TREASURER'S ADVANCE AUTHORISATION BILL 2021

Second Reading

Resumed from an earlier stage of the sitting.

HON DR STEVE THOMAS (South West — Leader of the Opposition) [5.05 pm]: I am sure that everybody is very keen to get back to the economic discussion in which we were partaking before we were so rudely interrupted! I will resist the urge to do an in-depth recap of where we got to previously and proceed from roughly where we were. We were looking at the embarrassment of wealth that the current government is receiving in income. We had looked in some detail at the issue of iron ore and the GST. Again, if we refer to the revenue as indicated in the *Quarterly financial results report*, we find that it is not just royalty income that has significantly increased over the last nine months. The income from royalties has come mostly from iron ore. I suspect that this jurisdiction has had the best outcome during the COVID-19 pandemic of any jurisdiction that I can research. The reality is that this state has, to some degree, made money out of the COVID virus. We have piggybacked on the economic stimulus packages of a number of countries. These economic stimulus packages have frequently involved infrastructure development. China has led the way with a massive infrastructure spend. A lot of other countries around the world have taken up the opportunity to use government funds to invest in infrastructure. Interestingly, a lot of those government funds have been, let us say, debt funded. Western Australia is in this remarkable situation in which it is, to some extent, the great beneficiary of those massive economic stimulus packages, because that, as much as anything else, is driving up the price of iron ore. Not only are those economic stimulus packages driving up the price of iron ore, but also the disruptions in supply in some countries, particularly Brazil, have contributed to the rise of the price of iron ore. We are the jurisdiction that is, in effect, making a massive profit out of the COVID response through these economic stimulus packages.

That has meant that, in total, the additional iron ore royalties that this state has received are beyond the money that has been expended by the state government in its COVID response. We are, in effect, making something of a profit out of the process. The original COVID package announced by the government was about $5.5 billion. I know that the government claims that the current expenditure is a bit over $7 billion, and I am happy to accept that it has put in additional funds because there have been some things, particularly with additional lockdowns. Perhaps it could even have been a little more generous.

The additional iron ore royalties generated by Western Australia have tipped at least $8 billion into the state's coffers over a similar period, and it shows no real sign of ending soon. I suspect that we will see that correction perhaps sometime next year, when we will see some correction down into the mid $US150 range, and I think most companies that predict these prices are suggesting that a price of $US130 to $US160 will be around for a fair bit of 2022. It will be interesting to see whether by 2024, we are back down to the long-term average run in the price of iron ore, because when we start to get full vaccination around the world, which will certainly be after the end of this year and, I suspect, some way into 2022, we will find that the supply issues around the world will reverse and many countries will no longer be spending an enormous amount of money on their economic stimulus packages.

Although that in itself raises a question for the economic tragics amongst us, Deputy President—that is, around the world we have all, to some degree, become Keynesian economists. Not many countries are looking at this situation and saying that the old debt-and-deficit model and the question of whether we can live within our means is still primary in their thinking. Most governments seem to have drifted out to a much more Keynesian approach. I must say that I miss having Hon Aaron Stonehouse in the chamber to throw these economic debates across to. I hope that in time the crossbench will jump up and engage in this process because Hon Aaron Stonehouse was a very good contributor to the economic debates in this house. But we are all sort of Keynesians now. I note that the federal government's debt level will approach $1 trillion in about three years. I remember the outraged discussion when it hit a couple of hundred billion dollars under the Rudd government. We are all kind of going down that path now.

I will diverge for a minute. My concern is that at some point we will have to ask the questions: Is this the last pandemic? Can countries and jurisdictions around the world spend the next 50 years repaying the debt that they have accumulated? Will the simple transposition of a gene, probably an influenza species in a host that is not human, jumping across that divide again in five to 10 years' time see us suddenly back were we started, rushing around propping up economies to keep jobs in place? The suggestion that this is the peak and we will now start paying it off might prove to be something very different in the future. We have hit a point in the economic debate at which no jurisdiction these days tends to just allow economies to react naturally—economies have to be propped up and employment has to be propped up. I understand the argument that if there is massive unemployment, the welfare budget also goes up. I understand that argument, but it generally comes at a far greater cost to government and is debt funded over time.

