected construction. Both of those issues are in the process of being rectified by the contractors on site in late April this year. I presume that explains in part why there has been a change in the expenditure. There has been a revised building conditional audit report for the Jigalong Health Clinic. I am advised that that is currently being refined for refurbishment works. A variation to the memorandum of understanding has been submitted to the Department of Regional Development. It is currently being finalised and that includes adjustment to cash flows and the objectives and priorities following a financial reconciliation. Planning is being done for other objectives, including staff accommodation at the Wangkatjungka and Looma communities and planning for security infrastructure at Lombadina and One Arm Point is due to be completed by August this year. There is other information here about identified unallocated program-wide dollar value of \$2.4 million. I am not sure whether that fully explains why there has been a variation between last year’s budget and this year’s budget. I will ask Mr Moffet to add any further comments.

[4.30 pm]

**Mr J. Moffet:** This program has always had a scope, I guess, to deliver as many clinics in a prioritised order as possible. Given the delivery of these projects is in very remote areas, it is structured and planned to deliver clinic by clinic. There has not been too much parallel construction. We have recently finished Noonkanbah and Yandeyarra. Obviously, as cost plans were finalised, the projects were managed to their completion. We are now

finalising planning for Wangkatjungka and Jigalong. I would not say there has been a delay in the program. The program was always going to be complex because of the nature of the clinics, the planning involved and the remote cost structures. I do not have last year's figures, I am sorry, so I cannot reference that, but in terms of program delivery, I think we have been fairly satisfied internally that we are delivering the right projects in the right time frame.

**Mr R.H. COOK:** One of the things that has struck me as unusual, and, hopefully, it is unusual from the member for Dawesville's point of view also, is that there is no mention of Aboriginal health in the commentary or in the major spending decisions in the budget, particularly the Footprints to Better Health program, which was championed by the previous minister. My understanding was that the Footprints to Better Health program was allocated about \$16.5 million a year and that it would land next year and, I think, finish at the end of the 2017–18 financial year. It is not mentioned anywhere, so I seek the minister's assurance that there is \$16.5 million, which had been budgeted in 2016–17, and \$16.9 million for 2017–18, as was forecast in last year's budget. Where has this money gone under Aboriginal health services expenditure in the budget? What are the department's plans for this program going forward?

**Mr J.H.D. DAY:** There is a big commitment by both the state and commonwealth governments to improve outcomes in Aboriginal health. That is a very general statement but in relation to the Footprints to Better Health program in particular, I ask Mr Moffet to advise.

**Mr J. Moffet:** Funding is maintained as per the previous decision for 2016–17 and 2017–18, with some indexation. The total funding for footprints is \$28.8 million for this year. The department itself —

**Mr R.H. COOK:** Is that \$28.8 million for 2016–17?

**Mr J. Moffet:** It is for 2015–16—this financial year. Essentially, the government approved part funding for the program, and it is \$15.98 million for this year. The former minister asked the department to review, and ensure that we re-funded all the good programs so 88 per cent of the footprints funding was assessed by Professor Holman. The total funding this year is \$28.877 million and there is indexation for the next two years.

**Mr R.H. COOK:** One of the programs that was defunded was the Aboriginal maternity services program in Midland. Is there a particular reason why the department has decided not to fund that going forward?

**Mr J.H.D. DAY:** It was a commonwealth-funded program.

**Mr R.H. COOK:** I know it was a commonwealth program, but we took it over for 12 months. I wonder why we thought it was not worth continuing.

**Mr J. Moffet:** To be honest, I am not familiar with that program being funded by footprints. If it was defunded through the footprints review and re-funding process, it would have been because it was rated lower than good or above. That was a very consistent policy position from government.

**Mr J.H.D. DAY:** Mr Salvage can comment a bit further on that.

**Mr W. Salvage:** The Moort Boodjari Mia program was funded as part of the commonwealth's Indigenous early childhood development program. It was commonwealth funded. A decision was taken this year to continue funding for one year, with savings elsewhere in the budget to provide an opportunity for women enrolled in the program to complete their courses of care and to see whether there were opportunities to have some other provider pick up the program, but that has unfortunately not been the case.

**Mr R.H. COOK:** You could not find another provider for the program?

**Mr W. Salvage:** Opportunities were explored to have the program potentially taken up by other providers and that has not been successful to this point.

**The CHAIRMAN:** Member for Dawesville, have you got a further question in this line of questioning?

**Dr K.D. HAMES:** That was going to be my question. Why is it not visible within the budget? Why is there no commentary on the program within the budget documents?

**Mr J.H.D. DAY:** Is that the Footprints to Better Health program in particular?

**Dr K.D. HAMES:** Yes. Where do we find the figures in the budget that have just been mentioned, but there is no commentary?

**Mr J.H.D. DAY:** I am not sure whether there has been a change in that amount of detail this year compared with last year's amount. I will ask the director general to respond.

**Dr D. Russell-Weisz:** All I can say is that I can see the point in relation to no comment in the budget papers, but the focus is still there with a commitment to Footprints to Better Health and the amount of money put forward for this year for the good and above good programs. Although there is no comment in the budget, the commitment from the Department of Health is equally there.

**Dr K.D. HAMES:** Thank you. I suggest that it would be a good idea to have it in future budget papers.

**The CHAIRMAN:** I have an indication from the opposition committee that they would like to conclude this division. Is everyone happy with that?

**Dr G.G. JACOBS:** I have a question.

**Mrs M.H. ROBERTS:** We have two more divisions to do before six o'clock.

**Dr G.G. JACOBS:** I refer to the first dot point on better health, better care, better value on page 320. My question is about the enablers mentioned in the commentary, particularly around accountability, financial management and ICT. Since a lot of our discussion has been around value for money, what is being done and what will be done in light of the Auditor General's report into the central computing service project, released in February 2016, whereby 79 variations to the contracts added \$81 million in costs, and many of those variations were not properly authorised?

[4.40 pm]

**Mr J.H.D. DAY:** The issues around that particular project have been well publicised through the Auditor General's report. It is well acknowledged that there was not the supervision and governance that really needed to be in place, and money was expended that was not a good return for taxpayers, to put it mildly, as I understand it. There has been a substantial effort within the Department of Health to ensure that there is much better supervision and oversight of ICT projects. I will ask the director general to comment briefly, and then the deputy director general, Rebecca Brown.

**Dr D. Russell-Weisz:** I acknowledge the member's question and the considerable work that was started by my predecessor, Professor Bryant Stokes, through Rebecca Brown as deputy director general, in relation to improving ICT governance. ICT governance has been substantially improved; there is now sound reporting and accountability scope and overall governance in ICT management. I think that is reflected in the fact that we have been funded this year with \$53 million for a replacement radiology information system for the whole state. That has been a priority for Health; Treasury accepted our argument in relation to what are very tight financial times, and we now have that secured through this budget.

**Mr R.H. COOK** interjected.

**Dr D. Russell-Weisz:** ICT, as the member knows, has had some challenges. Because we now have robust governance, we can see what our priorities are—our radiology system, and our patient administration system. We now have a plan for the future. We also have an ICT strategy and an ICT executive board, and I am much more comfortable about the visibility we have going forward. We have done a very detailed review on top of what the Auditor General has done in relation to the particular contract the member is talking about. I will pass on to Rebecca.

**Mrs R.A. Brown:** Yes, just concurring with the director general, WA Health accepted all of the recommendations and, as the director general pointed out, it was the previous director general who highlighted these matters to the Auditor General and requested that the audit be undertaken. Significant work has been done over the last two and a half years in the governance, planning and decision-making around ICT, and also significant work has been done in rolling out a procurement reform agenda across WA Health, including the establishment in mid-2014 of a robust delegations and authorisations schedule with regard to all matters of procurement and contract variations. In addition, it has been equally important to roll out an intensive training program across many areas of WA Health, but particularly the area that manages our ICT projects. In that regard, we have made a number of changes in that organisation to ensure that robust checks and balances are in place. We have separated the finances, procurement and contract management from the technical ICT area so that there is more robust governance of that organisation and of ICT more generally.

**The appropriation was recommended.**

**Division 31: Culture and the Arts, \$217 699 000 —**

Ms W.M. Duncan, Chairman.

Mr J.H.D. Day, Minister for Culture and the Arts.

Mr D. Ord, Director General.

Ms M. Butcher, Director, Office of the Director General.

Mr C. Walker, Director, Policy, Planning and Research.

Ms S. Sherdiwala, Acting Chief Financial Officer.

[Witnesses introduced.]

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I give the call to the member for Midland.

**Mrs M.H. ROBERTS:** I refer to page 348 of budget paper No 2 and the first two dot points under "Significant Issues Impacting the Agency", both of which refer to the Western Australian Museum. The first dot point states that the Perth site will close its doors to the public on 18 June 2016 and that the new museum is not scheduled to open until 2020. The second dot point states that the new museum building will incorporate the four existing heritage buildings into an exciting new facility that will act as a gateway to Western Australia for national and international audiences. Can the minister advise me of the cost of the new museum project referred to in the second dot point? I understand that some costs have already been met with what the minister calls the new museum project at Welshpool and that facility has been completed, so I am not asking about that; I am asking about the new museum itself. How much money will it cost and how is that allocated across the out years?

**Mr J.H.D. DAY:** As the member indicated, it is a truly exciting project and one that has been needed for 20-plus years. I probably do not need to elaborate more except to say that the project is at an advanced stage of the tendering process. Negotiations are continuing with the preferred proponent and all the detailed discussions have been progressing very well. The total value of the project is about \$428 million, which was originally allocated in the 2012 budget. Part of that \$428 million in funding has been spent on the expansion of the Harry Butler Research Centre facilities at the Welshpool site, as the member mentioned, at a cost of \$17 million, and part of that funding has been spent on restoration of the external aspects of the heritage buildings at the Perth site, at a cost of about \$5 million. The estimated value of the new Museum building is around \$300 million.

[4.50 pm]

**Mr D. Ord:** It is approximately \$300 million.

**Mr J.H.D. DAY:** The fit-out or content of the building, which is an essential aspect of the project as well, is being funded, as was always intended, out of the allocation of \$428 million. A major team within the Museum is working on that aspect of the project at the moment as well.

**Mrs M.H. ROBERTS:** Is the capital appropriation for the Museum reflected on page 347 in "Item 133 Capital Appropriation" or is that something else? Where can I see the figures for how that \$428 million is allocated across the out years? The minister will recall that such things as new police stations and whatever list new works and the total value of the project, and then how much is allocated in each out year. That is what I am looking for.

**Mr J.H.D. DAY:** I refer the member to "Asset Investment Program" on page 362 of budget paper No 2. Under "Works in Progress", "New State Museum" is listed with an estimated total cost of \$428.3 million. In the coming financial year, \$95 million is expected to be expended, \$80 million in the year after, \$140 million in 2018–19, and \$63.5 million in 2019–20. As I said, that is listed there on page 362.

**Mrs M.H. ROBERTS:** The minister said that he expects to hand the site over and commence construction in early 2016–17. When does the minister anticipate awarding the tender?

**Mr J.H.D. DAY:** It will probably be in July some time, so the handover would be fairly soon after that and, assuming negotiations continue and conclude satisfactorily, Brookfield Multiplex will commence works on the site between now and the end of the year for the removal of some of the temporary facilities and initial site works and so on.

**Mrs M.H. ROBERTS:** I am looking at a couple of items that are linked together. I refer to the bottom line of the table on page 348, "Targeted Voluntary Separation Scheme", for which money is allocated across the out years. By how much have staff numbers been reduced? I want to know how many staff have been let go this year. The total full-time equivalents are listed across 16 separate headings under services and key efficiency indicators. Each of those 16 headings separately lists full-time equivalent actual, budget, estimated actual and budget target for 2016–17. I wonder whether the minister has to hand the totals for all of those things and can tell me the actual total staff across those 16 areas for 2014–15, what was budgeted for 2015–16, the estimated actual for 2015–16 and the budget target for 2016–17.

**Mr J.H.D. DAY:** That is quite a lot of detailed information being sought, so I am not sure that we are able to provide all of that.

**Mrs M.H. ROBERTS:** I thought the minister would have it to hand; it is just total staff.

**The CHAIRMAN:** Order, member for Midland; the minister is attempting to answer.

**Mr J.H.D. DAY:** The voluntary severance scheme has been part of the agency expenditure review process and that process required a reduction of 42 positions from a total of 859 staff across the portfolio. A voluntary separation scheme was offered last December, which closed in January, with 79 employees expressing interest in the scheme. I am advised that as at 20 May, 32 voluntary separations had been accepted and the cease date has occurred, five voluntary severances are still to be accepted and completed, other staff have been relocated to other positions in the portfolio or more widely in the public sector, and three employees have withdrawn from the voluntary severance process. The general target date for employees leaving the portfolio is 30 June this year and total savings have already been taken from the salary line in the forward estimates. I ask Mr Ord to comment on the further information being sought.

**Mr D. Ord:** For those specifics per agency, we can take that on notice.

**Mrs M.H. ROBERTS:** Can I have that by way of supplementary information, minister?

**The CHAIRMAN:** Can the minister define what he is providing, please?

**Mr J.H.D. DAY:** We will provide, as best as possible, the information that the member for Midland sought in her question.

**Mrs M.H. ROBERTS:** It is just a matter of adding up the 16 separate items in the budget. I am seeking the actual number of full-time equivalent employees for 2014–15, the number of FTEs budgeted for 2015–16, the estimated number of FTEs for 2015–16, and the budget target for FTEs for 2016–17 across those 16 service and key efficiency indicator areas.

**Mr J.H.D. DAY:** Does the member want each area separately?

**Mrs M.H. ROBERTS:** No. They are listed separately for each area in the papers; I just want the totals.

**Mr J.H.D. DAY:** Yes, that is supplementary information as discussed.

*[Supplementary Information No A49.]*

**Mrs M.H. ROBERTS:** I refer again to page 348, “Targeted Voluntary Separation Scheme”. Do the figures of \$868 000, \$889 000, \$912 000 and \$934 000 reflect ongoing savings from reducing the number of FTEs by 42 on a continual basis or would that include further redundancies above the 42 in those out years?

**Mr D. Ord:** It is based on the savings as they are extrapolated across the forward estimates.

**Ms J.M. FREEMAN:** I refer to the line item “2016–17 Tariffs, Fees and Charges” under “Spending Changes” on page 347. I notice there was no line item for tariffs, fees and charges in last year’s budget, so this is a new item in the budget this year. The estimated actual in 2015–16 is \$102 000, increasing to \$206 000 and then decreasing again to \$112 000. What makes up the tariffs, fees and charges and why is there such a significant doubling in the income from tariffs, fees and charges in 2016–17? I am happy to take it as supplementary information.

**Mr J.H.D. DAY:** I can answer that. New fees were approved for the State Records Office digitisation services, the State Library of Western Australia’s events catering fee, and the King Street Arts Centre foyer hire fee, so I expect those increases in charges were related to getting closer to cost recovery.

[5.00 pm]

**Mrs M.H. ROBERTS:** Further to that, will the minister table those fee changes or provide them by way of supplementary information?

**Mr J.H.D. DAY:** Yes, we will do that.

**The CHAIRMAN:** Minister, can you restate what you will be providing?

**Mr J.H.D. DAY:** We will provide the details of the fees that are charged for digitisation services at the State Records Office of Western Australia, the State Library of Western Australia’s events catering fee, and the foyer hire fee for King Street Arts Centre.

*[Supplementary Information No A50.]*

**Mrs M.H. ROBERTS:** The sixth dot point on page 348 refers to royalties for region funding of \$24 million that will be invested over five years to 2018-19, which is a repeat of what was in the previous budget. Is money allocated beyond that; and, if not, why not? What money can be anticipated from royalties for regions beyond 2018-19, and is there the prospect of another five-year extension?



**Mr J.H.D. DAY:** There is always the prospect of it. Certainly Country Arts WA would be very keen for that to occur. The name is not there, but it is being provided for the Creative Regions package to increase arts activities in a range of areas in regional parts of the state. I will ask Mr Ord to elaborate.

**Mr D. Ord:** Under the new royalties for regions program, in approving the five schemes the Minister for Regional Development included a review provision based on the schemes meeting the key performance indicators identified in the original funding program. That review period is 18 months from the time that the scheme came into effect, so effectively it will be reporting around the midyear financial period this year on the first 18 months of the program. Further funding, or the continuance of the program, is subject to the review outcomes, as indeed is the potential to move funds between schemes depending how each of the five schemes perform.

**Mrs M.H. ROBERTS:** If the review is done midyear, does that mean there will likely be an announcement at that time about continued funding?

**Mr J.H.D. DAY:** Maybe; we simply have not made that decision. We are not far enough advanced to say that, but once we have the information we will see what commitments will be made in the future. I am sure there will be a strong desire for it; indeed, as I said, I know there is a strong desire for it to continue. It has been very much welcomed in regional parts of the state by the art sector and the funds that have been available from the R for R program have been, as I said, very much welcomed and strongly supported by the arts portfolio. The member is obviously aware of the desire. I am sure Country Arts has made its desire known to her as well.

**Mrs M.H. ROBERTS:** It has; it needs the money, and it would like more.

I refer to “Other Receipts” under the heading “Net Appropriation Determination” on page 366 and to the line item “Rental Income from King Street Arts Centre”, which has an amount of \$232 000 in 2015–16 and other amounts of \$235 000, \$237 000, \$239 000 and \$241 000. I find it interesting that rental income is going up in the government’s forward estimates when other people are finding that rental incomes are going down. However, I will put that to one side, because that is not my substantive question. My question is: what space is rented there? What space does the department utilise at King Street Arts Centre? Is the minister contemplating moving out of any space at King Street Arts Centre?

**Mr J.H.D. DAY:** My personal view is that I would be very reluctant for the government to not continue ownership of King Street Arts Centre. I think we should retain it. It is obviously an important facility for the arts community and it is highly desirable that it stay in public ownership. It is home for a range of arts and cultural organisations. Those non-commercial tenants include FORM; Contemporary Arts and Design; Ausdance WA; Artsource, which is more fully known as the Artists Foundation of WA; Co3, which is a fairly new dance company; Performing Lines; the Western Australian Youth Theatre Company; Community Arts WA; and the Community Arts Network WA. All those organisations receive public funding through the Department of Culture and the Arts through triennially-based funding contracts. They are important organisations in the arts sector.

