

Deputy Chairman; Mr Tom Stephens; Hon Graham Giffard; Hon George Cash; Hon Kate Doust; Hon Barry House; Hon Derrick Tomlinson; Hon Alan Cadby

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**Division 20: State Supply Commission, \$1 516 000 -**

Hon Jon Ford, Deputy Chairman.

Hon Tom Stephens, Minister for Housing and Works.

Ms C. Gwilliam, Chief Executive Officer, State Supply Commission.

Mr M. Braganza, Manager, Business Services, State Supply Commission.

Mr G. Hall, Manager, Strategic Services, State Supply Commission.

Mr D. Tyler, Acting Director, Financial Operations, Department of Treasury and Finance, acting under delegation from the State Supply Commission.

The DEPUTY CHAIRMAN: On behalf of the Legislative Council Estimates Committee, I welcome you to today's hearing.

Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values that assistance.

Members are asked to sit towards the front of the Chamber where practicable so that witnesses will not have to turn their head when answering questions. It will greatly assist Hansard if when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount, and so on in preface to their questions. If supplementary information is to be provided, I ask for your cooperation in ensuring that it is delivered to the Committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to your advisers.

May I remind those members of the public in attendance that only accredited media representatives may take notes. However, full Hansard transcripts will be available to the public within a week of the close of these hearings.

The Committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. At this time, I ask each of the witnesses whether they have read, understood and completed the Information for Witnesses form.

WITNESSES: Yes.

The DEPUTY CHAIRMAN: Do the witnesses fully understand the meaning and effect of the provisions of that document?

WITNESSES: Yes.

Hon TOM STEPHENS: The State Supply Commission has the responsibility for setting policy, monitoring, ensuring compliance and conducting reviews of the Government's policy settings. Towards the end of its term, the previous Government put in place a Buy Local policy. This Government has recommitted to the policy. In late November the commission will conduct a review of the policy. Opportunities exist for reviewing contract process guidelines. Members will appreciate that a new Government would want to review such guidelines. The Health Check program, referred to in an earlier question, will also be continued. Risk management and competency and compliance frameworks are in place to assess public authorities' levels of exemptions when purchasing goods and services. A program of briefing sessions on supply policies for public authorities will be initiated. The advisory service will be enhanced to ensure that agencies and suppliers receive prompt, accurate and friendly advice. An independent complaints review process exists for suppliers to government. The commission implements complaint handling awareness sessions for public authorities. Briefings are given to suppliers on the role of the commission in managing supply complaints. The commission has assisted the Government in delivering policy frameworks dealing with transparency in the contractual operations of government.

Hon G.T. GIFFARD: I refer to Health Check at page 358. What is it? Will the Government conduct any health checks this financial year?

Ms GWILLIAM: Health Check is the commission's monitoring role in ensuring that public authorities comply with supply policies. Two Health Checks will be conducted this financial year. Health Check No 3 is well advanced. It concerns the implementation of the Buy Local policy. The results of that check will feed into the review of the Buy Local policy. The minister has indicated that it will be undertaken from now on.

[3.20 pm]

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Health Check No 4 relates to information technology contracting. Approximately \$300 million a year is spent by public authorities on information technology. The focus of this Health Check will be the degree of contract planning, contract formation and contract management to ensure effective outcomes from those contracts.

Hon TOM STEPHENS: The CEO has made the point that the buy local review is being undertaken. In November, I described it as an opportunity for the community to have local and regional input into that process. I intend to be involved in that process and make it available to local members of Parliament who operate in those areas.

Hon GEORGE CASH: In preface to my question, I understand the value of those health checks. For some time, I believed the department may have been exposed by other departments that believed the State Supply Commission had all the responsibility for certain practices. I refer to page 357 of the *Budget Statements*. My question relates to the management of the funding and leasing of the State's vehicle fleet. The funding increases dramatically from last year to this financial year. Will the minister explain the reason for that increase and whether any policy change has occurred for leasing arrangements of cars? For instance, does the State now intend to purchase motor vehicles and assets like that rather than lease them?

Hon TOM STEPHENS: To assist the honourable member, I will ask Mr Tyler to respond to both parts of that question.

Mr TYLER: The series of changes, primarily to commonwealth tax law and, to some extent, in the vehicle market, led to a situation in which the previous vehicle fleet funding facility ceased to be economically advantageous to the State. The State is in the process of terminating that facility and replacing it with one that is funded for now by state borrowing. The termination process is still happening. The State has funded the purchase of vehicles since June this year. The significant increase in expenditures for the estimate, and the actual expenditure for 2001 and the projected expenditure for 2002, is largely a one-off lump payment due to costs related to the termination process. The expenditure in the out years should settle down.

Hon GEORGE CASH: Are you referring to the Matrix lease agreement?

Mr TYLER: Yes, that is right.

Hon KATE DOUST: I refer to the significant issues and trends on page 256. What has the Government done to improve the transparency of government contracting?

Ms GWILLIAM: Firstly, I will comment on the transparency of summary details of contract award information. The State Supply Commission has amended its supply policies to mandate the requirement so that as of April, all contract award decisions with a contract value above \$10 000 need to be detailed on the government contracting information bulletin board. Secondly, in its electoral policies, the Labor Party made a commitment to make contracts publicly available. The State Supply Commission is developing that policy, and it is reviewing documentation from South Australia and Victoria. We hope to be in a position to finalise that policy early next year. Thirdly, the State Supply Commission has issued reporting requirements of the buy local policy. For the first time, this financial year the commission will have information of details about the degree to which small businesses are winning contracts. That will provide more transparent information about which businesses are winning government contracts.