In my view, at some point there will be a reckoning in this process, and it will go in one of two directions. Here is where I miss Hon Aaron Stonehouse. I think we are going in one of two directions. We will have to have a massive correction in national debts in particular whereby countries that hold enormous government debt with effectively zero capacity to pay it off will simply have to be forgiven the debt. If one thinks that it is only the very poor countries that do not have great capacity, I think, from memory, the United States of America's government debt sits at about $28 trillion at the moment. We are talking about Australia hitting $1 trillion; America is at $28 trillion. It is at the level of United States' gross domestic product at its most productive. Japan is a little bit over 100 per cent of gross domestic product. A lot of countries are basically running off debt. China is very interesting because the debt is often internal and it shifts between governments, so it is very hard to get a measure of it. But at some point we will have to have a correction. At some point the holders of that debt will be forced to surrender it because they have no capacity to repay it. It will amaze members to know that with a $28 trillion debt there is no potential for the United States to have a budget surplus in the foreseeable future. We probably will not see one in our lifetimes. I start to worry that there will not be one in Australia any time soon. It is very hard to deliver. I know there is some optimism amongst my federal colleagues that they can get there, and I hope they can because they have been good financial managers, but the starting point is quite grim.

Western Australia is in an amazing situation. The debt level here is going to hit in the region of $42 billion compared with most other jurisdictions in the world, but we have done so on the back of the iron ore industry in particular, the correction of the GST floor and the benefit we have received from those massive stimulus packages around the world. I do not have the answer, Deputy President. I do not know which way it will go, but I suspect the late 2020s and early 2030s will be a very interesting time economically, because that will be about the time when we will start to hit that crucial period.

I want to raise a couple a couple of other issues before we get into the minutiae of the bill, which I suspect, minister, it might be better to do in Committee of the Whole House. I have a range of questions about some of the projects and processes the government is going to run. Today I asked a question about the size of the public service, because that is a significant cost to government. Honourable members should start picking up the quarterly statements, budget papers and *Annual report on state finances* because they will find an enormous amount of material in there. I know it is kind of longwinded and nerdy reading, but it is good to get a handle on how the state operates. For members' information, I refer to page 55 of the *Quarterly Financial Results Report* —

> Salaries represent the single largest component of general government sector expenses (39% for March 2021, or 43% if concurrent superannuation costs are also included).

One usually puts on-costs into the cost of an employee, so let us say that 43 per cent of expenses goes into wages. It is a significant cost. The report continues —

> Relative to the same period in 2019–20, general government salaries grew by $469 million (or 4.9%) over the first nine months of 2020–21, to total $9,967 million.

I think that 4.9 per cent growth in wages is a pretty significant figure. I understand that the government still has the $1 000 pay rise policy in place. Given the answer to a question I asked last week, it would seem that that policy remains in place. We could potentially assume that much of that 4.9 per cent growth in salaries was in FTEs or additional employees rather than in pay rises, but it would be interesting to get a breakdown of that. On the following page of the same document, of interest and also of the same level of concern, is a table with a breakdown of the salaries costs of the general government sector. It indicates that for the year to 31 March—there is a rounding—let us assume there is an additional cost of $469 million in wages and salaries. It intrigues me that there is also an actual for 2019–20 and an estimated outrun for the current financial year, 2020–21. The difference between those two numbers—where they were last year and where they are expected to be this year—is only $261 million. That seems to indicate that in the last quarter of this financial year, the government, if it hits its particular target, given that the figures in this document should be up to date, will save $208 million on the amount that it has expended in the last three months. I am intrigued to get an answer from the minister's advisers on precisely how they intend to achieve that particular miracle because I would say it is immensely optimistic. Does the minister have any additional detail on the savings that might be made in the next three months? It might be that the voluntary termination scheme perhaps kicks into hyperdrive for April, May and June 2021, but I cannot quite work out why there would be such a significant saving in all those places.

Although we may ask the minister those questions, he might not be in a position to provide this information in a rush. I did note that the salaries costs for the Department of Communities was basically the same for the first nine months of 2020–21 as it was for 2019–20, but the government expects a saving of $28 million for the entire financial year. I would have thought that the Department of Communities would struggle to reduce it salaries costs in particular over the next three months to the point at which there is $28 million of savings available. Perhaps we could get that information if not in the minister's second reading reply, then later down the track in Committee of the Whole. Wages are a big component of the costs. There are some question marks about the levels, and we will continue to chase those down.