**Mrs M.H. ROBERTS:** The minister is no doubt aware that there have been requests to establish a theatre at the Midland railway workshops. I think a request has gone in for workshop 1. However, workshop 2 would be equally desirable. Has the minister given any thought to creating an arts centre there, including theatre space and potentially other space? I note that clearly that space is very conducive to Country Arts, given Midland’s relationship with the regions.

**Mr J.H.D. DAY:** Yes, I am aware of a proposal or suggestion that has been made, but it is not something the government has taken much further because a substantial cost would of course be involved. We also need to be mindful that despite how much some local communities would love to have them, regional art centres around the metropolitan area, and the state for that matter, are generally quite expensive to operate. Given where my electorate is and where I happen to live, I would be delighted to have such a facility in the railway workshop site, but those who are proposing such a facility need to be mindful of the cost of operations, as I said. A couple of years ago, the Committee for Perth, I think it was, undertook a study about performing arts facilities around Perth, in particular, and, I think, more widely across WA, but around the Perth metropolitan area. The view expressed then was that we have too many for them to be viable. That is my candid observation of what would be desired, but if it is achieved at some stage, that would be a wonderful thing. There has been a commitment by the government in the Midland area of course, and we have referred to some of that in the Health discussion earlier and what has been done through the Metropolitan Redevelopment Authority and other parts of government as well. That is where things are at as I see them at the moment.

**Mrs M.H. ROBERTS:** I refer to “Income from State Government” on page 364. I note that the service appropriation estimated actual for 2015-16 is \$130 629 000. However, in 2016-17 it drops to \$123 810 000, which is a loss of \$7 million. The line item two lines down from that, “Royalties for Regions Fund: Regional Community Services Fund” shows an amount of \$7 256 000 for 2015–16 and an amount of \$15 207 000 for 2016-17.

That is an increase of \$8 million. Is that a coincidence or not, and is it really cost shifting from CRF to grab the money, the \$8 million, out of the royalties for regions fund to enable CRF to give \$7 million less to the arts?

[5.10 pm]

**Mr J.H.D. DAY:** I will ask Mr Ord to comment.

**Mr D. Ord:** The agency expenditure review led to a range of efficiencies primarily directed, obviously, towards the CRF budget. It is a coincidence that the additional funding in the budget for the regional film fund and other funds that we receive from royalties for regions related to the Better Beginnings and Creative Regions programs equal a similar sum to the one that we are meeting as efficiencies through the agency expenditure review savings measures. There is no direct correlation between activities we are ceasing or reductions in administrative costs. The programs that will be delivered from royalties for regions are quite specific to services actually being provided to the community.

**Ms J.M. FREEMAN:** I refer to “Arts Industry Support” on page 354 of budget paper No 2 and the total cost of service supporting the delivery of arts and culture activities across Western Australia through funding programs and partnerships. I note that the estimated actual for 2015–16 has gone down, but it goes back up again next year. My question is about the Fringe World Festival, which is an open access presentation platform. The minister would know that there has been concern regarding some of the performers and people involved in the festival about its size and the capacity for people to continue to perform. I have raised this in the house before when discussing its success. When is the 2016 impact report expected? Can the minister outline what contributions the state government made to the Fringe World Festival in 2015–16?

**Mr D. Ord:** Mr Walker would be the best person to answer.

**Mr C. Walker:** The Fringe World survey is not due until the midyear reporting in the department, so it will be due at the end of this financial year. It will be published on its website as in previous years. As for the contribution from state government, it would take into account the contributions from the Department of Culture and the Arts, the Metropolitan Redevelopment Authority and Lotterywest; the total comes to around about \$1.2 million.

**Ms J.M. FREEMAN:** Further, is information on the contribution able to be broken up—that is, by Lotterywest, the department and the MRA? I gather the MRA contribution is in kind, because it would have been land, not necessarily funds. Can the information on the contribution be broken up into those sections?

**Mr C. Walker:** We can provide that as supplementary information; that is okay.

**Mr J.H.D. DAY:** We will provide information on the funding that was provided to Fringe World Festival for 2016 from Lotterywest, the MRA and the Department of Culture and the Arts broken down by how much from each organisation.

[*Supplementary Information No A51.*]

**Ms J.M. FREEMAN:** Does the minister have any response to the concerns raised and the request to ensure that the Fringe World Festival is sustainable in the future by enabling sustainable returns for performers?

**Mr J.H.D. DAY:** That is an issue for the board and the management of Fringe World and Artrage, which is the organisation that presents Fringe World. I recall a newspaper article that the member gave me published in, I think, *The West Australian*. I raised the issue in a meeting with Artrage and essentially the answer was that it tries to achieve a balance to ensure that the venues are accessible to a whole range of performers, and it did not want to shut out those who were clearly more successful and attracted a lot more audience—which I think is the right way to say it. Maybe Mr Ord can comment on that further.

**Mr D. Ord:** The department has had quite a bit of engagement with the Fringe and we have agreed with it that as part of the impact reports, it will undertake some elements around how performers have fared in their net takes, which is in a sense returns on the investment of the time they put in as performers. We will be interested to look at those statistics ourselves. The arts funding program is essentially an open access grant program, so in fact we do find Fringe performers apply ahead of time for some assistance from the department, often to help them prepare pieces that would go into the Fringe. It is not the case that no artist in the Fringe has access to government funds, but of course our funding programs are competitive, so whether they get funded or not would depend on the nature of the quality of the submission. The proposal by some artists in the Fringe that there be some sort of guarantee of a minimum wage, if you like, provided through funding of the Fringe is not a model that runs in fringe festivals anywhere else in the world, and it would be difficult for us with the way that we run our grants program, which, as I said, is competitive funding. There is, I guess, a lot more competition for grants than there is the ability of the government to meet them, so we have to have a competitive process and award grants based on multifaceted criteria. But we do understand the underlying concerns and, as I said, the Fringe has been very cooperative in preparing to have a look at this issue itself, because obviously the sustainability of the Fringe will depend on the viability of artists.

**Dr G.G. JACOBS:** I refer to the sixth dot point on page 348 and the \$24 million invested from royalties for regions.

**Mrs M.H. ROBERTS:** We have already asked about that.

**Dr G.G. JACOBS:** The member has asked a question, but if she would just listen to the rest of my question, I am happy to take the answer to my question as supplementary information. Does the minister have any idea about the distribution throughout regional Western Australia of those funds for Aboriginal art centres and capital improvements in art venues?

**Mr J.H.D. DAY:** We could certainly provide that information. There are five streams in the Creative Regions program, one of which is for Aboriginal arts centres.

**Dr G.G. JACOBS:** I realise that.

**Mr J.H.D. DAY:** We have put out media statements when the allocations have been made, so there is probably quite a bit of information in those, but I am happy to provide a breakdown by way of supplementary information about what has already been allocated and announced in each of the five streams—maybe not explicitly by region, but the arts organisations that have been provided with funding will be listed there and the member will very easily be able to work out where they are located.

[*Supplementary Information No A52.*]

**Mrs M.H. ROBERTS:** I appreciate that my colleague the member for Victoria Park is keen to move on to the Indigenous Affairs division, so I will make this my last question. It pertains to “9. Public Library Services” on page 358 of budget paper No 2. I note that between 2014–15 and 2015–16 there is a cut of about \$2 million to public library services. How has that been achieved? Has there been any impact on the opening hours of public libraries? Has there been any impact on the purchase of books and other products by public libraries? Has service to the public been restricted in any way?

[5.20 pm]

**Mr J.H.D. DAY:** No, there has not been any reduction in opening hours. The opening hours of public libraries, apart from the State Library of Western Australia, are, of course, determined by local governments. The state provides the funding for the materials and local governments provide the staffing and the buildings, normally. Therefore, there has not been any change to opening hours as a result of any state government decision.

Regarding the amount of funds for materials purchased, as part of the agency expenditure review, to which we have referred, a modest saving has been made through a reduction of five per cent in the allocation for library materials. Overall, we increased it quite substantially a few years ago and we simply needed to make some modest adjustments to meet the allocation provided through the state budget for the arts portfolio. Although we do not like reducing things, a reduction of five per cent is fairly modest and given that a lot more information is provided through electronic means these days, I think that can be accommodated fairly easily. I am not suggesting, in case anyone wants to think otherwise, that electronic means are a complete substitute for hard copies of books. I certainly do not and I much prefer hard copies of books. We will need to keep up the effort in that respect, but that explains some of the reduction. I will ask Mr Ord to add further.

**Mr D. Ord:** As part of our restructure and the agency expenditure review, certain parts of the appropriation have been reallocated between parts of the portfolio. One of the major savings measures was to bring together asset maintenance across the State Library of Western Australia, the Art Gallery of Western Australia and the Western Australian Museum. As a consequence, asset maintenance funding was taken out of the appropriation of some of the key agencies and moved to the department. Equally, some of the department’s expenses have been reallocated. In particular, the library has taken on a centralised role of running information technology as a knowledge centre. There have been quite a few appropriation-level changes that are not cuts; they are just changes. The member will note that the appropriation for the Department of Culture and the Arts has gone up. Some of the others have gone down. It is making sure that the appropriation matches the area that is responsible for expending the funds.

**Mr J.H.D. DAY:** I suspect that the allocation of library materials is a different line item. It is a capital item so I probably did not need to provide the answer I just did, but that is a fuller explanation.

**Mrs M.H. ROBERTS:** I am curious about the number of full-time equivalent positions for public library services and point 10, “Library, Literacy and Community Engagement” on page 350 of the *Budget Statements*. I note that in 2015–16 the government budgeted for 36 FTEs for public library services but the estimated actual is 43. What went on there? Likewise, in “Library, Literacy and Community Engagement”, the government budgeted for 56 but it has only 39 FTEs as its estimated actual. Given that the minister referred to the public library services as not being the state reference library and the like at point 9, and he said they are really the council libraries, where are these staff physically located?

**Mr J.H.D. DAY:** They are located in the State Library, which has a substantial reference collection. The state’s collection of contemporary and very historical material is important to the state’s heritage. I say that as a general comment.

In response to the question about literacy programs, I make the point that there is still a strong commitment to the Better Beginnings program, which provides reading materials to families with children in the early stages of life. The state is supporting that through royalties for regions, and Rio Tinto is also quite a major supporter of that.

In response to the question about the reduction in staff, the library has, as all parts of the portfolio have, participated in the voluntary severance scheme, so that probably explains most of the reduction, but I will ask Mr Ord.

**Mr D. Ord:** Last year, the key performance indicators for the portfolio overall were changed and the allocation of staff—given they are relatively small pools of staff—at a full-time equivalent level is somewhat notional because people work across divisions of the budget, hence some of the number of FTE allocated were notional and did not entirely reflect the activities. We fund it on a salary appropriation now, not on FTE, and, as a consequence, the number reflects the allocation of the budget into that cost centre. The relative staff allocations are just while we settle down these KPIs.

I refer to library staff. Apart from a few contract workers related to interlibrary services, there has not been a targeted redundancy beyond some of the efficiencies to do with workforce renewal, a program whereby when staff retire a lesser budget is provided for the replacement of staff. The library overall is operating within essentially the same FTE this year as it did last year and will do so again next year.

**Mrs M.H. ROBERTS:** We are happy to move on to the Department of Aboriginal Affairs division.

**The appropriation was recommended.**

**Division 28: Aboriginal Affairs, \$33 176 000 —**

Mr P. Abetz, Chairman.

Mr J.H.D. Day, Minister for Health representing the Minister for Aboriginal Affairs.

Mr C. Weeks, Director General.

Mr N. Thomson, Executive Director, Land.

Mr J. Curtis, Executive Director, Community Development.

Ms T. Vale, Chief Heritage Officer.

Mr S. Richards, Chief Financial Officer.

Mr V. Davies, Assistant Director General.

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

[Witnesses introduced.]

[5.30 pm]

**The CHAIRMAN:** I give the call to the member for Victoria Park.

**Mr B.S. WYATT:** I refer to "Significant Issues Impacting the Agency" on page 298 of the *Budget Statements*. As the minister is no doubt aware, the government has released the Land Administration Amendment Bill 2016 and I am interested in the department's role in this. I am in no doubt that the department is now starting to get some feedback, in respect of potential impact on native title. I note that the proposal is for the government to develop a template Indigenous land use agreement and I want to know whether native title representative bodies, native title organisations and Aboriginal organisations will be part of that negotiation process so that their feedback will be fed into that template ILUA.

**Mr J.H.D. DAY:** I will ask Mr Weeks to answer that.

**Mr C. Weeks:** We are involved. I had a conversation with the director general of the Department of Lands on Friday and he advised the 12 agencies around the table that we would now be more intimately involved in the process. In terms of the detail around the ILUA, I am not aware of that, but the chief land officer might be aware of some detail.

**Mr N. Thomson:** I am not able to answer that one; sorry.

**Mr B.S. WYATT:** Sorry, I did not hear you.

**Mr J.H.D. DAY:** He does not have that information.

**Mr C. Weeks:** All I can say is that I will make sure that Aboriginal representative groups are consulted as part of that process. I have met up with the Kimberley Land Council over the last three weeks. We spoke about some rangeland issues, but in terms of the actual legislative change, we did not have a conversation about that.

**Mr B.S. WYATT:** Did the KLC raise its concerns about that legislation with Mr Weeks; for example, application of outsider pastoral leases? Obviously in the Kimberley, where 35 per cent is exclusively native title, this may have an impact, therefore there is some concern coming out of the Kimberley.

**Mr J.H.D. DAY:** I will ask Mr Weeks to answer.

**Mr C. Weeks:** Nolan Hunter, the CEO, said that it would be fantastic if the government had some templated tenure opportunities. The discussion was more about how we can get greater economic opportunities out of Aboriginal lands, but the Land Administration Act 1997 is not necessarily my remit, so I do not have a lot of detail on it, to be honest.

**Mr B.S. WYATT:** In respect of the answer given by Mr Weeks around template tenure reform, is there any work being undertaken in the department around tenure reform outside what is happening in the rangelands reform?

**Mr J.H.D. DAY:** I defer to Mr Weeks.

**Mr C. Weeks:** There is a meeting on Monday with the Departments of Lands and the Department of the Premier and Cabinet. We are now starting a process. I have asked the question whether words around the delegations and the Land Administration Act could be handed over to the department to look at lands under the Aboriginal Affairs Planning Authority—Aboriginal Lands Trust. It is part of a broader discussion, but I do not have that detail.

**Mr B.S. WYATT:** In respect of the Aboriginal Lands Trust, by way of supplementary information I dare say, is the minister able to provide me with any information about land that was divested by the trust in the past 12 months?

**Mr C. Weeks:** We can certainly do that.

**The CHAIRMAN:** Could the minister restate that for the record?

**Mr J.H.D. DAY:** We will provide supplementary information on details of any lands that have been divested by the Aboriginal Lands Trust in the last year.

*[Supplementary Information No A53.]*

**Mr J.H.D. DAY:** Does the member mean since 1 July last year?

**Mr B.S. WYATT:** Let us go with 1 July last year.

**Mr R.H. COOK:** I am looking for a line item to talk about this, but it is probably under land management on page 299 of the *Budget Statements*. My attention has been drawn to a number of news articles about communities dissatisfied with the quality of their drinking water, in particular Pandanus Park. That also runs off the back of an Auditor General report in the past 12 months that looked at water quality across a range of communities and found that more than a dozen had enough nitrate in their water supply to potentially cause fatal conditions such as blue baby syndrome, as well as the presence of *E. coli* and so on. What has the department done about the quality of drinking water in communities?

**Mr J.H.D. DAY:** It is an important issue, which is obviously an ongoing one. My understanding is that the Department of Housing normally provides bottled water as a substitute for people drinking the locally available water, where it is not appropriate to do so, but I will ask Mr Weeks to add to that.

**Mr C. Weeks:** In terms of service delivery, it is the responsibility of the Department of Housing. There are just over 100 communities under the Aboriginal Lands Trust, so we have a direct role in things such as water quality and power provision. However, we are not a service provider. We have asked questions at a ministerial level; the minister's office has gone to Minister Holt, so clearly there are some issues with water supply. I used to deliver those services 10 years ago, when I was the executive director of Aboriginal housing. It is something that they are becoming more aware of through thorough testing, but in terms of the actual service delivery, it is not under my banner.

**Mr B.S. WYATT:** Under “Government Goals” and “Services” on page 299 of the *Budget Statements* is “Heritage Management”. Pages 299 and 302 relate to Aboriginal heritage. Firstly, can the minister provide us with an update of the status of the legislation that has been introduced in the upper house to amend the Aboriginal Heritage Act 1972? Is it still the intent of the government to bring that on for debate, I dare say between now and Christmas, or has the government come to its senses and it is no longer proceeding with that particular amendment?

Secondly, in respect of the line item for the Aboriginal heritage electronic lodgements project, can the minister just give me an idea of the current backlog for assessments by the Aboriginal Cultural Material Committee? The first question was about the Heritage Amendment Act: is it still the intent of the government to bring that on for debate this year?

**Mr J.H.D. DAY:** Which house is it in at the moment?

**Mr B.S. WYATT:** It was introduced in the upper house by the minister.

**Mr J.H.D. DAY:** Obviously, that is an issue for the minister. There is also a bill in this house, is there not?

**Mr B.S. WYATT:** It was introduced by Hon Peter Collier; it was not introduced down here.

**Dr K.D. HAMES:** No.

**Mr B.S. WYATT:** Was it introduced by you, Kim?

**Dr K.D. HAMES:** Yes.

**Mr B.S. WYATT:** Introduced here? When is the minister bringing it on for debate?

**Mr J.H.D. DAY:** We will have a debate about it being restored to the notice paper. I am trying to make sure we are talking about the same thing.

**Mr B.S. WYATT:** It is the same deal; the minister is right.

**Mr J.H.D. DAY:** It is currently in the lower house. There is significant debate around one particular aspect, as I recall, and my general understanding is that the minister is looking at an amendment to that particular aspect that would make the bill much more widely supported. I do not know whether the member shares that view or not.

**Mr B.S. WYATT:** I do not know what the amendment is; I do not know what the minister is talking about. Let me know what the amendment is and then I might be able to provide some comment.

**Mr J.H.D. DAY:** I think the member for Victoria Park has a better idea than me of the contentious part of the bill.

**Mr B.S. WYATT:** I have a range of problems with it, but I am not sure which particular point the minister is referring to.