Hon BARRY HOUSE: I am not sure whether my question relates to this part of the minister's portfolio responsibilities. I refer to the Perth convention centre.

Hon TOM STEPHENS: I am happy to do my best to answer the question, which is related to the last division; however, the member should fire away, and I will see how I go.

Hon BARRY HOUSE: I would like an update on progress of the Perth convention centre.

Hon TOM STEPHENS: So would I. In half an hour, I will get an update on its progress. As the process moves into the delivery upon the contract that the previous Government entered into, as Minister for Works I am responsible for administering the contract to its fruition. The task force that was put in place by the previous Government is still in place. That task force deals with the contractual arrangements between the Government and the proponent. From time to time, issues arise that must be worked through. I am now the bunny that has the task of working through those issues with the Government. The project seems to be bubbling along; it is a major contract. A lot of state funds are involved, and it provides a lot of construction opportunities for the State. This is not the right division to deal with it; however, the project is in safer hands.

Hon DERRICK TOMLINSON: I refer to the goods and services tax receipts on page 367. The budget estimates that in 2001-02, the goods and services tax receipt will be \$753 000; in 2002-03, it is estimated to be \$51 000; in 2003-04, it is estimated to be \$50 000; and in 2004-05, it is estimated to be \$51 000. The budget also estimates that "other payments" in 2002-03 will be \$94 000; in 2003-04, \$53 000; and in 2004-05, \$64 000. Why is there

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not a balance of receipts and payments in the GST? Why is there an imbalance of \$753 000 as opposed to \$45 000 in the budget estimates of 2001-02 for the goods and services tax under the heading "Payments"?

Hon TOM STEPHENS: I thank the member for the question. I will ask Mr Tyler to assist me with the answer. I think I am right in saying that it relates to the Matrix issues of the previous Government and this Government, which has responsibility for it.

Mr TYLER: It is primarily a timing difference over the end of the year. The State started purchasing the cars instead of having them purchased through the fleet funding facility. Under the heading "Payments", the actual goods and services payment in 2000-01 is \$788 000, which is matched by a lower figure under the heading "Receipts" of \$67 000 in that same column. As I understand it, it is primarily a timing difference between the payment and the recoupment of tax at the year's end.

Hon DERRICK TOMLINSON: Would government agencies, as opposed to the private sector, be able to use the funds received in a short-term investment and enjoy the interest accrued, until the Government is required to pay the Commonwealth?

[3.30 pm]

Mr TYLER: They would be. In the vehicle fleet case we are primarily paying out to buy the cars first, and then claiming it back, so the cash flow does not facilitate that practice in this circumstance. If the flows were the other way around, it could be done.

Hon DERRICK TOMLINSON: Are there some benefits?

Mr TYLER: In the case of the fleet, all the money is coming from government agencies anyway, so there would not be any net benefit to the State.

Hon ALAN CADBY: I refer to page 357 of the *Budget Statements*. Below the line item "Net Cost of Outputs", there is an adjustment of \$21.6 million, which is a huge adjustment. Note (b), at the bottom of the page states -

Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation.

Can the minister provide further detail on that, and reassure me that this is not just a fudge factor?

Hon TOM STEPHENS: I remind Hon Alan Cadby that these are the budget papers.

Hon ALAN CADBY: That is why I am asking the minister.

Hon TOM STEPHENS: These are the budget papers of a Government committed to transparency, openness and accountability.

Hon ALAN CADBY: In that case, the minister's answer will be full, and will provide complete details on the saving of \$21 million.

Hon TOM STEPHENS: Absolutely; they are about to arrive.

Mr TYLER: Primarily, this is a timing difference. The line item shows an adjustment of \$21.6 million in this financial year, and a reverse adjustment in the previous year of \$12.7 million. This relates largely to the termination of the fleet funding facility, and the rolling of that into a new funding arrangement. There was a one-off provision of \$35 million by way of supplementary appropriation in the last financial year. Some of that was spent in that financial year, and some of it flowed into early in the current financial year. The \$21 million is to some extent the expenditure in this year of the carryover amount from the previous financial year, and is also to some extent further wind-out costs that are funded in the short term by borrowings, and then funded from lease rentals from that point on.

Hon ALAN CADBY: Note (b) mentions superannuation, which is paid to workers. If there is a saving in superannuation, does that mean there is a saving in workers? Have there been any staff cuts to get this \$21 million?

Hon TOM STEPHENS: It may well be that we need to take this question on notice. I appreciate the reference of the member.

Hon ALAN CADBY: The minister has not reassured me, but I will place the question on notice.

Hon TOM STEPHENS: I reassure Hon Alan Cadby that this is a very small agency, it does a very good job, and it has not had any staff cuts. I will provide more information as to why the reference to superannuation is included in that line.

**Extract from *Hansard***  
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The DEPUTY CHAIRMAN: That concludes this division. I thank the minister and his officers for their assistance.

*Sitting suspended from 3.34 to 3.48 pm*