Effectively, the government has asked for an additional $750 million of capacity—let us not say necessarily expenditure, but capacity—to expend in the current financial year. That means the government has partly spent it already, I suspect, and some of it will be spent in the not-too-distant future. There is generally a buffer in budget bills. There is a buffer in appropriations bills. There should not be a buffer in supplementary bills, but there often is a buffer in the Treasurer's advance bill. I note that this one is a $210 million buffer. I would have thought that was about par in terms of how Treasurer's advance bills generally go. Perhaps the minister might be in a position, in his reply, to give us an indication of whether that is a relatively normal and common level of buffer.

There are a few interesting components; most of them I will go through during Committee of the Whole. I note there is $220 million worth of election commitments. I would have thought that that would give all members an opportunity, during the Committee of the Whole, to look at the election commitments. If members do not have a copy of the election commitments that will be funded under this particular bill, please let me know because I am happy to photocopy the information that was generously supplied, eventually, by the government. The minister might even be able to table a copy and members can have that. There is probably no reason why I cannot table it. I seek leave to table what is called attachment A, the $220 million worth of election commitments under the Treasurer's Advance Authorisation Bill 2021.

[Leave granted. See paper 237.]

Hon Dr STEVE THOMAS: I believe it was tabled in the other place. Given that fact, it is effectively a public document anyway. I cannot imagine the minister would have any issue with it.

Hon Stephen Dawson: Was it attachment A?

Hon Dr STEVE THOMAS: Yes; I think that is the critical one.

Hon Stephen Dawson: I was going to table it.

Hon Dr STEVE THOMAS: Okay. Do I get any points for getting in first?

Hon Stephen Dawson: Yes; a gold star!

Hon Dr STEVE THOMAS: Excellent. Thank you. I will have a nice stamp for that!

I am generally happy. We have covered most of the generalities around the economic position of the state. I am looking forward to a bit more detail in some of those areas that are specifically referred to, particularly the vaccination program and the election commitments. Can the minister provide some advice on the buffer, because that is reasonable? There will be some issues about the recurrent funding description. On top of $220 million worth of election commitments, there are a number of other proposals. Is the minister happy to table that other component, which is attachment 1? Has the minister got that?

Hon Stephen Dawson: Yes.

Hon Dr STEVE THOMAS: I am happy for the minister to table that during his reply. Members will be interested in asking a few questions about components of that. Personally, I would be very interested to see how the relocation of Edith Cowan University—the Perth City Deal—is going. There will be a few others in there as well.

I will finish by repeating that the opposition will support the Treasurer's Advance Authorisation Bill 2021. This is a fairly normal process. It gives all members of the opposition and the crossbench an opportunity to question the government about its expenditure in those areas. To some degree I will miss some of these opportunities when I suspect we will pass the Financial Legislation Amendment Bill 2021, but some of these will still occur no doubt. I am sure this economic debate will be going on for some time. I look forward to continuing those. I am sure this minister at least understands the gravity and importance of this sort of scrutiny, particularly in the Legislative Council.

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Mental Health) [5.24 pm] — in reply: I thank Hon Dr Steve Thomas for his indication that the opposition alliance is supportive of the bill before us. Can I say at the outset that I am sure Hon Dr Steve Thomas will get plenty of opportunities to have fun in this place in relation to financial or Treasury bills over the next four years.

Hon Dr Steve Thomas: I do not want to take it for granted.

Hon STEPHEN DAWSON: No, no; you do not. Equally, you will get an opportunity to provide proper scrutiny, as is your wont and as is the correct thing to do. Again, I thank Hon Dr Steve Thomas for his contribution.