**Mr J.H.D. DAY:** I suppose one aspect about whether we bring it on for debate would partly be whether it is likely to be supported by the opposition or whether the opposition would be actively opposing it and therefore drawing it out and extending the debate in a major way. That would perhaps be one consideration, which I cannot really answer at the moment. Does Mr Weeks want to make any comment about the legislation itself?

**Mr C. Weeks:** I am not sure whether I can; it is in the domain of the house now and the negotiations will go on.

**Mr J.H.D. DAY:** I am sure the minister needs to finalise whatever amendment is being considered and bring that forward, presumably to cabinet. I am sure his office is taking note of what is being discussed in here and will advise me and the government more widely and appropriately.

[5.40 pm]

**Mr B.S. WYATT:** Concerning the regional reform process, a separate apparatus has been set up within government headed by Grahame Searle. I am keen to know about the department’s involvement in that. Does it have an active role or simply a more passive role in the project?

**Mr J.H.D. DAY:** I will ask Mr Weeks to advise.

**Mr C. Weeks:** We are actively involved. The regional reform unit has four key agencies involved: the Departments of Housing, Child Protection and Family Support, Regional Development, and Aboriginal Affairs. A representative from the Department of Aboriginal Affairs is present at each of the unit’s meetings. We are invited to the Strategic Regional Advisory Council meetings that involve Aboriginal people from the Kimberley and Pilbara. I have backed away from the unit a little bit. Minister Redman wanted to take a lead on that project. A state reform leader is there to drive the process. We are certainly aware of it, so I would not describe our involvement as passive. A lead agency and directors general drive that body of work.

**Mr B.S. WYATT:** From the royalties for regions fund, \$50 million was due to go into the special purpose account, I think to create a \$150 million fund to assist that process. It has been delayed for a year. Is that something that the department has been involved with or can explain, or is it a question that I should put to the Minister for Regional Development?

**Mr C. Weeks:** I am aware of some things that are currently going through the cabinet process, so I probably cannot elaborate on them. It is probably best answered by the Minister for Regional Development.

**Mr J.H.D. DAY:** I agree.

**Mr R.H. COOK:** The first dot point on page 299 mentions the department's patrols program. Could the minister please provide us with a list of the 14 locations across WA where the patrols operate? Can the minister also please tell me the operating budget for the patrols program?

**Mr J.H.D. DAY:** Patrols currently operate in metropolitan Perth, Kununurra, Wyndham, Halls Creek, Derby, Broome, Roebourne, Port Hedland, South Hedland, Laverton, Kalgoorlie, Meekatharra, Carnarvon, Geraldton and Mullewa. I have information here—I am not sure whether it is listed in the budget papers—that the funding provided in 2015–16 is \$5.9 million; in 2016–17, it will be \$6.079 million; and in 2017–18, it will be \$6.439 million.

**Mr R.H. COOK:** The minister mentioned the metropolitan area. Does that mean the patrol operates in just the CBD—sort of in Northbridge—or does it operate in the suburbs; and, if so, which ones?

**Mr J.H.D. DAY:** I will ask Mr Curtis to advise on that.

**Mr J. Curtis:** The Nyoongar Patrol services the Perth metropolitan region. The model is flexible in the sense that we provide about \$1 million for service for the year, so it depends where the demand is. The Service has historically been predominantly in the Perth CBD metropolitan region, but it has also serviced Fremantle and other areas. However, patrols are predominantly in the Perth CBD.

**Mr B.S. WYATT:** Can I take the minister to the case of *Robinson v Fielding*, which he may recall from last year—no doubt the director general recalls it—and Justice Chaney's judgement.

**The CHAIRMAN:** What page is that?

**Mr B.S. WYATT:** It is page 302. The director general may recall that we had a conversation last year about the number of sites that were affected. At the time, I think I suggested there were 22 and the director general made the point that there were over 30 sites. I think I read somewhere it is 30-something. Where are we with those sites? Have we finished with the reassessments?

**Mr J.H.D. DAY:** Mr Weeks.

**Mr C. Weeks:** The main site, the Yintha in Port Hedland harbour, has gone to the Aboriginal Cultural Material Committee, so it will go up to the minister soon. The registrar currently has 10 assessments, so she will lodge those with the ACMC for a decision. The project is due to be wound up at the end of this financial year. Six staff have been offline and an independent anthropologist has come on board.

**Mr B.S. WYATT:** Sorry, at the end of next month?

**Mr C. Weeks:** Yes, that is right. Obviously, there is the process; that was our role in the case and then it will go to the ACMC. It will then be scheduled for subsequent meetings. At this stage, I think we aim to have everything finalised before the October Aboriginal Cultural Material Committee meeting.

**Mr B.S. WYATT:** I asked a question before about the current number of cases waiting for assessment by the ACMC. I think we were sidetracked before we could get that answer.

**Mr J.H.D. DAY:** Mr Weeks.

**Mr C. Weeks:** Currently, 15 000 sites are still waiting for assessment. I think we got 1 000 new sites over the last two years, and the ACMC is on a schedule of doing up to 1 000 sites a year. There is a backlog. We had the debate previously that part of the Aboriginal Heritage Amendment Bill is to give site assessment powers to the chief executive officer to be able to dig through the backlog. At the moment, we are putting a focus on those sites that are at risk of projects—really, the sites that are being assessed through a section 18 process. Ms Vale, who is in charge of the heritage area, is restructuring at the moment. We are getting more archaeologists and anthropologists on board so that we can start to build our ability to do site assessments as well. But, yes, there is a significant backlog.

**Mr B.S. WYATT:** I know the director general said it just a minute ago, but what is the status of Marapikurrinya Yintha?

**Mr C. Weeks:** It has gone to the Aboriginal Cultural Material Committee.

**The CHAIRMAN:** Would anyone like to ask a question?

**Dr K.D. HAMES:** We can ask one if you want!

**Mr B.S. WYATT:** Go for it, Kim!

**Dr K.D. HAMES:** I refer to heritage management on page 299 of the budget papers. I note the increase from 2014–15 to 2015–16. The minister might have talked about this in last year's budget estimates, but obviously I was not here. A significant increase in funding is continuing. I note that some of the funding has been taken from "Accountable Government", whatever that was, and "Community Development", but what was the significant increase in funds for heritage management?

**Mr J.H.D. DAY:** Mr Weeks.

**Mr C. Weeks:** It is mainly full-time equivalents. We have four operational areas: heritage management, land, accountable government and community development. We have put more effort into heritage management by FTE transfer. I think our numbers are about 40 full-time equivalents. We also have other parts of the agency for corporate support services, so a higher percentage of legal services go to heritage management and a higher degree of services from the office of the director general provide more of that corporate, business-level support to the operational unit. It is not really money in terms of an increase in investment; it is more resource allocation and the way we do that.

**Mr B.S. WYATT:** I will go back to a conversation I had previously with the director general about work in the space of tenure. Is that work in respect of the existing legislative arrangements, or is the department looking at perhaps creating a different tenure structure to try to create opportunities out of the land, particularly land held by the Aboriginal Lands Trust?

**Mr C. Weeks:** The discussion on the Aboriginal Affairs Planning Authority Act is very similar to the discussion we had around the Aboriginal Heritage Amendment Bill. It is a 40-year-old piece of legislation. It gives the ability to lease land to Aboriginal people, really under the broad banner of being for the use and benefit of Aboriginal people. There are a number of different leasing opportunities from part III "Reserved lands" that are heavily restricted and need the Governor's approval to be able to lift those leases, to other various leases, including pastoral land and so forth. To some degree, those leases are very limited in being able to do economic activities. We have been looking to the Land Administration Act to see what is available for leasing opportunities in order to give Aboriginal groups those opportunities.

[5.50 pm]

We are now at the point where we are not quite sure whether there is potential for the type of tender that will enable Aboriginal communities to support mortgages and a range of other things that will attract investors to do something with that land. We have 20 million hectares of land and it is a lazy asset. Therefore, our discussions around land tenure reform are about finding the right way to lease that land to Aboriginal people so that they can benefit from it. Most people understand that freehold land gives them some transfer of ownership rights, which banks will lend against. Some of the leases are quite weak and they cannot get that level of investment. It is more about investigating those options, and that is what I meant in the previous discussion when I said that I do not necessarily think all of those options are available within the Aboriginal Affairs Planning Authority Act at the moment. We are doing that in other parts of allocated or unallocated crown land, and I would like to do the same for Aboriginal lands.

**Mr B.S. WYATT:** I guess that highlights the importance of the department being involved in the Land Administration Amendment Bill. Although all the commentary I have heard has focused on pastoralists and what rights it gives or what changes it makes to pastoral leases and what can be done on those pastoral leases, there will be quite a dramatic impact on Aboriginal title, whether it be native title or Aboriginal Lands Trust land. The department is really becoming involved in that only now. That is what I understood from what the director general said before. Is that right; the department has not been involved in the drafting of that bill or the negotiations surrounding it?

**Mr C. Weeks:** I will have to check with the department's legal officers, but I think the processes have been running simultaneously. We are getting to a moment in time when we are probably more aware of what we need to be able to do to leverage opportunities out of the state. But in terms of my working directly, if the chief land officer is not aware of that, and I think we have already referred it back, then I do not think we have been working intimately on the legislative reforms around the Land Administration Act. Obviously, those things go up to cabinet and we get an opportunity to comment, but I am not sure what the department's level of involvement is at a legal level.

**Mr R.H. COOK:** As the minister would be aware, the Public Health Bill is about to be passed and it will require departments to be bound by the Crown. Has any provision been made —

**Mr P. ABETZ:** Can the member refer the committee to a page number?

**Mr R.H. COOK:** I refer to land management on page 301 and the line item "Total Cost of Service".



**Mr J.H.D. DAY:** I think the member is trying to be as creative as possible.

**Mr R.H. COOK:** What investigations has the department conducted into the public health conditions of the communities it manages to make sure that they are either brought up to speed on public health requirements or seek exemptions from the Minister for Health to not meet those requirements?

**Mr J.H.D. DAY:** I cannot speak for what involvement the Department of Aboriginal Affairs has had, but I will ask Mr Weeks to answer.

**Mr R.H. COOK:** Do you think the Minister for Health will give you those exemptions?

**Mr J.H.D. DAY:** He would not want to speculate, would he?

**Mr C. Weeks:** We have been involved. It has been an ongoing process. We make sure that the health department is talking to not only us but also the Aboriginal Lands Trust. The trust makes decisions on what infrastructure and services are delivered to those communities. I do not think it is any secret that the level of standards in communities is different. The majority of those communities—I think it is just under 100—are self-managed and they do not receive a level of service from government for the things that we take for granted, like power, water supply and those types of services. Therefore, for exemptions, we have to get a better idea of the level of infrastructure and the state of that infrastructure in those communities, which we have been doing over the last two years. We started an audit program and so, yes, we are involved. I cannot sit here and say that the infrastructure in those communities is fantastic; it clearly is not. We will have to do that on an individual community basis and make sure that the Aboriginal Lands Trust is involved in those discussions.

**Mr R.H. COOK:** When will the audit program be completed and will the results be made public?

**Mr C. Weeks:** The audit is self-funded and is being done via our staff resources at the moment. We do not have a definite time when we will finish. We have just started. I think we have done an audit on six or seven communities. Other service providers are doing the same. I know that Housing is looking at its audits, and depending on whether it is a community to which it delivers an essential services program, it will look at the essential services infrastructure and the housing. The ALT is responsible for every building type and infrastructure on the actual estate. It does not have a lot of resources, so we provide the manpower. I cannot give the member a definite end date.

**Mr B.S. WYATT:** The current FTE figure for 2015–16 is 55. Can the minister give me now, either by a lick and a promise or by way of supplementary information, the breakdown of those staff numbers to various divisions, units—whatever they are called in the department? I do not need titles; I need just the numbers.

**Mr C. Weeks:** The total FTE is 137.

**Mr B.S. WYATT:** I apologise; I was looking at heritage management.

**Mr C. Weeks:** You were looking at one part of it. If you go through each of the areas, it lists the FTE for each of our outcome areas. Those numbers added to the corporate and business services that I was speaking about earlier result in our total FTE. That will mean, say, that our heritage area gets a percentage of our total FTE in corporate services, depending on the level of service they get from that corporate area.

**Mr B.S. WYATT:** Looking at the number of staff, the majority are in heritage management. What does the minister see as the key role of the department?

**Mr J.H.D. DAY:** What do I see?

**Mr R.H. COOK:** We can only ask the minister.

**Mr J.H.D. DAY:** The Department of Aboriginal Affairs has an important role in the coordination and policy advice to government in the provision of services for Aboriginal people and in managing all the heritage aspects that the member has been asking about. I think the advice that is provided and the role it plays is important, but I guess there is a challenge when other agencies, whether it is Housing, Health, Education, Police or various others, provide the services. Our aim in government is to ensure that there is always a good degree of collaboration and that people, as much as possible, are not working in silos. That is my general comment.

**Mr B.S. WYATT:** I am cc-ed in a never-ending supply of emails—I asked the director general this last year—about Cullacabardee Village, in particular about a deposit of asbestos that has been found on that site. So that I can start replying to some of those emails, could I be given an update on what is happening with that asbestos?

**Mr C. Weeks:** The asbestos is located in a tip that was never approved. Without going back too far, when I was working in the Department of Housing, Cullacabardee residents were accepting cash payments for trucks to drop off rubbish. There has been no control or anything around that tip, which is on a priority 1 water mound. In partnership with the Department of Environment Regulation, we have done an assessment. The tip has been fenced off so no-one can access it. The asbestos experts have given us advice around limited or no risk around airborne asbestos. We will now go through the process of working out how to get rid of the asbestos.

**Mr B.S. WYATT:** Is there likely to be a significant budgetary impact to remove it? How big is the asbestos deposit?

**Mr C. Weeks:** I can get some further detail from the chief land officer.

**Mr N. Thomson:** The work undertaken recently has been done by what is known as an emu-pick of the scattered rubbish and asbestos at that tip. I understand that about \$100 000 has been spent on Cullacabardee in the past 12 months. We have in train through a procurement process another \$100 000 worth of work on other aspects not related to asbestos. The key issue was to remove the scattered asbestos, which has been undertaken. After the report was completed in August, we received a report from the Department of Environment Regulation and we worked with that department to create a plan to clear the site of the scatter and fence the area.

**The appropriation was recommended.**

*Meeting suspended from 6.01 to 7.00 pm*

**Division 76: Mines and Petroleum, \$115 752 000 —**

Mr I.M. Britza, Chairman.

Mr S.K. L'Estrange, Minister for Mines and Petroleum.

Mr R. Sellers, Director General.

Mr M. Banaszczyk, Executive Director, Corporate Support.

Mr R. De Giorgio, Chief Finance Officer.

Mr I. D'Mello, General Manager, Financial Planning.

Mr J. Campbell-Everden, Department of the Premier and Cabinet.

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

[Witnesses introduced.]

**The CHAIRMAN:** I give the call to the member for Cannington.

**Mr W.J. JOHNSTON:** I refer the minister to page 887 of budget paper No 2, specifically to the third item, "Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods", and to the recent fine of \$20 000 imposed on Mesa West Pty Ltd in the Perth Magistrates Court for the death of a worker at Fortescue Metals Group's Christmas Creek mine, and the injury of another worker because of unsafe working conditions. Are the minister and government satisfied with the very small fine issued in this case? If the minister is not satisfied with the fine, what actions are being taken to ensure that an appeal is lodged to remedy the appallingly small fine for this tragic situation?

**Mr S.K. L'ESTRANGE:** I thank the member for the question. Mine safety is of vital importance to the government of Western Australia. Can I just ask the member which line on page 887 he is referring to?

**Mr W.J. JOHNSTON:** It is the third point, "Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods"—and then it carries on.

**Mr S.K. L'ESTRANGE:** I see it. Is the member referring to the total section of the budget papers?

**Mr W.J. JOHNSTON:** Minister, I have asked my question; it would be appreciated if the minister could answer it.

**Mr S.K. L'ESTRANGE:** I am keen to help.

**Mr W.J. JOHNSTON:** Is the minister satisfied; and, if not, is he appealing or seeking to have an appeal lodged?

**Mr S.K. L'ESTRANGE:** Is that with regard to the safety incident itself?

**Mr W.J. JOHNSTON:** I refer to the appallingly small fine issued in this case.

**Mr S.K. L'ESTRANGE:** I need to take some advice on what that fine was.

**Mr R. Sellers:** The member said it was a \$20 000 fine. From my recollection, that is right, but I cannot see the actual budget item that it relates to.

**Mr W.J. JOHNSTON:** The budget papers state that this relates to the total cost of service for the regulation of resource sector development for health and safety et cetera. Surely, whether the minister appeals an appallingly small fine is related to the question of health and safety. If the minister is saying that he is satisfied with the fine, it is entirely up to him, but if he is not satisfied with the fine, what is he doing to ensure that there is a proper remedy? Is the minister asking for an appeal or has he had any discussions with the Attorney General about the matter? What has the minister done to overcome the appalling outcome of this case?

**Mr S.K. L'ESTRANGE:** I thank the member for the question. Like the member, I am very concerned about mine safety. I have been advised that the magistrate made that determination. I am not across the proceedings of the Magistrates Court case and how the magistrate made the decision to impose that fine.

**Mr W.J. JOHNSTON:** So, will the minister appeal?

**Mr S.K. L'ESTRANGE:** With regard to appealing or not, I am advised that we would need to get a briefing from the State Solicitor's Office on whether it would deem it appropriate for us to appeal a magistrate's decision.

**Mr W.J. JOHNSTON:** I have a further question. Clearly the minister has not sought any advice about the potential for an appeal.

**Mr R. Sellers:** No.

**Mr S.K. L'ESTRANGE:** No.

**Mr W.J. JOHNSTON:** Is that to say that the minister is satisfied with the fine?

**Mr S.K. L'ESTRANGE:** It is not to say that I am satisfied or dissatisfied with the fine. I have answered the member's question; I have not to date sought an appeal.

**Mr W.J. JOHNSTON:** Actually my question was whether the minister was satisfied with the fine—I am not. But is the minister telling me, through the Chair, that the minister has taken no action in regard to that outcome?