The Treasurer's Advance Authorisation Bill 2021 seeks $750 million as an extension of the automatic authorisation under section 29 of the Financial Management Act 2006, as Hon Dr Steve Thomas indicated. That is to fund public spending that may arise by 30 June 2021. As outlined in my second reading speech, that amount is consistent with the financial forecast detailed on pages 79 to 84 of the *Pre-election financial projections statement* that was released on 8 February, with an allowance added for issues emerging since that time. The additional items since the PFPS include additional COVID-19 spending, including the Western Australian rollout of the national vaccination program; funding of small business lockdown assistance following the Anzac Day weekend lockdown; an allowance for natural disaster costs that emerge by 30 June including the Wooroloo fire and cyclone Seroja; the value of election commitments that have an estimated impact on 2020–21; and an allowance for any new but as yet unidentified but unavoidable spending that may require central funding before 30 June 2021.

Hon Dr Steve Thomas mentioned the availability of details of the items that sat behind the Treasurer's advance for 2020–21. A number of documents were tabled in the other place by the Premier during debate. I want to make sure that this house also has available to it the same documents. Hon Dr Steve Thomas tabled the election commitments document, so I will not table that. I have a document titled "Treasurer's Advance 2020–21 Summary" that lists the various departments and the amount of money and a description of what that money would likely be spent on. I table that document.

[See paper 238.]

Hon STEPHEN DAWSON: I table a further document, which was the third document the Premier; Treasurer tabled in the other place, the "Treasurer's Advance Authorisation Bill 2020–21 Summary". I table that for the benefit of honourable members in this place.

[See paper 239.]

Hon STEPHEN DAWSON: I want to make the point that the Treasurer's Advance Authorisation Bill is not an approval to spend; it is administrative in nature. That is an important issue that members need to be aware of. The Treasurer's Advance Authorisation Bill will grant access to consolidated account funding when an agency's existing appropriation is not sufficient to meet its cash needs and when the existing appropriation limits under the automatic Treasurer's advance have been exhausted, as Hon Dr Steve Thomas pointed out in his contribution. It does not provide government with a blank cheque. As such, all drawdowns are reported to the house in the public ledger disclosure in the *Annual report on state finances*. An audited report is released in late September every year.

If the additional funding requirement does not crystallise by 30 June 2021, the authorisation lapses and it is no longer available. That is what has happened previously. In his contribution, Hon Dr Steve Thomas acknowledged we had a similar issue to deal with in April 2020. Parliament approved a similar bill. That bill authorised access to an additional $1 billion for the Treasurer's advance. That was approved to provide the flexibility to deal with uncertain spending outcomes that were arising as the COVID-19 pandemic began to unfold. In the end, only $166.1 million of the additional funding was required by 30 June last year. The remainder lapsed at the end of the last financial year.

In the bill before us, some of the anticipated spending may not occur by 30 June, or lower spending outcomes and other initiatives may allow existing funding to be directed to support the issues that we have discussed, and we will discuss, in this debate. The forecast time with cash flows for $30.2 billion in appropriations for 2020–21 will not be exact and some variations will emerge by 30 June. The bill merely provides certainty of funding, if needed. In the crazy world that we live in at the moment, and have lived in over the past 16 months, who knows what might be thrown at us? We have had cyclones and terrible bushfires, and of course we had a pandemic. The only thing we have not had thus far is a plague of locusts!

Hon Dr Steve Thomas: Mice!

Hon STEPHEN DAWSON: Let us leave the mice in the eastern states! Let us hope a plague of locusts does not happen.

Hon Dr Steve Thomas acknowledged that he and others might have some questions about election commitments. We will deal with those during Committee of the Whole House, but we do not make any apology for seeking to deliver our election commitment outcomes as quickly and as is practical following our return to government. Obviously, the community expects prompt action by its elected officials. We could have sought to delay the benefit of these commitments, but we made the decision to bring some of those forward where appropriate and when they could be dealt with fairly quickly. They are fully costed election commitments, so we are seeking to deliver some of those before 30 June. This bill supports the delivery of what the government committed to deliver on and what it was elected to do just two months ago. We are not, of course, the first government that has sought to seek an authorisation that includes the implementation of election commitments. Former Treasurer Troy Buswell introduced the Treasurer's Advance Authorisation Bill 2009 for the then newly elected Barnett Liberal–National government, and that bill sought $762.3 million to fund new government commitments and other increases in that year. This included about $337 million for the establishment and half-year funding for spending by the royalties for regions fund election commitment, $117 million more than the $220 million allowance for commitments included in the bill before us today.

To the other questions that the honourable member raised, I do not have answers to those yet. I may well be able to tackle some of them with the advisers at the table; we may well have to revisit others at another stage, potentially even at estimates. Let us see what we can answer in here.

Hon Dr Steve Thomas: There will be more bills coming.

Hon STEPHEN DAWSON: There will be a lot more opportunities, honourable member. Let us see what we can answer here, but those that we cannot answer today, because these are not the appropriate advisers, we will get to at some stage in this place.

I thank Hon Dr Steve Thomas for his support, and also others who are here today for their tacit support and approval of the bill. I commend the bill to the house.

Question put and passed.

Bill read a second time.

Committee

The Chair of Committees (Hon Martin Aldridge) in the chair; Hon Stephen Dawson (Minister for Mental Health) in charge of the bill.

Clause 1: Short title —

Hon Dr STEVE THOMAS: Just before I start, I think a couple of members do not have those documents. Thank you very much. I knew the efficient staff here would get to that point very, very quickly. I appreciate that.

Let us perhaps start and try to work our way through it all methodically. Let us go to the 2020–21 summary. Overall it lists the total $1.438 billion roughly expected, giving a $210 million buffer. I previously asked whether that was an average buffer. I presume that information might come. My memory is that it is a very regular position. We might start with that question.

Hon STEPHEN DAWSON: I would be very happy to answer that question. Generally, the previous buffers have been between $150 million and $365 million over the year.

Hon Dr Steve Thomas: When was $365 million, sorry?

Hon STEPHEN DAWSON: That was in 2006. Generally, since 1986, they have been between those figures.

Hon Dr Steve Thomas: Eric's budget?

Hon STEPHEN DAWSON: I am told $1 billion was the contingency last year because of COVID. Last year was much higher.

Hon Dr STEVE THOMAS: If we jump into the vaccination program, $140 million is effectively allocated. It may not get that big. How is that expenditure being rolled out? Is that expenditure that has already occurred, or is that an ongoing part of that vaccination program?

Hon STEPHEN DAWSON: It is ongoing. Health has to come back to us with the details of its spending. It will be audited as part of the *Annual report on state finances* that I spoke about in my second reading reply.

Hon Dr STEVE THOMAS: The minister is not then in a position to give us a breakdown of what has been spent and what is yet to come?

Hon STEPHEN DAWSON: No, I am not, because this will provide the capacity to spend. It has not necessarily spent it yet. Certainly, it has spent a great deal over the last year on things such as personal protective equipment and quarantine, and in relation to COVID some of the money that has been spent related to enhanced cleaning of schools, public transport et cetera. There are other such things that are still floating around that we are still doing more of. We are doing more than we would ordinarily outside the COVID period, but from time to time, for example, if there is an outbreak or a lockdown, quite often it is the case that enhanced cleaning or something extra is done to deal with that outbreak or lockdown.

Hon Dr STEVE THOMAS: I am going to presume that the minister cannot tell us whether any of that has been used for the purchase of vaccines at all?

Hon STEPHEN DAWSON: The commonwealth buys the vaccine and we deliver it. Another point that has been made is that a reconciliation process takes place with the commonwealth, because certain elements of COVID spending are recouped from the commonwealth. That is an ongoing process, too.

Hon Dr STEVE THOMAS: The next item on that page is the small business lockdown assistance grants. I am presuming these are the lockdown grants that apply to only the Perth metropolitan and Peel regions. Has the government made any assessment of the need to extend that grant beyond into regional areas?

Hon STEPHEN DAWSON: This was purely about the Perth and Peel region. It is a grant of up to $2 000 to directly deal with any loss small businesses might have faced as a result of the Perth and Peel lockdown.

Hon Dr STEVE THOMAS: I will just confirm that small businesses that might have been able to demonstrate a financial impact outside Perth and Peel could not apply for those small business lockdown assistance grants?

Hon STEPHEN DAWSON: That is correct. It was when they had to throw out perishable items, for example, as a result of lockdown. This is an amount they could seek to recoup for their costs.

Hon Dr STEVE THOMAS: The government assumed that no perishables had to be thrown out outside the Perth metropolitan and Peel regions?