**Mr S.K. L'ESTRANGE:** To date, this particular matter has not been something I have acted on.

**Mr W.J. JOHNSTON:** No. I have a further question. I note, minister, that on pages 884 and 885 are set out the significant issues impacting the agency, including things like the profitability of companies in the sector. But the budget papers do not set out as a significant issue impacting the agency the health and safety of workers in the mining sector.

**Mr S.K. L'ESTRANGE:** I am just reading the significant issues impacting the agency. With regard to the budget papers and the significant issues impacting the agency, safety is not one of the issues listed in the budget papers.

**Mr W.J. JOHNSTON:** Yes.

**Mr S.K. L'ESTRANGE:** That does not mean it is not a significant issue, but I and the department are very focused on making sure that mines are well regulated with regard to health and safety.

**Mr W.J. JOHNSTON:** Why is the profitability of the companies in the sector listed as a significant issue, but not the death of workers?

**Mr S.K. L'ESTRANGE:** The importance of safety across Western Australia's mining and petroleum industry remains one of the government's top priorities. I and the member would take very seriously every family's right to be confident that their loved ones will be operating in a safe and well-regulated environment. It is something we are all focused on. Saving lives and reducing injuries is something that the regulator and employers, with employees, must work together on to ensure that there is a safe and healthy workplace environment. The government, through the department, is very focused on that outcome, and will continue to be so. For this entire sector to be one of the key economic mainstays of the state, the department has a role in making sure that mining and petroleum investment remains strong, and part of that effort is making sure that we are focused on the safety of the miners.

[7.10 pm]

**Mr W.J. JOHNSTON:** Even though the government says that the profitability of the companies is important, it does not tell us anything about health and safety in the budget papers. How many mine deaths and mine injuries have we had?

**Mr S.K. L'ESTRANGE:** I will pick up on the first part of the member's question, which is a claim that, because it is not mentioned in the budget papers, the government does not take safety seriously. My notes show me that we have allocated \$30.5 million in the 2016–17 budget to mine safety. To say that the government is not actually focused on trying to ensure that the mine sector is as safe as possible is a bit of an overstatement. We are allocating funds, and we have a very well-resourced mine safety regulatory regime in the department to oversee mine safety.

**Mr W.J. JOHNSTON:** So what is the answer to the question, minister?

**Mr S.K. L'ESTRANGE:** The answer to the question is what I have just said.

**Mr W.J. JOHNSTON:** No, I asked a specific question.

**Mr S.K. L'ESTRANGE:** Was that about the number of injuries or deaths?

**Mr W.J. JOHNSTON:** Yes.

**Mr S.K. L'ESTRANGE:** I do not have the statistics for injuries with me, but from 1 July 2015 to 30 June 2016 there have been three deaths.

**Mr P.C. TINLEY:** How does that figure relate to the trend over the past 10 years?

**Mr S.K. L'ESTRANGE:** Mr Sellers will answer that.

**Mr R. Sellers:** The trend is still downwards, but there was a zero-harm year between July 2012 and June 2013. From memory, the long-term average is 3.5, but we are trending down and we are obviously heading as a group towards zero harm.

**Mr P.C. TINLEY:** But we are still killing people on mine sites.

**Mr R. Sellers:** As the minister mentioned, there were three tragedies in that period, yes.

**Mr P.C. TINLEY:** Does the minister have any details about injuries on mine sites?

**Mr S.K. L'ESTRANGE:** I do not have the statistics of injuries on mine sites to hand at the moment, unless one of the advisers has them. I am advised that the statistics for mine safety are published on the mine websites.

**Mr W.J. JOHNSTON:** Does the minister know what they are?

**Mr S.K. L'ESTRANGE:** I am not across all the details of the statistics.

**Mr W.J. JOHNSTON:** The minister does not know how many workers have been injured.

**Dr G.G. JACOBS:** As the minister may know, I chaired an inquiry of the Education and Health Standing Committee into fly in, fly out suicides, and in relation to worker safety, particularly in the FIFO sector in mining. The inquiry recommended a code of practice for workers' health. What progress has been made in establishing a code of practice for FIFO workers' health in the mining industry?

**Mr S.K. L'ESTRANGE:** Can I ask the member what this particular question relates to in the budget?

**Dr G.G. JACOBS:** It is added to the question previously asked about regulating the resources sector for health and safety. The FIFO suicide matter that was looked at by the inquiry was around the health and safety of workers, even if we talk about social responsibility. From that point of view, it relates to the third line item of the service summary on page 886 of budget paper No 2.

**Mr W.J. JOHNSTON:** Minister, do not worry about the technicalities; just answer the question.

**The CHAIRMAN:** Thank you, member. We do not need any help at this point.

**Mr S.K. L'ESTRANGE:** I ask Mr Sellers to respond.

**Mr R. Sellers:** I thank the member for the question. The mine safety branch has been working for a number of years on mental health issues. The review and the findings that the member was just talking about played a part in working through the program that has been implemented over the past few months. Part of that has been checking on the companies actually having the right sort of processes in place to deal with mental health and issues that arise in the workplace, and having competent professionals who can counsel and mentor people through those issues. An audit of the program was done in the last couple of months across a wide part of the sector, and we are in discussions now with the Chamber of Minerals and Energy, the Association of Mining and Exploration Companies and the broader industry on how we fine-tune that to make sure we have an auditable outcome that can be implemented by industry.

**Ms J.M. FREEMAN:** The inquiry made a recommendation for the establishment of a code of practice around issues such as rostering, heat exposure, efficacy, and the make-up of the workforce, not just whether there was an employee assistance program. The question, as I understand it, and the question I am asking is: why is the department refusing to devise a code of practice for FIFO workers, particularly with respect to their social and mental wellbeing?

**Mr R. Sellers:** There are codes of conduct and codes of practice for heat and fatigue. To explore the member's question a bit, I do not recall ever saying that we were not working on these things; that is not the issue. The work that is underway is in conjunction with the industry, and it is looking at fatigue, bullying, heat and other stress issues on site. We have just recently, as I said, undertaken an audit of several of those factors, and I explained that in my answer to the last question.

**Ms J.M. FREEMAN:** Part of the inquiry's recommendations was that suicides and attempted suicides be recorded in the statistics alongside mine site fatalities and injuries. Has the department changed its recording methodology to include those?

**Mr R. Sellers:** The mine database for fatalities records the mine fatalities as determined by the coroner. If there is a natural death on site, like a heart attack or something of that ilk, it is not recorded as a mine death.

**Mr P.C. TINLEY:** Noting also that that inquiry investigated safety generally, it also discussed illicit drug use, recreational or otherwise. Does the department collect any information about failure of mine site testing for drugs and alcohol; and, if so, what is the captured data?

[7.20 pm]

**Mr R. Sellers:** Mine sites have to determine their testing programs. Those testing programs are kept with them onsite and they are available for us to go through as a matter of an inspector's visit. I do not think we have a collation of those in my department, but if there was a mine site that we were particularly interested in, we could certainly go through its books.

**Mr P.C. TINLEY:** Given the contributory effects of recreational drug use in both mental health and mine site safety, does the minister not think it would be a good idea that the department collected that data?

**Mr S.K. L'ESTRANGE:** As the director general outlined, the mines themselves—in a previous profession I have contracted to Rio Tinto on some work—have a strict regime in and around alcohol and drug testing and restrictions on employees if caught using drugs or being under the influence of alcohol at a mine site. The director general said that his mine site safety group would go out and if they wanted to inspect the data of a company, they could. If they identified that there was a culture of drug use at a particular site, that would give cause for a greater scope of understanding the culture of that site or that company, in which case more regulation in that space could occur.

**Mr P.C. TINLEY:** The minister of all people would know that life is full of small personal glimpses and, as we used to know, battlefield indicators. Surely one would like to know that as a base load piece of information to give a red flag rather than a remedial action or post-tragedy investigation.

**Mr S.K. L'ESTRANGE:** The member for Willagee is absolutely right. Knowledge of statistics in and around drug use at a particular site would flag concern because it would demonstrate that there might be some cultural problems at that site, in which case, as I said, prior to a tragedy occurring there could be increased regulation of that site to say, "We have identified this. We are unhappy with the number of people who have been picked up as having a positive reading for alcohol or drug use at this site." There could then be a more frequent imposition of mine checks and inspections on that site. Whether or not the data the member talks about can pre-empt a problem is a wider thesis, but as the director general said, his department has oversight of mines as to how they test and assess for drug or alcohol use.

**Ms J.M. FREEMAN:** In relation to the Education and Health Standing Committee's report into FIFO and suicides and the reporting of that as a fatality for the purposes of the statistic for mine deaths, part of the problem was that the definition of a mine site did not include accommodation facilities when those facilities fell outside a certain radius. The recommendation was to change the definition of "mine site" so that accommodation facilities where mine workers were required to stay to be able work at the mine, when they were fly in, fly out, were considered a workplace under the definition of the act. I understand that the act is being rewritten and will come before this place. Will that recommendation be included in the rewrite of the act?

**Mr S.K. L'ESTRANGE:** That is a good question and it makes me reflect on some of those camps where workers fly in and stay the night in the camp before moving in a vehicle out to the site of the mine itself. Some of those mines exist very close to the towns or in the towns, in which case certain companies will have rules and regulations in and around whether somebody off duty can have a drink. Obviously that would have implications because if they are in the town and that is considered as part of the mine site—this is just me thinking from a practical perspective—suddenly it is imposing on everybody in that area that they cannot participate in the town, so long as they are off duty and able to turn up to work the next day free of any effects of alcohol. I find that an interesting question.

**Ms J.M. FREEMAN:** Go and read the report minister; it is all in there.

**Mr S.K. L'ESTRANGE:** I would like to know what the DG's view is.

**Mr R. Sellers:** The model health and safety bill was developed under those auspices and currently we are in the drafting process. A number of things are in that bill. I do not have that in front of me at the moment, but I suspect that Mick might have just had a quick peek. No? We will have to take it on notice, sorry.

**Ms J.M. FREEMAN:** I am happy for the department to give me, and maybe the member for Eyre, a briefing on the model of occupational health and safety mining provisions with respect to the report and its response to the report if the minister would be happy to ensure that we can have a briefing.

**Mr S.K. L'ESTRANGE:** Sure.

**Mr P.C. TINLEY:** I refer to page 890 of budget paper No 2, specifically the mining rehabilitation fund levy under "Receipts" and to the decision by the Barnett Liberal-National government to use the mining rehabilitation fund to fund works to make good the Ellendale diamond mine. I note that the WA government returned to the company the environment bond for the mine prior to the directors stripping the cash from the company and scarping. Has the government examined the question of when the company became insolvent, noting that the company always had an obligation to remediate the mine site and that this obligation should have been in the accounts of the company?

**Mr S.K. L'ESTRANGE:** The member would be aware that the government conducted a review back in 2013 that enabled us to move towards the mining rehabilitation fund levy. That levy is obviously used to rehabilitate mines such as the one he mentioned, Ellendale. Maybe Mr Sellers can comment on how that has been applied.

**Mr R. Sellers:** Unfortunately just on the speculation of what the directors are doing, that is clearly being checked by some very keen legal advocates to see what the reality of that matter is. The member is right that Ellendale has been put into care and maintenance without anyone the department can directly go to and get some funds off. The question was—I am just checking it—should we have been able to recognise that earlier and perhaps not given it back the bonds? Is that the question?

**Mr P.C. TINLEY:** Yes.

**Mr R. Sellers:** When the company came to us to receipt the bonds back, it would have shown us the books. We went through the books at the time and the company met the criteria to get back the bonds. That is the way it works. When the company went into receivership and we were left with the site, we had to do some remedial works around the tailings facility prior to the wet season kicking in so that there was not an environmental issue. We got the approval to use funds for that, which was great; the funds were there and we could do that. However, the site itself remains in care and maintenance. There is still a diamond pipe with significant diamonds in it and there is an alluvial diamond bed. We are working with the administrators and the people who have bought bits of kit to maintain the site in the hope that it will be on-sold, much like some of the goldmines that go into care and maintenance get on-sold. It has not moved completely into the mining rehabilitation fund as a liability for the state at this stage.

[7.30 pm]

**Mr P.C. TINLEY:** Whose funds did the department expend on the tailings dam?

**Mr R. Sellers:** We expended funds from the mining rehabilitation fund.

**Mr P.C. TINLEY:** Prior to the company handing back its levy?

**Mr R. Sellers:** The process was that it met the criteria, it was able to move its bonds out and start to pay the levy, and then it went into administration. At the time it received its bonds back, it met the criteria of being able to operate. Obviously, subsequently it has moved into administration. The site still has significant resources. When we have those sorts of sites, we do not move them into a legacy model; we try to keep them maintained so that they can be re-mined. The expenditure was just to make sure that the tailings facility that exists on the site did not cause an environmental issue.

**Mr P.C. TINLEY:** Just for clarity, is the Department of Mines and Petroleum or the state of Western Australia listed as a creditor or an interested party in the receivership of the mine?

**Mr R. Sellers:** Certainly, we are an interested party.

**Mr P.C. TINLEY:** But surely the department is a creditor.

**Mr R. Sellers:** Creditors have strict definitions under administrative law. The site is still an operational site, and the tenements still have an active owner —

**Mr P.C. TINLEY:** The administrator, yes.

**Mr R. Sellers:** — and who they represent. We would not take those over until there was no chance of them being on-sold or they were left and there was no way of chasing the particular company that owned the tenements down a commercial trail.

**Mr W.J. JOHNSTON:** This is very complicated, because the value of the diamonds in the ground might be worth less than the obligations to do rehabilitation. That is one of the concerns of industry. If other companies have now seen this playbook and they can have the expensive environmental remediation obligations on their balance sheet but they can get rid of the cash, it then leads to the question: are there other companies that do not have the assets to pay for their obligations to do rehabilitation?

**Mr R. Sellers:** One point about Ellendale is that the value of the diamonds can change at a moment in time. To get back to the question, there are also criteria under the mining rehabilitation fund relating to the viability of companies, their history of environmental incidents, whether they have paid fines and whether they have been paying bills, and that criteria can be invoked to put bonds back on companies. Should a company obviously run itself down and it comes to our notice through us doing our audits, the minister of the day can choose to put bonds back on that site. We are in the process of doing that with another site at the moment.

**Mr W.J. JOHNSTON:** How many sites is the department currently examining to put bonds back on?

**Mr R. Sellers:** At the moment, there is one in process.

**Mr P.C. TINLEY:** These directors have done the bunk effectively and stripped the cash out, but that is for others to work out. Is the government looking at any mechanism within the act or an amendment to the act whereby directors are held personally responsible for future environmental vandalism in cases like the Ellendale case? Right now, my estimation is that we could expend a serious amount of taxpayers' money, because the value of the asset is going to be too low or not viable to support the rehabilitation of the mine. That will fall back on the Crown. Surely the government should be looking at something to make them personally accountable.

**Mr S.K. L'ESTRANGE:** Mr Sellers can elaborate, but my understanding of the point of the mining rehabilitation fund is so that the taxpayer does not have to bear any of the cost. The notion is that every mine has to put in a percentage to this fund if the mine site is over a certain value. It is then up to the department to determine on a priority basis what sites it needs to make safe first. Mining rehabilitation fund money is used to do that, not taxpayer money.

**Mr R. Sellers:** As I said, the value of the diamonds fluctuates. It will be up to others to determine whether it is mineable. Having seen the quality of the pipe and other things, it is a moot point; it will be worked out later on. We have strong hopes that it will be taken up, but let us move past that. So that I get the answer exactly right, the question was: are we engaging with industry and solicitors to see whether there should be some sort of fit-and-proper-person component for directors or others who interact —

**Mr W.J. JOHNSTON:** Whatever mechanism.

**Mr R. Sellers:** The answer is yes; we are engaging with industry in working through that process. However, on the premise that the mining rehabilitation fund has not worked in this instance, it has worked as it was set up to work. The site is in care and maintenance and it is being looked after. I have not had to ask cabinet or Treasury for money. Industry is watching with interest to make sure that we have those discussions, as the member mentioned, and it will take part in them. Once we have had that, we will come back to the government of the day and talk about how we put that into legislation.

**Mr P.C. TINLEY:** But legislative amendment has not been excluded.

**Mr R. Sellers:** We do not exclude legislative amendment.

**Mr P.C. TINLEY:** To get a mine licence, a person has to be a fit and proper person. That test is already applied. To suggest at this late stage that a fit-and-proper-person test is of any value is moot because it has already been passed.

**Mr R. Sellers:** The member is talking about apples and oranges. Yes, the operator of a mine site has to go through those things, but the member mentioned the directors of the company and that is what I was addressing; sorry.

**Mr P.C. TINLEY:** Sorry; I withdraw.

**Mr W.J. JOHNSTON:** Has the government sought advice from, say, an actuary or someone like that to make sure that the level of the levy covers this enormous risk that the mining rehabilitation fund has taken on? I will explain that. The money that we are using for Ellendale comes out of the interest generated by the MRF, but that was always to deal with legacy issues. Of course, we are dealing with an active mine, not a legacy mine, from that source of funds. It was always envisaged that that would be used for other tasks. I am not saying that it is wrong to use the money for that purpose, but it changes the profile of the expected future of the MRF. I wonder whether the government has sought additional advice from, say, an actuary or someone like that, because it is effectively an insurance premium to make sure that the amount that is collected in the levy is adequate for the risk that the state is taking on.

**Mr S.K. L'ESTRANGE:** My understanding is that the mining rehabilitation fund was set up because the performance bonds were not working. As the member knows, they were applied to a specific mine site. If a mine site went into liquidation or whatever and could not operate and could not pay and its particular bond did not cover the cost, the taxpayer had to cover the difference. Under the mining rehabilitation fund, everybody pays in a percentage so that the department can allocate a percentage of the fund to commence works to make safe whichever mine site goes into liquidation. It does not have to fix the whole site at once; it can do a program of works over time. At the same time as that fund builds up—I understand that there is about \$60 million in that fund at the moment, so over 10 years that should get to around \$300 million—and with the interest being earned on that account, the funds can be used to start fixing some of those legacy mines that may date back 60 or 70 years. I understand that the mine rehabilitation fund is for not only those old legacy mine sites that need to be rehabilitated but also for current mine sites.

[7.40 pm]

**Mr W.J. JOHNSTON:** Has the minister sought advice to make sure that the MRF has been set at a level that protects the Crown from these risks?