Hon STEPHEN DAWSON: Certainly those areas were not in lockdown. It was the Perth and Peel regions. It is purely in response to that lockdown in those two regions.

Hon Dr STEVE THOMAS: I feel like I am hogging it, Deputy President.

The CHAIR: No-one else is standing, so I will give you the call.

Hon Dr STEVE THOMAS: Regarding natural disaster response, can the minister give us a breakdown of that line item on that particular document? That is a fairly broad response. Obviously there has been a range of natural disasters. I am talking Wooroloo and cyclone Seroja. I am sure it is legitimate expenditure. Do we have any indication where that is likely to go?

Hon STEPHEN DAWSON: This is a contingency. This is $50 million in case it is needed. As I indicated, the costs from the Wooroloo fire and cyclone Seroja could be paid for from this. In terms of what has been spent so far, these officers here do not have that information and in fact Treasury may not have that information yet because, for example, the cost of the work that the Department of Fire and Emergency Services has to take or the cost of clean-up, for example, is done by line agencies. The line agencies need to bring their costs to the attention of Treasury and that obviously gets a fine comb run over it before the money is allowed to leave that $50 million bucket.

Hon TJORN SIBMA: Sorry, minister, I was absent from the chamber when a question was put by Hon Dr Steve Thomas regarding the vaccination program. Forgive me for going over it so recently after you provided an answer about the $140 million ascribed to the vaccination program. I am sorry to everybody here, but I think it is important to clarify it. Can I understand exactly how that provision has been accounted for? What activities are funded from that amount?

Hon STEPHEN DAWSON: It is a contingency amount. It is not necessarily expended yet. An amount of up to that figure could well be expended between now and the end of June, potentially depending on how things go. I previously made the comment that we do not fund the vaccination itself. That is funded by the commonwealth, but we fund its delivery in most cases. In certain commonwealth-run aged-care facilities and in some disability settings we do not provide the vaccination delivery—the commonwealth does. This amount will allow us do our part of the vaccination program. It may not have been spent yet. Health needs to make the case with Treasury about the costs they have had to incur as part of this program, above the costs of their normal business.

Hon Dr BRIAN WALKER: The thought occurred to me as I was listening to the honourable member talking about the vaccination needs and the current difficulties they are having in Victoria; I assume that the amount provided for here has taken into account such events as those in Victoria being translated into Western Australia—the unpredictable nature of these things. Does the minister have any modelling that would suggest there may be a further need for finances based on further unforeseen circumstances?

Hon STEPHEN DAWSON: Thank you, and a good question. There is a buffer built into the $210.5 million. That is really for unseen issues and the potential for things like what has happened in Victoria. I will make the point again that last year we had a significant amount set aside of the Treasurer's advance but of that, only $166 million needed to be spent before 30 June. We think we have it right based on last year, and bearing that in mind, God only knows what can happen between now and 30 June. We hope that because there is a buffer built in, if there is a further outbreak, there will be the capacity to deal with those costs between now and the end of June.

Hon Dr Steve Thomas: And if there's not, there'll be another Treasurer's advance bill and you'll get to do another speech?

Hon STEPHEN DAWSON: There is always the potential for that but I hope not. I indicated what happened last year. This amount will, hopefully, get us through to 30 June, bearing in mind that that is only weeks away. Obviously, then we will deal with costs in the next financial year. Can I rule out another Treasurer's advance bill? In the crazy world we are in, I think it would be a brave person to do it.

Hon NEIL THOMSON: I assume that attachment 1 outlines the 2020–21 Treasurer's advance of $688 million, but I would like an explanation for an item that seems rather odd. It is $27.8 million for mines, industry regulation and safety. It reads —

> Predominately attributable to mining royalty assistance (Koolyanobbing Iron Ore, Ridges Iron Ore and spodumene producers).

Is there any chance of an explanation of what that is all about and why we have $27.8 million for royalty assistance?

Hon STEPHEN DAWSON: I think this reflects that the rebates are higher than previously anticipated and it reflects the higher iron ore prices. Those companies have an agreement with government that we will rebate their costs to a certain degree. At Koolyanobbing, at one stage there was a risk it would close down, so government at the time made an agreement to keep that mine and those jobs going.

Hon Neil Thomson: And Ridges might be the same because it is a fairly marginal mine?

Hon STEPHEN DAWSON: Yes. Ridges produces low-quality iron ore. Again, it was to keep the mine going to keep the jobs in our electorate going, but obviously, because of the higher iron ore price, the rebate is higher than was previous anticipated.

Hon JAMES HAYWARD: As I understand it, those iron ore companies are given a holiday on paying royalties; that is the layman's way of describing it. Given that when they were given a holiday and were making decisions about whether their business would be successful and the iron ore price was significantly lower, how did we get to a point at which the iron ore price is massively higher and now the state carries a debt, effectively? Do we know how large the debt is between when that deal was made and the subsequent effect of how much the iron ore price has lifted? Effectively, we have made a deal based on making sure the businesses are sustainable. The iron ore price has gone up massively, so their businesses are far more sustainable and they probably do not need all the help they are getting. I wonder what the measure is between those two?

Hon STEPHEN DAWSON: I can answer some of that. It would have probably been a line agency that was involved in the negotiation of some of these deals rather than a central agency and Treasury. At Koolyanobbing for example, Cliffs was the previous operator. It ceased production, so there was a risk of jobs for the people who were employed at the mine and transport companies—drivers and trains down to Esperance port et cetera. So an agreement was reached a number of years ago, I think with Mineral Resources Limited, that it would get a 100 per cent rebate on royalties. If it closed, we would not get any royalties. There was no price threshold. In terms of what we missed out on, we do not have that information. For Ridges, again, the decision was made to protect employment in the east Kimberley, particularly for Aboriginal people in that region. It was potentially to provide funds for the mining of an additional deposit. Ridges gets a 50 per cent rebate on the royalties. As I indicated, Ridges' iron ore is of low quality so it receives very low prices and requires support even during times of higher iron ore prices. I think they are the two main cases. In terms of what we have missed out on, it is hard to quantify, honourable member, because although we might not be getting royalties, we are getting payroll tax and other things, including benefits in remote communities. It is not a case of robbing Peter to pay Paul but making sure that the economy continues to provide jobs to the people who need them. The state gets the benefit as a result of that.

Hon STEVE MARTIN: Minister, the $18 million for communities includes compensation payments to community housing organisations—$12 million on attachment 1. Can I please have a small explanation of that?

Hon STEPHEN DAWSON: I understand that those organisations anticipated getting rent increases, as they do from year to year, but there was a rent freeze. This acknowledges that they would have got more had there not be a rent freeze. We are giving them money to supplement what they would have had had there not been a rent freeze.

Hon NEIL THOMSON: I go back to item "Mines, Industry Regulation and Safety" and royalties. The minister mentioned a 100 per cent rebate on royalties. I would have thought that if there was a 100 per cent rebate and the royalties went up—it sounds like a dumb question—there would be no effect on improved access and a new item. I am still unclear why there is additional funding for all four in support of these marginal projects, particularly in areas of low employment. It seems a little odd that we are paying for more. Maybe the minister can explain this. Is this a net figure or is this some quirk of the finance system in which revenue is not being accounted for? I seek the minister's clarification on that.

Hon STEPHEN DAWSON: I am told that those companies pay royalties and that we reimburse them by way of a grant. That is how that is done.

Hon NEIL THOMSON: Is the minister saying that there is revenue in that column on attachment 1 that we are not accounting for?

Hon STEPHEN DAWSON: This is an expenditure bill; it is not the budget papers. When the member sees the budget papers later in the year, he will see that it comes in one place and goes out another. This is solely about expenditure, or potential expenditure.

Hon Dr STEVE THOMAS: At some point I might put a question on notice or ask a question without notice about this to seek the amount of reimbursed royalties, just out of interest.

Hon Stephen Dawson: Probably do it on notice, because if you ask me without notice, you might not get it.

Hon Dr STEVE THOMAS: Yes; that will be for another day. We probably will not get that level of technical detail tonight, honourable members, but it might be a good way of testing the questions without notice process, which I have to say is not easy to navigate on the parliamentary website. That might be worth chasing up.