**Mr R. Sellers:** The levy started some years ago. In the preparation for the introduction of the levy there were those discussions. Unfortunately, that was with the previous minister and I have not had a chance to brief the current minister about that issue. One mechanism that can work, say, in the worst-case scenario, when someone with a site worth a couple of hundred million dollars goes tomorrow and we have to urgently start some action on it and we have only \$60 million in the MRF account, the legislation states that we can rapidly increase the percentage of the levy. I have personal experience managing a very large legacy site in the Northern Territory and cumulatively I spent \$150 million on the site over a period of about four years. Even if it is a site worth a couple of hundred million dollars, it is likely to be a five, 10 or 15-year fix and we would just adjust the inflow of money through that percentage increase that is already available should it be needed through the act.

**Mr W.J. JOHNSTON:** I appreciate that very good answer, Mr Sellers. I am not criticising that answer at all. I see that the department received professional advice when the legislation went through Parliament and we discussed it at the time and we all supported it, and I understand that the legislation is the mechanism that allows for the levy to be increased. Given that we now have some experience working under the levy and we have had this problem that nobody expected at the time the legislation went through Parliament, is it the right time to review that advice to see whether we need to change the level of the levy now so we do not end up with a big problem later? A small increase to the levy now will provide the same amount of money as a big increase later. Does the minister see what I mean?

**Mr S.K. L'ESTRANGE:** Is the member suggesting that we assess the workability of what is going on against the experience of the mine site the member raised with us tonight?

**Mr P.C. TINLEY:** It is a total liability.

**Mr W.J. JOHNSTON:** Because there is massive potential liability. But, of course, we are expecting to cover that liability. We did not expect companies to behave like this, but one has. We do not know how many other companies might behave like that company, but we could have another professional look at the levy.

**Mr S.K. L'ESTRANGE:** In a sense, the member is asking for an analysis of whether our premiums are set at the right level.

**Mr W.J. JOHNSTON:** Yes.

**Mr S.K. L'ESTRANGE:** That is certainly something we could look at.

**Mr P.C. TINLEY:** Yet it has not been looked at.

**Mr S.K. L'ESTRANGE:** The director general said in his answer that they did look at it at the start when they set up the program.

**Mr P.C. TINLEY:** But they have not looked at it in a review sense since then?

**Mr R. Sellers:** No, not until the current period and, as the minister said, it can be part of a review.

**Mr P.C. TINLEY:** We have had this experience and, funnily enough, the resource sector, particularly in Western Australia, is replete with examples of less than, you know, ethical behaviour by mine owners and directors. I am not suggesting that they did not help build the state and so on, but they are a colourful group of people. I note that the minister said the processes are being reviewed, but can he assure the people of Western Australia that the directors of Ellendale and people like them will not be able to engage in mining in this state again? Can the minister black ban those people?

**Mr S.K. L'ESTRANGE:** The director general and I agree that it is a legal issue. We will have to wait for the outcome of this particular example to know what will happen next.



**Mr P.C. TINLEY:** The minister does not necessarily have to wait for the outcome if he has formed the opinion, through whatever mechanism, that they are not fit and proper people—going back to the point the director general made about fit and proper persons. Surely, there is enough evidence to show that the Ellendale directors have behaved unconscionably.

**Mr S.K. L'ESTRANGE:** I think that is certainly something that is still being worked through and we cannot give an answer on the issue until we know the results.

**Mr P.C. TINLEY:** But it is active in your thinking?

**Mr S.K. L'ESTRANGE:** Sure.

**Dr G.G. JACOBS:** While we are discussing the mining rehabilitation fund I thought might ask a quick question. I refer to page 887 and the line item “Less Income” under the heading “Managing land access for resource related activity” and the corresponding note that states —

1. Income has decreased by \$14.2 million in the 2015–16 Estimated Actual compared to the 2015–16 Budget ...

The note states that the decrease in income was mainly due to an overestimation of the mining rehabilitation fund. Can the minister give some clarity on that overestimation or the shortfall, if you like?

**Mr R. Sellers:** Sorry I did not catch the page number. Was it page 887?

**Dr G.G. JACOBS:** It is page 887, the line item “Less Income” and note that states that income has decreased by \$14.2 million.

**Mr S.K. L'ESTRANGE:** That is understood.

The reduction in the 2015–16 estimated actual is due to reduced collections for the mining rehabilitation levy. I understand that in May 2013 a review was carried by an external consultant on the actual rehabilitation cost as part of the Department of Mines and Petroleum’s processes to finalise the regulated rates. The 2015–16 budget figures were based on the May 2013 review and subsequently have been found to have been overstated significantly. The figures were revised down to reflect actual collections as part of the 2015–16 midyear review process and that is why they are reflected as they are in the 2015–16 estimated actual. That reduction in actual collections was in part due to a shift in industry practice in which it undertook increased progressive rehabilitation post-implementation of the MRF. The MRF as intended encourages industry to minimise its disturbance footprint by calculating the levy payable based on the area of ground open for mining activities.

**Dr G.G. JACOBS:** If they have already done the rehabilitation work, then that comes off their bill.

**Mr S.K. L'ESTRANGE:** That is right. That is a very good way to put it, member. It also therefore becomes a financial incentive that drives industry to reduce its environmental liability, which has contributed to that reduced actual collections in the fund.

**Dr G.G. JACOBS:** Although it looks as though, obviously, less money has gone into the pool, if you like, into the fund, the department has less work to do, because some of the mines have already done some of the work and that is why they paid less for the levy.

**Mr W.J. JOHNSTON:** I again refer to page 887 of budget paper No 2, service 3, “Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods”, and specifically the three mine deaths the minister talked about in the current financial year and the mine deaths in the previous financial year. Has the department or the minister’s office been contacted by the families of deceased workers to complain about the inordinate delays in the Coroner’s Court? If yes, has the minister or the department raised these problems with the Attorney General or the Department of the Attorney General and what is the result of those representations?

**Mr S.K. L'ESTRANGE:** I thank the member for the question. Since I have been minister, nothing of that nature has crossed my desk, but I will just check with the director general.

[7.50 pm]

**Mr R. Sellers:** Not that I can recall but it might interest the member to know that the actual time line of us dealing with matters has come down markedly. Partnering with the State Solicitor’s Office, we now have a panel of prosecutors who can run matters faster than they used to in the past. When there has been a tragedy, the family and friends certainly do not have to wait as long as they used to. We have been able to move these issues faster through the process.

**Mr W.J. JOHNSTON:** I appreciate that answer. That is very good. That relates to prosecutions. I was specifically talking about the problems with the delays in the Coroner’s Court. I have been approached by families of workers who have been tragically killed on site. One of the problems is that it can take up to two years for a death certificate to be issued, which means the family can sit without life insurance or superannuation payouts. Given that the minister has been in the role only briefly, the agency has talked to the Department of the Attorney General to try to get a better process for grieving families through that coroner’s process.

**Mr R. Sellers:** Some years ago now there was a heat stress issue that took some time to go through the coroner and we addressed that directly at the time, but since then there has not been anything that I am aware of.

**Mr W.J. JOHNSTON:** I do not wish to mention the specific families in this forum, obviously, but could I talk separately to the department about some of those cases?

**Mr R. Sellers:** Certainly.

**Mr J. NORBERGER:** Hopefully, I have a fairly quick question for the minister. I direct the minister to the first line item under the heading “Delivery of Services” on page 883 of the *Budget Statements*. There is a fairly significant drop-off between what the government is budgeting for services delivery in 2016–17 compared with 2017–18—almost a \$14 million drop. Can the minister explain that decrease for me?

**Mr S.K. L’ESTRANGE:** I thank the member for the question. The reduction in the 2017–18 forward estimates is mainly due to the completion of the recurrent appropriation funding for the exploration incentive scheme. The appropriation amount came to a conclusion. Since 2009, a total of \$130 million was spent on the exploration incentive scheme. The member may have heard me speak in this place about what that money goes towards—that is, programs such as the co-funded exploration drilling program, exploration facilitation, geophysical and geochemical surveys and a number of other things. Since 2009, the co-funded exploration drilling program itself has done very well, offering over \$64 million to almost 600 projects and it has refunded \$23.6 million over 310 projects. In the budget it appears finished and that is why we get the drop, but the exploration incentive scheme itself is continuing. The funding appears on page 892 of the budget papers because it has been funded out of royalties for regions.

**Mr P.C. TINLEY:** I refer to item 3 on page 887 of budget paper No 2—the health and safety, environment and dangerous goods section. How many employees of the Department of Mines and Petroleum are currently engaged in regulating uranium activity and at what cost? Are the proponents involved in these speculative proposals covering their own costs involved in this work or are other miners subsidising their work around fee for service?

**Mr S.K. L’ESTRANGE:** I will seek advice on the actual data on the number of employees.

**Mr R. Sellers:** On a technicality, they are in approval stage at the moment. There are people in mineral titles, environment and safety who would be working on them as part of the normal approval process. There would be a number of those for each of the approvals going through at the moment. When those attract a fee, like a mining lease rental, they will just pay like normal. For those that do not have a fee structure on them, they would not be paying them. The second part of the question was: are they part of the amortisation or costs over the approval processing? The answer is yes.

**Mr P.C. TINLEY:** Can the minister quantify the number of work hours to date expended in relation to uranium lease approval processes? I am happy for the question to be answered by way of supplementary information.

**Mr R. Sellers:** It would be over a number of years. We could go back. I am concerned at the accuracy of it, given that they have up to 30-day approvals and there will be some estimation in those figures, but if the minister wanted us to put them together, I am sure we could do that.

**The CHAIRMAN:** Is that a supplementary question? Is that what the minister is agreeing to?

**Mr S.K. L’ESTRANGE:** Yes.

**The CHAIRMAN:** Can you just affirm what you are going to do, minister?

**Mr S.K. L’ESTRANGE:** Can the member clarify exactly what he is looking for?

**Mr P.C. TINLEY:** I am keen to know how many work hours to date have been expended in the approvals process for uranium leases.

**Mr R. Sellers:** That will be an estimate.

**The CHAIRMAN:** Are you happy with that, minister?

**Mr S.K. L’ESTRANGE:** Yes.

[*Supplementary Information No A54.*]

**Mr W.J. JOHNSTON:** Minister, will in situ leaching be a permitted method of uranium mining in Western Australia; and, if yes, what size buffer zone will be required for such a project?

**Mr R. Sellers:** For it to get approved, it would need to go through environmental assessment, and none has to date. I am unsure whether they would get through. They have in other jurisdictions. If they did get through, I would suspect they would have similar restrictions placed on the deep leaching like at Four Mile mine and Honeymoon mine.

**Mr W.J. JOHNSTON:** Does the minister expect that he would permit in situ leach mining near the ocean, near a national park, near a water course or near a flood plain or are there areas of the state that would not be acceptable for an in situ leach mine?

**Mr S.K. L'ESTRANGE:** The member would know that the Environmental Protection Act has a very strong role to play in any mining activity. I would not be approving any mine site operation if it had not been well and truly approved by all those regulatory processes run by the Department of Environment Regulation.

**Mr W.J. JOHNSTON:** They would be run by the minister now. The act was changed.

**Mr S.K. L'ESTRANGE:** The mine site has its environmental approvals processes go through the Department of Mines and Petroleum but it still has to comply with the Environmental Protection Act. With regards to uranium—I will seek some guidance from the director general—there are probably commonwealth environmental acts pertaining to uranium mining that would need to be addressed as well.

**Mr R. Sellers:** It would trigger the Environment Protection and Biodiversity Conservation Act process as one of the statutory triggers.

**Mr W.J. JOHNSTON:** Are there certain parts of the state that the minister would think would be completely unacceptable for a uranium mine or an in situ leach mine or does he think that if we find uranium somewhere, it would be acceptable to have an in situ leach mine?

**Mr S.K. L'ESTRANGE:** My view as the mines minister is that I do not want to rule anything in or out, which seems to be the premise of the member's question. I am saying that any proposal put forward by a mining company should be assessed on its merit based on all the information we have at the time. Things like exactly what the member said—closeness to the ocean, proximity to population, townships or whatever, agricultural produce or any number of things—would flag for any minister in government the need for very, very careful and well-detailed environmental regulation requirements. Once all that information has been looked at, no doubt a strong part of any advice coming out of an environmental protection act or the commonwealth equivalent that would oversee uranium mining would give a clear indication of whether there were too many risks attributed to its proximity to the ocean or a population et cetera, which the minister of the day would consider before making a decision on whether it was appropriate for a mine to go ahead.

[8.00 pm]

**Mr W.J. JOHNSTON:** Is there anywhere in the state that the minister would say is clearly unacceptable for an in situ leach mine?

**Mr S.K. L'ESTRANGE:** Stepping out of my role as Minister for Mines and Petroleum, of course there would be situations in which it is not feasible because of the risk to people or whatever. However, we would not want to put a blanket on a particular industry without enabling that industry to demonstrate if it can operate safely. If we were to put a stop to any industry attempting to go about its work for the benefit of all Western Australians, then what if down the track the technology got to a point where something could be made completely safe that in today's context is not? Each mine site approval would need to be considered at the time with all the information available as to how safe it would be for the people of Western Australia, and then a decision would follow based on that advice.

**Mr R. Sellers:** We have been talking about uranium but leaching mining for other minerals is quite common as well and could easily be the future of deep low-grade gold. These sorts of things and technologies are being worked out as we speak.

**Mr P.C. TINLEY:** Whilst we are on this topic of the environmental safety issues around uranium, has a designated port for the export of uranium been identified for Western Australia?

**Mr S.K. L'ESTRANGE:** No.

**Mr P.C. TINLEY:** Can it be exported from any port at this stage subject to the various approvals?

**Mr S.K. L'ESTRANGE:** It follows on from my previous answer, which is that the project would be looked at in total. We would make an assessment on whether the mine project at the location of ore is safe, and as a government we would want to ensure that the transport of the ore is also safe, otherwise it would not be approved.

**Mr R. Sellers:** One of the features for the ports in existence now—the Darwin Port and the Port of Adelaide in South Australia—is that the uranium shipments are periodic because they need be of a certain size and use a certain vessel. It is unlikely that one mine would go to an individual port. It is more likely to go to a port where uranium is already being exported to build up the capacity to do frequent exports rather than having it sit there for a year or so waiting to be exported.

**Mr C.J. TALLENTIRE:** This discussion about where mining may or may not be allowed to take place is very interesting. Does the minister accept that there are benefits in indicating to companies that an area may be a no-

go area and that it saves companies from expending moneys and perhaps even using taxpayer assistance through exploration incentive schemes when there is no likelihood of the mine being approved in a particular area? Is it not helpful to the industry for us to be able to say, “Don’t waste your effort there; look elsewhere”?

**Mr S.K. L’ESTRANGE:** The member raises a very good point about how the government allocates resources such as the exploration incentive scheme to support a mining venture. My understanding is that when we assess whether to give exploration incentive scheme funds to a project, it is based on our knowledge of that area in which they intend to do the exploration. A formal assessment process to allocate that funding takes place; it is not given to just anybody. If the government did not think that the venture could work, or it thought that the drilling program in which the company wanted to participate was not in the right area, that advice would be given. It is then up to the private company as to whether it wants to take the risk of looking in areas where it might not get the approval. As the member knows, last year the Fraser Institute voted Western Australia as the number one destination in the world in which to conduct mining investment. That result did not come about by chance. It came about because Western Australia has an outstanding core library. We have the exploration incentive scheme, which enables private sector mining companies to understand where the more viable locations are likely to be because that knowledge exists within the department. If the private sector decided that it wanted to conduct drilling and look for a site outside the bounds of all of the knowledge held by the department, then that would be done at its own financial risk.

**Dr G.G. JACOBS:** I refer to the line item “Magnetite Financial Assistance Program” under the subheading “Other” on page 894. Can the minister outline the significance of this program? I notice about \$17 million in there for this year. In my simplified world that means that mining companies are subsidised for mining a relatively low-grade iron ore. Can the minister explain some of the rationale there, or have I got it wrong?

**Mr S.K. L’ESTRANGE:** No, the member has got it quite right. As the member pointed out, magnetite is a lower grade of iron ore. My understanding is that it sits around the 30 per cent grade of iron ore; therefore, getting that ore to a marketable product that can be used in the steel mills of our trading partners, for example, requires a fair bit of processing. To encourage magnetite production in Western Australia, the government has created this scheme that supports magnetite production because it is such an expensive mine site to get up and running due to its processing aspect. On 9 April 2013 at the opening of the state’s first producing magnetite iron ore mine, which was the Karara iron ore project, the Premier announced this rebate of up to 50 per cent—I will get to the figures in a moment—and that royalty payment would be considered on a project-by-project basis for the first 12 months of magnetite production. The original estimated cost of the royalty rebate incentive was \$15.9 million, and it has provided a major boost for developing this particular iron ore sector. The royalty rebate incentive was available to potential recipients for three years. The 2014–15 actual of \$4.8 million and the 2015–16 estimated actual of \$12.5 million represents the revised cost of the original royalty rebate incentive. As part of the 2016–17 budget process, the government approved a two-year extension of that rebate incentive and the extension continues government support for the emerging magnetite industry, in which two mines are currently operating. Both existing magnetite mines are backed by major Chinese state-owned companies and the support arrangements encourage continued Chinese investment in the industry and the state more generally. Therefore, the 2016–17 budget estimate of \$17.3 million and the 2017–18 forward estimate of \$22.4 million represent the estimated cost of the two-year extension of that royalty rebate incentive. Does that answer the member’s question?

[8.10 pm]

**Dr G.G. JACOBS:** It begs the question: Karara got it; who else is getting it? What other companies are getting it to date and what companies are in consideration to get this rebate? That is one question. I have another one after that, if I may.

**Mr S.K. L’ESTRANGE:** There is one other company, and that is CITIC Pacific Mining’s Sino iron ore project.

**Dr G.G. JACOBS:** That is the Preston point thing.

**Mr S.K. L’ESTRANGE:** That is right; near Preston point.

**Mr W.J. JOHNSTON:** Are they taking the rebate?

**Mr S.K. L’ESTRANGE:** Yes.

I visited that site last month. The member may be aware that the company has invested over \$10 billion to set up that project.

**Dr G.G. JACOBS:** That is the one that Clive Palmer sold to the Chinese, is it?

**Mr S.K. L’ESTRANGE:** That is right.

**Mr W.J. JOHNSTON:** Four hundred and fifty million in cash plus a trailing commission.

**Mr S.K. L’ESTRANGE:** I think that gives an example of the cost involved in getting magnetite ore. Apparently it is the hardest rock on earth. To get it down to a state to get the actual iron out of it, into a slurry, and then to dry it out for the ships to export is very difficult.

**Dr G.G. JACOBS:** Is it right that the CITIC Pacific issue is complicated by another situation; that is, the water is not very deep? It has to barge the thing out to an iron ore carrier and then transfer it again to another iron ore carrier. There is another complication.

**Mr S.K. L'ESTRANGE:** That is right.

**Dr G.G. JACOBS:** It is really about the waiving of a 50 per cent rebate, is it not?

**Mr S.K. L'ESTRANGE:** That is right.

**Dr G.G. JACOBS:** Which the Department of Mines and Petroleum has to front. Why did the government not just forego the 50 per cent and leave it at that? This is actually a cost to the department, is it not?

**Mr P.C. TINLEY:** It is rent seeking, member.

**Mr W.J. JOHNSTON:** They collect the royalties and pass them on.

**Dr G.G. JACOBS:** Is that true—rather than just waive it?

**Mr R. Sellers:** The department collects and collates all the royalties and they hop off and go straight into Treasury. It was a policy decision to pay and then do a rebate so that Treasury can actually pay, I imagine, a fixed figure and not an estimation and have to do fix-ups afterwards.

**Mr W.J. JOHNSTON:** I refer to page 885 of budget paper No 2, specifically the second dot point that starts “Investment in the State’s mining industry declined”. What further declines in mining industry investment does the government expect in 2016–17, and when is the government expecting that mining industry investment will recover?

**Mr S.K. L'ESTRANGE:** That is a very good question. I think most in the resources sector have had considerable drops in their commodity price. I think one beacon of hope on the horizon is of course gold, but most of them across the board have taken big hits in commodity prices. That, coupled with coming off the big mining and construction boom that we have had, has meant we are dealing with a sector that is going through a fair bit of structural change. The most important thing that the government can do is try to help all of the sectors. Thinking about the major commodities of iron ore, obviously liquefied natural gas, nickel, gold —

**Mr W.J. JOHNSTON:** Chair, I think perhaps the minister did not hear my question because my question was: what further declines in mining industry investment does the government expect in 2016–17 and when is the government expecting that mining industry investment to recover?

**Mr S.K. L'ESTRANGE:** To go through some statistics from the Australian Bureau of Statistics: private new capital expenditure indicates the state’s mining industry invested \$42.3 billion in 2015, which is down from \$46.2 billion in 2014, but that was minimal compared with a 39 per cent decline across the board nationally. We continue to be the nation’s leading mining investment destination.

**Mr W.J. JOHNSTON:** Indeed. And what is the minister expecting —

**Mr S.K. L'ESTRANGE:** The member asked when and where the turnaround will occur. As at March 2016, WA had an estimated \$94 billion worth of resource projects under construction or in the committed stage of development. The value of major projects in this category has declined largely due to the completion of the \$69 billion Gorgon LNG project and the \$10 billion Roy Hill iron ore mine. In terms of the future, a total of \$44 billion has been identified as planned or possible projects in coming years. Although this figure has effectively halved since the September 2015 figure, owing to Woodside’s announcement that it is placing its \$57 billion Browse LNG project on hold, it still represents \$44 billion worth of possible projects in the years ahead.

In terms of the sectors that are setting themselves up for more success, gold has currently committed to or has under construction 65 projects, with 767 planned or possible; iron ore currently has 1 860 projects, with 10 540 planned or possible; nickel has 443 projects, with 3 350 planned or possible; and other minerals’ infrastructure currently has 2 775 projects, with 8 957 planned or possible —

**Mr W.J. JOHNSTON:** Could I ask a further question, minister?

**Mr S.K. L'ESTRANGE:** Maybe if I could finish because —

**Mr W.J. JOHNSTON:** The minister is not answering my question.

**Mr S.K. L'ESTRANGE:** I am just about to get to it. My outlining the number of projects that are planned or possible shows the government has a number of programs in place to try to support the sector with regard to getting itself ready for the next commodity upswing. In the private sector, mine sites will review the economic conditions that confront them, make their own analyses of where they think the future is going to be, and then determine whether to move ahead with those planned or possible mines. Although the industry is going through a cool period due to low commodity prices, it has not stopped—it has projects ready to go. I am still encouraged by the amount of exploration going on out there right now in preparation for capitalising on commodity upswings.

**Mr W.J. JOHNSTON:** Is the minister encouraged by the 55 per cent reduction in exploration drilling in Western Australia?

**Mr S.K. L'ESTRANGE:** I am encouraged by the fact that three new mining projects have opened in Western Australia since 1 July 2015. I have here a list of mines, which just goes to show that not only are there three new mining projects in Western Australia, but also that 13 old mining projects have reopened since July 2015 and 14 mining projects have either closed or been placed in care and maintenance and await improved commodity prices. Like the member, I am unhappy with the fact that global commodity prices have fallen and that that has greatly impacted on the employment opportunities and job prospects for Western Australians, but I am encouraged that the Western Australian mining sector is setting itself up for success for that next upturn. On the whole, Western Australia is much better placed than the rest of the nation with regard to the resource sector.

[8.20 pm]

**Mr W.J. JOHNSTON:** I have a further question. Does the government ever expect that mining and resource industry investment in Western Australia will again reach \$46 billion annually?

**Mr S.K. L'ESTRANGE:** I was listening to the Premier answer a similar question recently. One of the things we should look forward to is the increased reliance on liquefied natural gas, for example, as a cleaner source of energy. When we think about near neighbours in similar time zones, even China is starting to move away from coal as an energy resource and towards LNG. If China shifts its use from, say, six per cent LNG to 10 per cent, it will place great demand on LNG as a product and may well enable some of our LNG gas fields to have further production. There has been an enormous investment of about \$54 billion or \$55 billion. The member was on Barrow Island to celebrate the first shipment of LNG from the Gorgon project. These are huge projects. Will Western Australia see projects of that magnitude in the future? It probably will, but the question is when and I cannot answer that.

**Mr W.J. JOHNSTON:** Yes; right.

**Mr J. NORBERGER:** I refer to the second dot point on page 885 of the *Budget Statements*, which states —

... the State's mining industry declined from \$46.2 billion in 2014 to \$42.3 billion in 2015 ...

We have heard a fair bit about that. We know how important the mining industry is to our budget, and that has obviously had a significant flow-on effect. Do we believe that we have bottomed out? What does the minister or department believe is the current status of the mining industry, and where might we be heading?

**Mr S.K. L'ESTRANGE:** That is almost an extension of the previous question. As I said before, the value of Western Australia's mineral and petroleum industry reached just over \$91 billion. Reflective of the overall industry sentiment, the Australian Bureau of Statistics showed that mining investment activity in Western Australia has fallen 31 per cent, with the state's industry investing just under \$32 billion in the last financial year, but, as I said before, that decline is still not as significant as the decline nationally. We are actually still holding up well here in Western Australia, faced with these very low commodity prices. Australian mining investment fell 42 per cent between 2014 and 2015—from \$88 billion to \$48 billion, which also picks up on the member for Cannington's question—but Western Australia's share of mining investment increased 10 per cent nationally. A number of big projects are still helping the Western Australian economy continue to move forward, but, obviously, not at the rate it was when things were peaking. As the director general pointed out earlier, 16 mines will recommence or begin production, and only 14 mine projects have either closed or been placed in care and maintenance, so we are actually having a net gain in the mining sector, even in these lower commodity price conditions. In Western Australia, iron ore remains the state's most valuable sector, accounting for just under \$50 billion, or 70 per cent of the mineral sector's total sales, and almost 741 million tonnes was exported throughout 2015. Although we might feel that things are not good, a lot is still happening. As I say, I think sometimes the psychology of the Western Australian populace sits around the construction boom phase of the economy and does not look at the structural aspect of the mine sites and what they are doing.

**Mr W.J. JOHNSTON:** What words did the minister just use? Did the minister say mine "construction boom"?

**Mr S.K. L'ESTRANGE:** Mining construction boom.

**Mr W.J. JOHNSTON:** Thank you.

**Mr C.J. TALLENTIRE:** My question refers to the third service on page 887, "Regulating resource sector development for Health and Safety, Social Responsibility, Environment and Dangerous Goods". I would like to know whether the minister or the department has been approached by any individual or business about a proposal or consideration of the potential for underground coal gasification.

**Mr S.K. L'ESTRANGE:** Nothing has come across my desk, member, but I have been closely watching this in any case to try to get an understanding of it. I understand that underground coal gasification has been occurring in Queensland. I believe there is one project where it could occur in Western Australia, but that has not happened at this stage. I am also conscious of the pretty strict health and safety and environmental guidelines around underground coal gasification, and I do not think anything has been approved to date. Is that right, Mr Sellers?

**Mr R. Sellers:** We have not had any approaches in my time as director general for underground coal gasification in Western Australia.

**Mr W.J. JOHNSTON:** I have a further question on that. Would the ban on coalmining in Margaret River include a ban on underground coal gasification?

**Mr S.K. L'ESTRANGE:** That is a good question.

**Mr R. Sellers:** At the time it was not contemplated, and it is under a section 19 notice and would need to be considered by government should anything else come forward.

**Mr W.J. JOHNSTON:** Is it just totally banned in Margaret River?

**Mr R. Sellers:** My recollection of the decision was that that application was finished with. That area was put under a section 19 notice that precludes any other tenements being applied for over it, and it would be a matter for the government of the day on those tenements.

**Mr W.J. JOHNSTON:** Minister, I refer to the first service on page 886 of budget paper No 2, "Providing resource sector information and advice to industry, community and government". Can the government provide any assurance to Goldfields First and the small operators it represents that the government will act on the recommendations of the Legislative Council report into the Mining Act amendments?

**Mr S.K. L'ESTRANGE:** Member, I take a keen interest in the Mining Legislation Amendment Bill 2015. I visited Goldfields First in Kalgoorlie, and also met with the other prospector group in Perth; I am seeing it again this Friday to discuss this exact point. I have also read the report and made notes on each of those recommendations. Without showing the director general my notes, I have asked the director general to get his department to look very carefully at those recommendations and give me a departmental response on whether those recommendations could be applied to the amendment bill or whether they could sit in regulations. That report has not come back to me yet, but my view is that the prospectors had some genuine concerns mainly in and around how they operate. One of the things they operate under, and have done for years, is a term called a tribute. I know that was one of the issues that they were concerned about. They wanted to know whether they could still have that relationship with an existing mine site, whereby they could prospect a certain area of land within the tenement and have an arrangement with the mine operator to come under the auspices of that mine operator with regard to its compliance with environmental regulations imposed on the site. I am keen to have a very close look at what the department comes back to me with and whether it recommends, yes, putting something in the bill or whether a better result for all concerned would be to put it into a regulation, for example. That would then provide the opportunity for flexibility into the future.

The short answer is that I am very conscious of the concerns of the prospectors. As the member knows, they form what can probably be called one of four main groups in mining—that is, the prospectors, the explorers and, we could even say, the small mines and then the bigger mines. They are a very important part of the industry and, as the Minister for Small Business, I can say that they are a very important component of towns such as Kalgoorlie, because the smaller players generally spend most of their disposable income in the town, which helps to sustain the local economy and supports the businesses in the local area. I am very conscious of their needs. I have met with them before, and I am meeting with them again. I am keen to look wherever possible for an approach that enables us to achieve a win-win outcome so that we can assure the prospectors that they can operate as effectively as they have done in the past while at the same time balancing the needs of protecting the environment and making sure their operation is safe.

[8.30 pm]

**Mr W.J. JOHNSTON:** Thank you, minister. I look forward to the formal response. One of the issues that was raised as a recommendation of the committee was the question of moving to being completely online. I have met with the prospectors and the minister has also met with them. I am sure it was made clear to the minister that many of them felt that online submission was not suitable for them. Is that one of the issues the minister will be able to move on?

**Mr S.K. L'ESTRANGE:** Absolutely, and I have already had preliminary discussions with the department on that exact topic. Some prospectors who have access to computers and are computer literate would love nothing more than for that to be the case, because they can get everything done quickly, and they do not have to come into town to do it; it can all get sorted out. Others, who might not want to look at a computer let alone fill in a form or whatever online, will need more support. I have already had preliminary discussions with the director general and the department to make sure that we still have the capacity to look after the people who do not have computer literacy, for example, and he has ensured me that that is the case.

**Mr R. Sellers:** It might be of interest to members that when we introduced the mine rehabilitation fund, that was made completely online as well. We actually have terminals at each of our sites, and our staff are trained to help people input their information. We did that all through the mine rehabilitation fund. It worked fine, and we got accolades at the end of it. I am sure we will reach a compromise on this that works.

**Dr G.G. JACOBS:** I congratulate the minister's predecessor on the work that he did on the Mining Legislation Amendment Bill 2015. I am a representative of some of the prospectors. They had many concerns about this bill. One of the challenges was, if you like, who is who in the zoo—who is the Amalgamated Prospectors and Leaseholders Association, who is Goldfields First, and who do they represent? I now know and understand a bit about who they are. There were four issues I wanted to raise, and I wonder how the minister sees these in the new legislation. Firstly, they believed there was poor consultation and engagement, which refers to the function in the budget papers of providing relevant resources sector information. Secondly, what is the definition of low-impact disturbance? What is low-impact activity? We went round and round on that one. Thirdly, there is the issue of whether clearing conditions should be put into the legislation. Finally, there was the issue of fees. I think we have parked the fees for a while—put that aside, because that was quite a sticking point when all the other issues were pushed away. I do not think they would be very happy with any fee. I need the minister to tell me where the issue is with fees, the application and the program of work.

**Mr S.K. L'ESTRANGE:** I know that the member has worked very hard on this. He has asked four or five questions that relate to the recommendations in the report. I have read that report with interest. The questions that the member has just asked me are those that I have effectively asked the department to research for me and give me answers to. Some of the key issues are about what major disturbances or minor works are. Do they need to be defined in the act itself, or can they be explained in regulations attached to the act, to give guidance and surety to the prospectors, so that they know that their type of work comes under a category that does not therefore impact on what they can or cannot do? That is what I have asked the director general to respond to me with—that is, the department's view on this. Once I have the answers to that, as I said in my previous answer, I am meeting with the prospectors again on Friday, and those are some of the questions that I will be asking them. I will be asking them to explain to me why this is such an issue for them, so that I am clear, and so that when I get the advice back from the department I can look at the two points of view and come to a conclusion on how to address them. Perhaps I can ask the director general to add to that.

**Mr R. Sellers:** That was a very good answer. I just thought I might draw attention to the fee structure in the state budget that has been handed down. I am not sure whether the minister wants to talk about that.

**Mr S.K. L'ESTRANGE:** I have just been given some advice from the director general about what has happened since the last meeting with the prospectors about fees. It says that the state budget has been handed down. The assessment application fees, the programs of work fees and the mining proposal fees will not proceed, and instead minor increases in annual rents will be used. This suggestion came from prospectors through the consultation process with the former minister. That is something I can take up with them to see whether it helps address their concerns expressed to the inquiry.

**Dr G.G. JACOBS:** That was actually put at one of the meetings with the minister's predecessor—putting something across the industry, rather than just levying this particular cohort of prospectors and small miners. We did not have all the representatives of the mining industry, but they seem to inform us that it would probably be better to place a small charge across the whole industry. That would be acceptable to the industry, and it would be a way of amortising the fee.

**The appropriation was recommended.**

[8.40 pm]

**Division 77: Small Business Development Corporation, \$12 766 000 —**

Ms L.L. Baker, Chairman.

Mr S.K. L'Estrange, Minister for Small Business.

Mr D. Eaton, Small Business Commissioner.

Mr R. Buttsworth, Director, Corporate Resources.

Mr J. Campbell-Everden, Chief of Staff, Office of the Minister for Small Business.

[Witnesses introduced.]

**The CHAIRMAN:** 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. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to



be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I give the call to the member for Cannington.

**Mr W.J. JOHNSTON:** The first dot point on page 896 of the *Budget Statements* refers to the alternative dispute resolution service. How many matters have gone through a formal ADR process in the 2015–16 financial year and how many matters have been referred to the State Administrative Tribunal?

**Mr S.K. L'ESTRANGE:** That is a good question. I refer that to the commissioner.

**Mr D. Eaton:** Between July 2015 and April 2016, 384 formal cases were managed through our dispute resolution service. That does not include approximately 1 500 other cases that were dispute-related inquiries that came to us and we managed in differing ways. For the actual formal case management, which is what we call it, there were 384 cases. I do not have in front of me how many cases flowed through to the State Administrative Tribunal, but it was a relatively small number compared with the 384.

**Mr W.J. JOHNSTON:** Could we get that as supplementary information?

**Mr S.K. L'ESTRANGE:** Yes.

**Mr W.J. JOHNSTON:** I am asking for the number of matters that went through the ADR and then were referred to the SAT.

[*Supplementary Information No A55.*]

**Mr W.J. JOHNSTON:** Does the Small Business Development Corporation have a budget allocation for this function; and, if so, what is the amount?

**Mr D. Eaton:** It forms part of our total service appropriation. There is not a specific allocation for that particular service.

**Mr C.J. TALLENTIRE:** I am keen to know in general terms how much of the work of the alternative dispute resolution service relates to tenants of commercial properties who are in dispute with their landlords?

**Mr S.K. L'ESTRANGE:** Thank you for the question. I will give the commissioner an opportunity to find some of his statistics, but, in the meantime, I will say that it is anticipated that by the end of this financial year, over 400 cases will be finalised, and the saving is valued at an estimated \$20 million. I think it is a great service. With regard to the specific breakdown in answer to the member's question, do we have anything, commissioner?

**Mr D. Eaton:** There are two answers to that question. The first is that the dispute resolution service, as the member will be aware, can result in a mediation service. About 30 per cent of those cases relate to commercial tenancy disputes. Disputes under the Commercial Tenancy (Retail Shops) Agreements Act must go through our alternative dispute resolution service before they can access the State Administrative Tribunal. However, we also will handle disputes on other matters between businesses and between businesses and government, but primarily between businesses. About 70 per cent of those are voluntary types of matters.

The second answer to that question relates to our specific commercial tenancy advisory service that existed before the dispute resolution service. In the year to date, some 600 clients have sought specialist advice related to the commercial tenancy act. There are two services—one for those who seek advice about the commercial tenancy act and their rights and responsibilities, and that is a service that we deliver under the act; and one for those that may result in a disputation.