I refer the minister to the top item on attachment 1, "WA Health" and $166.8 million that is predominantly attributable to COVID-19 costs. That makes sense. But it then says "$130 million recurrent and $2.1 million capital", which, obviously, does not add up to $166.8 million. Is some reserve built into that figure? I am not sure why that $2.1 million is not in the capital budget; it is in the recurrent budget. There might be an explanation for why it looks that way, but $34 million is not in there. I am interested to know whether the minister has any more information on that. I suspect the recurrent funding was fairly obvious, but could the minister comment on that? I am interested in what that capital funding of $2.1 million is for, even though it seems to be in the wrong section. All the same, could we get some detail on that?

Hon STEPHEN DAWSON: In relation to the second part of the question, I think that $2.1 million amount relates to ICT costs associated with COVID tracking. I note, of course, that the description given on attachment 1 states that it is predominantly attributable to those other things; however, $39 million is related to the National Health Reform Agreement. That was a realignment. There was a reduction of $39 million in commonwealth revenue under that agreement so that had to be offset by state appropriation and approved in the 2020–21 midyear review.

Hon TJORN SIBMA: To whom is that $2.1 million capital figure that is attributed to COVID tracking payable?

Hon STEPHEN DAWSON: That would be the Department of Health's capital costs for putting that tracking system into place. I do not know what further has been spent on that. That is all that Treasury knows. If the member wants to delve into that deeper, perhaps he could put that question on notice too.

Hon Dr STEVE THOMAS: The Perth City Deal relocation project is an area of interest to me. I can see that virtually all of the $100 million Department of Jobs, Tourism, Science and Innovation funding is going into that. Can the minister give an update on where we are at with that project?

Hon STEPHEN DAWSON: I am told we are negotiating with Edith Cowan University on various milestones. The money has not gone yet, but it may well go before the end of June.

Hon Dr STEVE THOMAS: What is the total budget of that project and how much of this reserve is likely to go into that?

Hon STEPHEN DAWSON: These are rough figures. These officers here are not dealing with that project so I can give only a ballpark figure. It is about a $695 million project, and $100 million in cash is coming from the state, plus $50 million worth of land for the new campus. The commonwealth is putting in about $300 million and the remainder is being put in by ECU.

Hon NEIL THOMSON: The approval of $29 million for additional expenditure to cover custodial staffing costs seems to be a large increase. I am wondering whether there will be any commensurate increase in the number of custodial sentences? If the minister could give us any detail on that, it would be appreciated.

Hon STEPHEN DAWSON: I am told that a new alcohol and other drug unit was opened at Casuarina Prison. The associated cost is $29 million. Extra staff will be required. Custodial officers' salaries and on-costs will be a big component of that, noting, of course, that this is a contingency and may or may not be spent before the end of June.

Hon NEIL THOMSON: I have a question that follows on from that. It is all very well to have additional staff. That is great, but usually there will be additional staff, particularly for a change in the budget requiring a Treasurer's advance. It seems odd that we are going to spend more on staff. There must be some underlying reason for that. I appreciate that the Treasury staff here probably do not have the detail on hand, but I would be happy to ask a question on notice, if that is possible, of the custodial arrangements and the number of people incarcerated. I would be very interested in seeing that.

Hon STEPHEN DAWSON: The honourable member is welcome to ask that question through the question on notice system, and to ask it of the Minister for Corrective Services rather than me—Treasury. That is a justified question and I am sure that the member will get a good answer.

Hon JAMES HAYWARD: I have a question about a couple of the line items. One is the total impact from election commitments. Are they election commitments from 2020–21 or commitments that are still hanging over from 2017?

Hon Stephen Dawson: From 2021–22.

Hon JAMES HAYWARD: There is also a figure for "Murray-Wellington, Mandurah & Dawesville Sport And Community infrastructure", which is about $7 million. Is that $7 million spend not part of the election campaign?

Hon STEPHEN DAWSON: These are all part of the election campaign. They would have come after the *Pre-election financial projections statement*. The items on attachment A are publicly announced election commitments. The intention is to get the money out the door as quickly as possible to those organisations so their projects can get underway this financial year.

Progress reported and leave granted to sit again at a later stage of the sitting, on motion by Hon Stephen Dawson (Minister for Mental Health).

Sitting suspended from 6.00 to 7.30 pm