**Mr C.J. TALLENTIRE:** Are there any policy initiatives coming out of common themes that arise through these commercial tenancy problems? I am thinking particularly of the need to maintain transparency around the register of rents that are paid by people in shopping centres.

**Mr D. Eaton:** The Department of Commerce obviously administers the commercial tenancy act. The act has had amendments during my tenure that have focused on greater transparency and information going into a tenancy agreement and certainly a number of protections for tenants under that agreement. To date, I think those amendments have had—I cannot give the specific date—a reasonable amount of time to bed in. It appears to be functioning well in that matters can come to me and then be forwarded to the State Administrative Tribunal. I do not believe that policies or any developments are in place at the moment to review that.

[8.50 pm]

**Dr G.G. JACOBS:** I refer to the 90-day regulatory mapping projects under "Spending Changes" on page 895. What is that about? An amount of \$200 000 is devoted to it in 2016–17 and \$200 000 over the out years.

**Mr S.K. L'ESTRANGE:** In short, the 90-day regulatory mapping program is part of the government's efforts to make it easier to set up a business. The focus of the mapping projects is on reducing unnecessary compliance

costs to business, in tenders and existing market participants, and also to improve the delivery and regulatory outcomes for the business community. An example of this is that I was out just last week to celebrate the 90-day mapping project done for setting up a cafe. It has basically mapped all of the processes and found that from start to finish it could be as long as nine months to get through the regulatory burden before the doors of the cafe can be opened. The real energy here is about mapping that regulatory process, identifying where there is duplication and where instead of having, say, more than one form to do the same task, it is all done once, and it flows through. Digitisation is also something that could help that. Essentially it is about reducing the regulatory burden without reducing the need to have the regulations in place for occupational health and safety for the community et cetera. One of the key things is making sure that businesses have a clear understanding of what the regulation is; that we as a government have got rid of the duplication of that effort so that people can start up their business faster. That is what that is for.

**Mr W.J. JOHNSTON:** Can the minister provide the map he has described for the cafe?

**Mr S.K. L'ESTRANGE:** I do not have it with me now; I have seen it.

**Mr D. Eaton:** Yes, the Department of Finance led that body of work. We certainly assist that department and other agencies in that work. It was about starting a restaurant. There is a report and the map itself will go public on its website along with a range of recommendations on how to reduce that burden.

**Mr P.C. TINLEY:** I refer to the second dot point on page 896 under “Significant Issues Impacting the Agency” and the business migration program that the SBDC makes recommendation to, but runs under some form of arrangement with the federal government for inbound business migrants. How many business visas or visas that fit within the category of this dot point were issued in 2015–16? Is there a projected intended target for the future years?

**Mr S.K. L'ESTRANGE:** This is an excellent program and is obviously attracting business migrants to Western Australia. It supports the economy and the creation of new jobs. I am advised that to date, in 2015–16, the SBDC has approved state nomination for 174 new business migrants, and that is expected to increase to more than 200 by the end of this financial year. I am advised that an additional 122 business migrants have finalised their investment in Western Australia, injecting total capital of over \$276 million to the state economy. It is a very successful program. About \$125.5 million is invested in businesses and \$20.25 million invested in WA Treasury bonds. All of that effort has created 144 new jobs and 11 new exporting businesses.

**Mr P.C. TINLEY:** For 2015–16, can the minister advise the countries of origin. I am happy to take the answer as supplementary information.

**Mr D. Eaton:** We will provide that as supplementary information.

**The CHAIRMAN:** Will the member repeat for Hansard what he would like as supplementary information?

**Mr P.C. TINLEY:** I am seeking the country of origin for every issued visa under the business migration program for 2015–16.

*[Supplementary Information No A56.]*

**Mr D. Eaton:** Can I seek a point of clarity there? The minister mentioned that we had 174 nominations year-to-date and 122 migrants finalised. The detail around that is that it can be up to a four-year cycle from nomination to finalisation, so we will get the member the data around those that were finalised and nominated.

**Mr P.C. TINLEY:** Can I extend that to 2014–15 as well?

**The CHAIRMAN:** Will the minister please repeat for Hansard what it is he has agreed to provide as supplementary information?

**Mr S.K. L'ESTRANGE:** We will provide the 2014–15 statistics and the 2015–16 statistics for the final business migrant numbers of each of those years and the country of origin.

**Mr P.C. TINLEY:** It is noted in that second dot point that the program generates new employment. How many new jobs were created as a result of the business migration program in 2015–16?

**Mr S.K. L'ESTRANGE:** I am advised that 144 new jobs and 11 new exporting businesses have been created.

**Mr P.C. TINLEY:** Of those in the previous years, is any follow up done to see whether they are still in business and what is their employment growth, not just their employment numbers?

**Mr D. Eaton:** We will provide that as supplementary information because over the four-year cycle we certainly monitor those businesses. I will need to check whether we then go back and do an audit subsequent to them meeting their visa requirement.

**The CHAIRMAN:** Will the minister clarify for Hansard what it is the commissioner has agreed to provide?

**Mr S.K. L'ESTRANGE:** The member wants to know how those businesses have progressed once they have satisfied their migration status.

**Mr P.C. TINLEY:** Through the four-year cycle, and if the minister has any data in relation to outside of that four-year period.

**Mr S.K. L'ESTRANGE:** I will get the commissioner to clarify the question for Hansard.

**Mr D. Eaton:** The member would like us to indicate whether we monitor the progress of those businesses post their finalising their visa requirements in terms of remaining in business and their growth.

**Mr P.C. TINLEY:** Yes, I am particularly interested in jobs growth.

*[Supplementary Information No A57.]*

**Mr P.C. TINLEY:** It is noted also in that same dot point that the program provides nominations for “migrants in a range of business and investment visa categories and promotes Western Australian opportunities at international trade expos”. How many trade expos has the SBDC been involved in or sponsored and/or promoted?

**Mr D. Eaton:** I would like to take that as a supplementary question so that I can provide the exact number in terms of participation in overseas promotional activities.

**Mr S.K. L'ESTRANGE:** I signed off on one recently.

**Mr D. Eaton:** Yes. Quite often we collaborate with other departments like the Department of State Development and so forth, so I will provide the member the accurate number as supplementary information.

**Mr P.C. TINLEY:** The supplementary information I am after is the number and location of international trade expos that the SBDC has funded, attended or promoted for 2015–16.

*[Supplementary Information No A58.]*

[9.00 pm]

**Mr P.C. TINLEY:** Further to that—maybe this question can be answered in addition to that supplementary question; sorry, it just slipped my mind—what has been the expenditure by the agency? Can we add that to that supplementary?

**Mr S.K. L'ESTRANGE:** I think that was already in the question.

**Mr P.C. TINLEY:** It was implied.

**The CHAIRMAN:** We will add that to the previous question.

**Mr S.K. L'ESTRANGE:** Just to clarify, the member is asking what trade expos the SBDC has been involved with overseas and how much did each of those involvements cost.

**Mr P.C. TINLEY:** Yes.

[Mr P. Abetz took the chair.]

**Mr J. NORBERGER:** Minister, I had originally intended to ask about the migration program but the member for Willagee very rudely asked about it. I was not happy about it.

I draw the minister's attention to the final dot point on page 896, which relates to the on-demand transport industry. We know that legislation in and around deregulation of the reform of the taxi industry was introduced in the house recently by the Minister for Transport. It is a significant piece of reform. As part of that, some funds have obviously been made available to the Small Business Development Corporation for training. I understand the desired outcomes of that training. It is listed in the budget papers. The government wants the taxi operators to be able to adapt their business models and become more innovative. How does the government intend to run that? Is that one on one? Are we talking about a mentoring program or a coaching program or are these group-based fixed training sessions so that people can either make it or they cannot? Is it over a longer period of time with follow up? What work has been progressed on how best the government wants to deliver that training?

**Mr S.K. L'ESTRANGE:** I thank the member for the question. I think it is a really good example of how the digital economy is starting to impact on traditional business sectors. We have certainly seen it in the taxi industry. Obviously, we know that the major player that has forced government to take a real close look at this is Uber. We need to reform the sector that is able to regulate as best as possible the on-demand transport industry as it now is.

The member correctly pointed out that the SBDC will receive funding of \$1.5 million over two years to develop and deliver support for those affected businesses. That support will include consulting with the taxi plate owners, the lease plate owners, the dispatch services and drivers directly and/or through groups representing them to analyse their needs and the issues arising and specifically to where the SBDC would be able to develop some programs, which is in and around the materials and services, such as access to special services, online information workshops and one-on-one advisory sessions. When I visited the SBDC in Perth recently, I saw the

one-on-one sessions—not specifically relating to the taxi industry, but I saw them happening. One of the things I was impressed with was that the advisers, one of whom I observed giving advice, had made a very successful career in a small business themselves. These people actually understood the needs of the person they were advising. It would certainly be my hope and intent that the SBDC would apply that same approach to this particular sector by making sure that it has people with the right experience, knowledge and know-how to ensure that if they are going to be giving advice on how to adapt to this changed market environment, advice will be given by somebody who understands, not by somebody who is just tasked with giving that advice. Maybe Mr Eaton could elaborate.

**Mr D. Eaton:** I think the minister has covered it quite well. We have a range of materials and activities. We also expect to engage with the cohort and adapt that so that the delivery of the service is done in a variety of ways so that they are best able to consume that sort of information and advice.

**Mr W.J. JOHNSTON:** Is there a budget for this project? For how long does the minister expect the package to be rolled out?

**Mr S.K. L'ESTRANGE:** In this current budget it is in the budget papers as \$1.5 million over two years. The actual breakdown of how that \$1.5 million over two years will be spent and allocated is, as I outlined earlier, going to be broken down into the personnel who are able to deliver the advice by understanding the sector, so we obviously have that cost, plus making sure we can source the most appropriate, up to date and accurate resources to enable those people who want to access the service to be able to get the best benefit from it.

**Mr W.J. JOHNSTON:** As Minister for Small Business, has the minister had representation from taxi plate owners regarding compensation for the loss of value of their taxi plates?

**Mr S.K. L'ESTRANGE:** I thank the member for the question. In the two months that I have been in the chair, I have not had any representations. That is not to say that they have put those representations through. They may well have gone direct to the transport minister on this particular issue. I will ask the commissioner whether he has anything to add.

**Mr D. Eaton:** There has been no direct engagement with me about the adjustment or transition or compensation payment.

**Mr W.J. JOHNSTON:** Extending to other disruptive businesses, is there any sort of approach for Airbnb businesses that are disrupting the tourism space?

**Mr S.K. L'ESTRANGE:** That is a good question.

**Mr D. Eaton:** The accelerated disruption of business models is something that the SBDC certainly has top of mind. More of a general response to that has been a focus on providing support in financial literacy and digital literacy, which has resonated quite well with small business entrepreneurs. Obviously, there are a lot of various business skills and acumen, but financial literacy assists them to understand where their current financial models come from and also gives them the background to review that business model and see how it adapts. In my opinion, digital literacy is also relatively low across the small business sector and therefore their ability to either utilise the digital channels for their own business or understand the competitive nature of the disruption is quite top of the mind for the SBDC.

**Mr C.J. TALLENTIRE:** The minister may have touched on some of this. I refer to the third dot point on page 896 relating to the new Business Local service. I am keen to know whether a general evaluation of the new Business Local service has been done.

**Mr S.K. L'ESTRANGE:** I thank the member for the question. The Business Local service is certainly a service that I was keen to look at in the context of why we moved to this particular service. As the member would know, we went from completing a comprehensive independent review of the small business centre network and have moved across to the Business Local service. I visited one of these centres in Kalgoorlie only last month. Again, I was impressed that the two people in that particular Business Local service both operated businesses and had business experience. One was an accountant and had her own practice. She had that financial literacy. Under the old small business centre network, we might have got somebody who might have been a very competent employee but they might not have had small business experience themselves and understood financial literacy. The quality of the service that I saw in that particular centre certainly gave me great confidence. I will ask the commissioner whether the SBDC has done any formal review of all the Business Local service operators since it has been implemented.

[9.10 pm]

**Mr D. Eaton:** Certainly, we have reviewed the new program providers on a quarterly basis in the first year. We check not only the quality of the service but also with various stakeholders, particularly in the regions, to get their feedback as well as various metrics. In the year to date we have serviced over 4 500 individual businesses. An economic value estimate is provided by the businesses when we follow up with them. Once they come into

the service, they receive advice. Quite often that results in a formal action plan for the business to follow through on. We then do a follow-up that either assists them with that implementation or checks whether they have implemented the plan. In terms of the economic impact that can be related to advice given and sought through the Business Local program, the current estimates are in the range of over \$50 million.

**Mr C.J. TALLENTIRE:** How much financial support does the Small Business Development Corporation provide to the various Business Local services, and is the funding provided for a specific item, for example, publications, event sponsorship, property operating costs or what have you?

**Mr S.K. L'ESTRANGE:** I will ask the Small Business Commissioner to give a breakdown of how the Business Local service allocates its funds.

**Mr D. Eaton:** The actual total funding is found in the last line item on page 900 “Business Local Service—Operational Grants”. In 2015–16 it is \$3.530 million. Quite a detailed contract with the providers specifies what they are expected to deliver for their proportion of the entire program budget. There is a detailed breakdown by service delivery region. There are 12 service delivery regions; three in the metropolitan area and nine that align with the footprint of the Regional Development Commissions throughout Western Australia. The budget has been divided through the 12 regions and a contract is struck with a provider for each of those regions. Within that contract a cap of 10 per cent is placed on the budget that can be used for infrastructure and administrative costs. This was one of the significant benefits of moving to this new model because with the previous small business centre program, over 25 per cent of government funds were being consumed by overhead administrative costs. We have been able to reduce that and cap it at 10 per cent. That has resulted in a significant increase in the number of actual business advisers on the ground delivering the service, and of course we are quite prescriptive that the funds are for those business advisers dealing with clients. I will leave it there in terms of consumption of overhead versus actual service delivery and staff on the ground.

**Dr G.G. JACOBS:** Forgive me, minister, I probably should have brought this up when we were talking about dispute resolution services, but I have had a bit of a think. I refer to the first dot point on page 896. When we as a government were considering the whole concept of deregulated shopping hours, we perhaps foreshadowed a potential or a possibility of some concern around small shop owners and operators versus larger landlord shopping centres. The commissioner mentioned around 300-and-something dispute resolution matters. How many of those were due to perhaps unreasonable pressure on small shop owners by larger landlord shopping centres to conform with schedules or conditions in their operation, particularly in the deregulated space?

**Mr S.K. L'ESTRANGE:** In relation to the deregulated trading hours?

**Dr G.G. JACOBS:** Yes.

**Mr S.K. L'ESTRANGE:** That is a good question. I will hand over to the commissioner.

**Mr D. Eaton:** I mentioned earlier that some 2 000 dispute-related inquiries came to us that we then gradually escalated to around 400 dispute-resolution cases. I cannot give the member the exact number, but I cannot recall a dispute around a landlord forcing a tenant to open under those hours. I am reasonably confident that it would not get to a mediated outcome because early on in the stages, the staff and I would point out to the landlord that that would be a breach of the Commercial Tenancy (Retail Shops) Agreements Act. Early on my staff and I had to remind a number of landlords of their obligations under the act and the rights of their tenants. No cases have escalated through me to the State Administrative Tribunal because obviously the case would have little potential for winning. Just to expand on that, a further benefit has been the clarification around payments that landlords can impose on tenants. For example, because standard retail hours remain the same, landlords cannot bill tenants for costs outside those hours. If a shop owner chooses not to open for the extended hours, they cannot be billed for things such as security. The act in combination with dispute resolution and the commissioner's role has actually achieved the intended outcome; that is not to say that we do not have other forms of commercial tenancy disputes.

**Mr P.C. TINLEY:** I refer to the fifth point on page 896 about the new Small Business Friendly Local Governments initiative. What is the budget for this initiative; and has the cutting of local government red tape for small to medium-sized businesses been discussed or identified?

**Mr S.K. L'ESTRANGE:** That is a good question, member. The commissioner and I had a discussion about this when I was first appointed Minister for Small Business. The commissioner mentioned this particular initiative and from memory, I think he cited the Town of Victoria Park as being a local government that is seen as being very helpful to small business in the setting up of a business. The intent through the Small Business Development Corporation is to try to increase transparency in and around how local governments perform when supporting small businesses to set up in their municipalities. That sounded to me like a fantastic idea. I was quite enthused by the fact that if a person wanted to set up a cafe that they could check the various rates and charges and support mechanisms of the different local governments when considering where to set up their business. They could then make an assessment based on that website information, and maybe even visit the Small

Business Development Corporation's office in the city and have a conversation with its staff to gain a greater understanding of what is required to navigate their way through the local government approval processes. In the first instance it was not actually a red-tape reduction strategy of the town itself. It was more about identifying how the councils were doing that so that businesses had some idea of what they were getting themselves into if they were to set up a business in a particular shire, town or city. The commissioner may like to elaborate further.

**Mr P.C. TINLEY:** I am also keen to know the budget for the initiative.

[9.20 pm]

**Mr S.K. L'ESTRANGE:** I do apologise; the budget amount.

**Mr D. Eaton:** It is an internal allocation that we have created so far for a pilot. We have allocated initial funds of \$50 000. We have been in contact with four or five local governments. In terms of identifying better practice, there are really two phases to this: one is to acknowledge better practice local governments that are already small business friendly. What I mean by that is beyond reducing red tape, those local governments that are doing things that encourage and support small business growth in their municipality. The Small Business Development Corporation is well placed to facilitate coaching of other local governments that may wish to head in that direction. We see this as a facilitative coaching role and encouragement of better practice activity that will have a mutual benefit to local government and the small business sector.

**Mr P.C. TINLEY:** Mr Eaton might have said it in his response, but what is the time line for this pilot?

**Mr D. Eaton:** The current schedule is to go public on this in August, which actually aligns with the Western Australian Local Government Association's conference. It is a good opportunity to speak to the broader local government sector, after having honed the concept with a few early adopters of some better practice local governments.

**Mr P.C. TINLEY:** It starts in August, when will it finish?

**Mr D. Eaton:** I would expect this to be an ongoing program involving acknowledging and identifying better practice local governments.

**Mr P.C. TINLEY:** The commissioner said it is a pilot or a trial. At some point pilots and trials finish and programs start. At what point will it be decided that this is successful and go through the budgetary process to properly resource it? When will it transition from pilot to program; or, if the pilot is dropped because it is unsuccessful, what will be the mechanism? If it is an internal report, will that report be published?

**Mr S.K. L'ESTRANGE:** That is a good question. This is essentially an initiative that the commissioner, through his agency, has presented to me. Having dealt with local governments, as no doubt the member has, the more open and transparent we are at all levels of government in the provision of services and the information available to people who want to set up a business, the better it will be for the small business community. I am keen for the Small Business Commissioner to report back to me, as the Minister for Small Business, when he has conducted this trial. I imagine it will be this financial year.

**Mr D. Eaton:** That is right.

**Mr S.K. L'ESTRANGE:** The commissioner would have dealt with the Western Australian Local Government Association on this. He said that he will approach who he has already identified as being better practising local governments through feedback from small businesses on how easy it has been for them in certain areas compared with other areas. The commissioner is following up on that. At this stage it is probably best understood to be an initiative as opposed to a formalised budget item. Once the commissioner has in front of him the results of the pilot project he is running, I am certainly keen to get a brief on how successful it has been and where it needs to go next and whether any money needs to be allocated to it.

**Mr P.C. TINLEY:** I am confused between pilots and initiatives and financial years. The minister said this financial year. I presume the minister is talking about 2016–17?

**Mr S.K. L'ESTRANGE:** That is right, 2016–17.

**Mr P.C. TINLEY:** Can we get clarity whether this is a pilot or an initiative?

**Mr D. Eaton:** My apologies, I have used the term "pilot" which is —

**Mr P.C. TINLEY:** Sure. I have no problem with that.

**Mr D. Eaton:** It is a term I use for things that include an initiative. After seeing the results, if it appears positive or it needs adjustment, it is continued. I want to make the point that this was not something I sought to impose on local governments. It was identifying best practice; therefore, I was not anticipating it would actually consume a large amount of resource, in that we are identifying better practice. We are drawing attention to those local governments. We have certain criteria, which will be made available in August, that state these are the threshold things a local government needs to achieve. I am anticipating a good take-up from local governments.

**Mr P.C. TINLEY:** Good luck.

**Mr W.J. JOHNSTON:** I refer to the corporation's "Income Statement" on page 900 of the *Budget Statements*. I draw to the minister's attention the line underneath "Income from State Government", "Royalties for Regions Fund: Regional Community Services Fund". Under the heading "Financial Statements" on the previous page, there is a comment about "Income", which states —

The income from the Royalties for Regions Fund is estimated to decrease by \$1 million from the 2015–16 Budget to the 2015–16 Estimated Actual. This decrease is due to the discontinuation of the Regional Buy Local Initiatives Stage 3.

That clearly explains what happened, but if the minister turns back over the page he will see that the 2014–15 actual was \$664 000, the budget last year was \$1.256 million and the estimated actual was \$256 000. The budget is now \$216 000 for 2016–17, \$224 000 for the first of the out years, and nothing after that. That is the issue that I am addressing. Why has the regional Buy Local initiative stage 3 been reduced by \$1 million? For how many years have those initiatives been running? Does this mean that the project is ending?

**Mr S.K. L'ESTRANGE:** We may have to take that question on notice.

**Mr D. Eaton:** I have the detail, minister; I just want to make sure I have the dollar figures accurate. Perhaps I will ask my director of corporate resources to answer that.

**Mr R. Buttsworth:** For this year, the \$1 million reduction, as the member rightly pointed out, was due to the cessation of Buy Local phase 3. The business case for that had not gone to cabinet. Obviously, a review of all royalties for regions funding has been undertaken. We are not privy to the reasons for the reduction aside from the fact I would have thought that the current fiscal climate would have had a good deal to do with that. In terms of this year's actual for phase 2 of the Buy Local program, \$50 000 was drawn down in 2014–15. The funding in the out years relates to the Western Australian Regional Small Business Awards. That is an annual awards program that is funded from royalties for regions. It brings award winners from throughout regional WA to an event that is held each year. That is funded for a further two years and then the funding for that ceases as well.

**Mr W.J. JOHNSTON:** Let me get this straight: the corporation has lost \$1 million in funding for a Buy Local initiative but it is spending over \$200 000 to fly people to an awards function?

**Mr D. Eaton:** I can answer that.

**Mr W.J. JOHNSTON:** I look forward to the answer!

**Mr D. Eaton:** The Western Australian Regional Small Business Awards is a program that has been in place for 14 years. That funding is not just for flying people into that awards night, as I understood the member's question. We support local business awards all around regional Western Australia. We assist those awards programs throughout Western Australia and those award winners are fed into a state regional award evening. I would also make the point that a lot of feedback tells us that entering a small business award actually has a commercial benefit to the business. Two separate programs came out of royalties for regions funding: one has been ongoing for some years; the other was phase 3 of the regional Buy Local program that, as Ray Buttsworth just pointed out, ceased before commencing.

[9.30 pm]

**Mr W.J. JOHNSTON:** I have two issues that arise from that answer. The first one is: was the business case for phase 3 not accepted, and therefore it did not proceed?

**Mr D. Eaton:** Yes.

**Mr W.J. JOHNSTON:** Did phases 1 and 2 meet their business case objectives?

**Mr D. Eaton:** Yes, they did. As with all programs funded out of royalties for regions and the Department of Regional Development, there is quite a rigorous business case at the beginning and quite a rigorous report about the results at the end. We executed phases 1 and 2 as requested, and phase 3 that we had in the forward estimates never commenced.

**Mr W.J. JOHNSTON:** I have a further question on this part of the topic, and then I will go to my other bit. Were those business cases and reports cabinet documents, or if I put in a freedom of information application can I get them?

**Mr D. Eaton:** I do not know; I cannot recall. They were cabinet documents.

**Mr W.J. JOHNSTON:** Typical. I turn to the money in the budget for the regional awards program. I acknowledge that I was a director of the Belmont Business Enterprise Centre, and famously it runs a big one and finds it helps, so I am not criticising it. I just wanted to clarify that Mr Eaton said that award scheme had been running for 14 years.

**Mr D. Eaton:** That is correct.

**Mr W.J. JOHNSTON:** That clearly, therefore, pre-dates the royalties for regions program.

**Mr D. Eaton:** Quite right.

**Mr W.J. JOHNSTON:** So, simply, an existing program has moved over to being funded from royalties for regions?

**Mr D. Eaton:** The business case that came with the funding expanded the expectations of the program—certainly the support into the regions and so forth. Prior to that, the additional funding had been used to support the regions, particularly in their local business awards programs. In fact, new award programs have started up in some areas that did not have them, as a consequence of the royalties for regions funding.

**Mr C.J. TALLENTIRE:** My question relates to page 898 of the budget papers and the line item on full-time equivalent employees. I am keen to know whether the Small Business Development Corporation has a plan to recruit more staff. It appears so, with just a few more staff. If so, what positions is it looking to recruit for?

**Mr S.K. L'ESTRANGE:** I asked that question. Am I correct, commissioner, in saying that these are people coming back on?

**Mr D. Eaton:** That is right.

**Mr S.K. L'ESTRANGE:** I understand that although it looks like an increase in numbers, it is actually people coming off long-term leave.

**Mr D. Eaton:** Maternity leave.

**Mr S.K. L'ESTRANGE:** Maternity leave and things like that, and one additional employee.

**Mr C.J. TALLENTIRE:** I have a further question. Did the office get caught up with the recruitment freeze; and, if so, how many positions does or did it have vacant??

**Mr S.K. L'ESTRANGE:** We will take that question on notice.

**The CHAIRMAN:** Can the minister state exactly what he is taking on notice, and then I will issue the number.

**Mr C.J. TALLENTIRE:** If I may, can I add couple of other parts that may help shape a table? I am keen to know as well the areas they were in, and also whether the SBDC sought an exemption to fill the positions and was it granted.

**The CHAIRMAN:** Can the minister restate that for the record?

**Mr S.K. L'ESTRANGE:** Yes, I will restate the question of the member for Gosnells. He wants to know the number of full-time equivalents who were not able to be appointed until after the recruitment freeze. That was the first part of his question. The second part of his question was whether we sought exemptions for anybody to be appointed while the recruitment freeze was on. For both parts of the question he wanted to know the role of those full-time equivalents.

*[Supplementary Information No A59.]*

**Mr C.J. TALLENTIRE:** I have a further question. Did the SBDC use any temporary personnel during the current financial year; and, if so, how many and for what positions, for how long and how much did it cost to use those temporary personnel?

**Mr S.K. L'ESTRANGE:** Just before I answer that question, is the member asking about in excess of the full-time equivalents shown in the budget?

**Mr C.J. TALLENTIRE:** Yes, that is right; in excess of the ones shown.

**Mr R. Buttsworth:** We employed two agency staff during the year. They were basically to fill positions or backfill staff who were on secondment to other agencies so we were therefore unable to fill the position substantively. There were two temporary staff or temp agency staff employed.

**Mr W.J. JOHNSTON:** Were those agency staff also covered by the recruitment freeze, or they were outside the freeze?

**Mr R. Buttsworth:** No; because they were existing temporary staff, they were outside the freeze.

**Mr C.J. TALLENTIRE:** I have a final question on employee-related matters. How many employees receive attraction and retention benefits?

**Mr S.K. L'ESTRANGE:** I am advised that none do.

**Mr P.C. TINLEY:** I refer to the fourth dot point on page 896 on the SBDC's influence to small business policy across all tiers of government. Are any legislative or significant policy changes on the horizon; and, if so, what are they and when will they be implemented to achieve this particular initiative?

**Mr S.K. L'ESTRANGE:** That is a good question. I had a discussion with the commissioner on this topic, and I understand that the Small Business Development Corporation inputted in the creation of the Australian Small Business and Family Enterprise Ombudsman Bill 2015. In fact, Kate Carnell, AO, the federal Ombudsman, came out and visited us only last month at a Small Business Development Corporation event. Other things that we have been involved with are the federal Treasury's discussion paper on the enhancement of the role of the



Australian Small Business Commissioner, federal Treasury's options paper on the misuse of market power laws, federal Treasury's review of the horticulture code of conduct, and federal Treasury's Australian Consumer Law review. They are the things the SBDC has been involved with influencing at the federal level. With the state government, it has been involved with the Department of Commerce's stage 2 review of the regulation of motor vehicle dealers and repairers, the Department of Commerce's statutory review of the Employment Agents Act 1976, the Department of Transport's reforms for on-demand transport services, and the Public Utilities Office's "Amendments to electricity and gas on-selling licence exemptions". The corporation also continues to provide guidance to state government agencies as part of the state government's regulatory impact assessment process, and assisted the reinvigorating regulatory reform plan of government. They are just some of the examples of the work the Small Business Development Corporation has done to influence legislation and policy at a state and federal level.

**Mr W.J. JOHNSTON:** Can I ask a follow-up question? The minister referred to getting regulation out of the way of small business. Is the minister considering the issue of the regulation of motor traders, which is the one of the things the minister talked about, and their very restrictive trade arrangements that do not allow them to open on Saturday afternoons, much less Sundays? Is that an issue the minister is seeking to address?

**Mr S.K. L'ESTRANGE:** The member's question actually aligns with a question I have asked of the commission. I have asked for it to prioritise, based on, let us say, all the complaints or concerns it has received over the past 12 months. I have asked the commissioner to basically rank those by industry, in order. With the 90-day red tape reduction flying squad we have created in this budget, we obviously have to prioritise the projects it looks at and in which order. I want to be able to push the case with the Minister for Finance on what I think, from a small business perspective, is a priority to apply a 90-day red tape reduction microscope to. I cannot say tonight that it would be the motor vehicle dealers and repairers. I have asked the commissioner to give me a brief, based on the statistics that he has, about what he thinks the priority should be.

[9.40 pm]

**Mr W.J. JOHNSTON:** I think the minister might have misunderstood my question, and I apologise for that. I understand about the 90-day flying squads. That is nice; I listened to that. I am asking, in respect of the restrictive trade arrangements for small businesses in the automotive sales space, whether it is his policy that the current arrangements are good, or is it his policy that, as has happened in the general retail shops, the hours of trade should be expanded to give small businesses more choice of when they open.

**Mr S.K. L'ESTRANGE:** Commissioner.

**Mr W.J. JOHNSTON:** I asked for the minister's view, but I am happy to have someone else's view.

**Mr D. Eaton:** Feedback that I have received previously from the industry body is that the dealers actually prefer the model that is in existence. They believe it suits their industry and the particular buyers of vehicles.

**Mr W.J. JOHNSTON:** I appreciate that that is probably true. Of course, in the retail sector, an overwhelming majority of small businesses also did not want changes to their trading hours, particularly in the supermarket trade. Let us face it—extended retail trading is about the supermarket trade, because jeans shops and those sorts of places do not open, regardless of regulation, in the evenings; it is the food retailers. The small business food retailers were satisfied with their trading arrangements, but nonetheless the government imposed a change on them. Why did the larger employer of people in the small business sector, the food retail trade, have a change in hours imposed on it, lose market share and suffer job losses, but that is not a consideration being imposed on motor vehicle dealers?

**Mr S.K. L'ESTRANGE:** The premise of the answer I gave on influencing small business policy at state and federal level was giving an understanding of the work being done by the sector in that area, as it relates to the dot point on page 896 that the member for Willagee asked about. On general questions about what changes to the regulation of various sectors should occur, I would take the same approach that I mentioned earlier as to what I would apply the 90-day red tape reduction strategy for; that is, I would be looking for advice from the commissioner based on industry input to us as a government about where it would see a need for change. If people came to me saying that they thought we needed to change the regulation of motor vehicle dealers and repairers for the following reasons, that is obviously something I would look into, and try to gain a greater understanding of the pros and cons. I would want to understand, with the commissioner's support, the cost-benefit analysis for the industry of any regulatory change that is being advised to us. That is the approach that I would take. It is not something that I have done in relation to regulation of motor vehicle dealers and repairers now, because the motor vehicle dealers and repairers themselves have not brought to my attention the need for any change.

**Mr C.J. TALLENTIRE:** I refer to the various dot points on page 896 relating to the roles of the SBDC, especially in terms of alternative dispute resolution. How much effort is put towards nurturing tenant collectives who may have a problem dealing with a particular landlord, such as a shopping centre?

**Mr S.K. L'ESTRANGE:** That is a very good question. Such disputes would no doubt form a percentage of the 384 cases that occurred between July 2015 and April 2016, when this was put together. Maybe the commissioner

has a breakdown of the different types of cases that have come through, and which of those involved tenants coming together as a collective to put forward a case for support. Does the commissioner have any statistics on that?

**Mr D. Eaton:** Not statistics, but I can think of an example that the member is aware of in his own electorate, where that circumstance actually occurred. It does not happen often, but the situation does occasionally arise in which a group of tenants, collectively or individually within a short time frame, approach us. I take the approach that there is no one-size-fits-all solution in trying to resolve disputation. In that circumstance, and in many others, there may be a common thread, and it normally is about a breakdown of communication. We attempt to rebuild that communication to resolve the dispute at hand. However, once it gets to a mediated process, or certainly into the State Administrative Tribunal, it needs to be a one-tenant-to-one-landlord situation, because typically the individual leases may have nuances about them. Collectively, having five tenants with five different leases signed at different times with slightly different clauses makes it impossible to resolve in one case. Certainly, in the earlier, less formal stages of attempting to bring the parties together, we act in that way.

**Mr W.J. JOHNSTON:** I refer the minister to the spending changes table at the bottom of page 895. The first line item in that table is “2016–17 Streamlined Budget Process Incentive Funding”, for the amount of \$120 000. What is that all about?

**Mr S.K. L’ESTRANGE:** The streamlined budget process incentive recognises that the Small Business Development Corporation has not submitted any new funding proposals for 2016–17 that would result in an increase in state debt.

**Mr W.J. JOHNSTON:** So they gave \$120 000 to increase state debt!

A further question, if that is the end of the minister’s answer. Did Treasury love the minister, so they gave him a bonus?

**Mr S.K. L’ESTRANGE:** I think the question is about why it is in the budget, and what it is to be put towards. Maybe the commissioner can assist us with understanding how we are going to be using it to deliver services.

**Mr D. Eaton:** I understand the question. For an agency of our size, \$120 000 is a substantial amount of money, and will assist us. We are constantly reviewing the relevance of our services and the methods of their delivery. More recently, we have expanded information and advisory workshops in the digital space, which is relatively new, so we have a new suite of those. The \$120 000 is a method by which Treasury, if we were not intending to put in a budget submission, offers an incentive to the budget line.

**Mr W.J. JOHNSTON:** I notice that the corporation intends to increase staff numbers from 53 to 56.

**Mr S.K. L’ESTRANGE:** What line item is this?

**Mr W.J. JOHNSTON:** I am still referring to the same matter, but I note page 898. I know the minister is familiar with his budget papers and the fact that his agency intends to increase its staff count. Is this \$120 000 going to pay for the increased headcount?

[9.50 pm]

**Mr D. Eaton:** The headcount on page 898 is an effective increase of one and relates to the 90-day regulatory mapping project; that is the FTE for that. As I said, the \$120 000 will be put towards things to do with digital. We are currently enhancing our service delivery through the web portal. There are things to do with webinars and those sorts of things that those funds will be put forwards.

**Mr S.K. L’ESTRANGE:** I think the real question, member, is: why is it only \$120 000!

**Mr W.J. JOHNSTON:** Clearly, if there had been a different minister, it would have been more! We all know that.

**Mr S.K. L’ESTRANGE:** I was too late at the helm!

**Mr W.J. JOHNSTON:** The revised 1.5 per cent wages policy line item has deductions of \$3 000, and \$66 000, \$130 000 and \$197 000 in the out years. Obviously, it is a small agency and it is only a small impact. Are any of the 53 estimated actual employees being reclassified—not promoted, but reclassified—because there is a work value view that the work they are doing should be paid at a higher rate?

**Mr S.K. L’ESTRANGE:** That is a good question. My understanding and certainly the advice I have on that revised amount is that it is as it is; it is a revised 1.5 per cent down from 2.5 per cent originally. That is the only reason for the change.

**The appropriation was recommended.**

*Committee adjourned at 9.51 pm*

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