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0 5 JUL 2012

The Hon Simon O'Brien MLC
Minister for Finance; Commerce; Small Business

Our Ref: 29-22207

Hon Giz Watson MLC
Chair
Standing Committee on Estimates and Financial Operations
Parliament House
PERTH WA 6000

Attn: Ms Samantha Parsons, Committee Clerk

Dear ~~Ms Watson~~ Giz

QUESTIONS ON NOTICE – 2012-13 LEGISLATIVE COUNCIL BUDGET ESTIMATES HEARINGS

Thank you for your letter dated 12 June 2012 regarding the appearance of the Department of Finance at the Estimates and Financial Operations Committee's 2012-13 Annual Budget Estimates hearings on 7 June 2012.

As requested, attached are answers to questions that the Department elected to take on notice.

Yours sincerely

SIMON O'BRIEN MLC
MINISTER FOR FINANCE

0 4 JUL 2012

Att.

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LEGISLATIVE COUNCIL

ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION

Thursday, 7 June 2012

Department of Finance

[Supplementary Information No: B1]

Question:

Hon Ken Travers – What are the average number of employees for a business that starts to pay payroll tax?

Answer:

The Office of State Revenue does not collect data on the number of people employed by businesses paying payroll tax.

If it is assumed that all employees are employed on an average Western Australian wage, it is estimated that a business with a payroll that just exceeds the $750,000 payroll tax exemption threshold would be able to employ almost 13 people in 2011-12 and would have been able to employ 14.5 people in 2007-08.

However, in practice the number of staff that can be employed before the threshold is reached will depend on the wage levels specific to the industry sector for the business, and the structure of the business (e.g. the proportion of employees in management roles) and is therefore likely to vary significantly across businesses.

[Supplementary Information No: B2]

Question:

Hon Ken Travers – Using Treasury modelling, what their current estimation is of the impact of those measures, the harmonisation grouping provisions and the transfer duty on no-real business assets?

Answer:

In the 2009-10 Mid-year Financial Projections Statement, the estimated budget impact of deferring the harmonisation of payroll tax grouping provisions was $156 million over the 3 years to 2011-12 and the estimated impact of deferring the abolition of duty on non-real non-residential property transfers was $355 million over the three years from 2010-11 to 2012-12. These estimates are not remodelled each time new economic forecasts are presented.

[Supplementary Information No: B3]

Question:

Hon Ljilanna Ravlich – government trading enterprises – provide as much information as you can in respect of the progress of that committee or those committees where they exist.

Answer:

Monitoring of the performance of GTEs is currently conducted by the Department of Treasury. In this regard, additional resources were allocated in the 2011-12 Budget to allow Treasury to monitor, amongst other issues, implementation of the GTE efficiency dividend announced in that Budget and to ensure that costs are reduced and GTEs are operating as efficiently as possible. Also, the Department of Finance's Public Utilities Office monitors the electricity entities under its wider role in leading energy policy.

[Supplementary Information No: B4]

Question:

Hon Ken Travers – starting with the 2010-11 financial year and then 2011-12 and then through the budget years of how many vehicles you expect to have in the government fleet?

Answer:

The fleet levels below result from the Government's Fleet Reduction Initiative and any subsequent approved growth. For the out-years 2013-14 to 2015-16 the position is still to be determined.

Expected Fleet Size					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
10,969	10,742	10,749	To be determined	To be determined	To be determined

As part of the abovementioned Initiative, the 2012-12 fleet size was to be maintained at the 2011-12 level. However, the difference of 7 vehicles is attributable to subsequent approved growth for that particular year.

[Supplementary Information No: B5]

Question:

Hon Ken Travers – State Fleet – what additional cost has the State incurred as a result of those lease overruns?

Answer:

The basis of this question was the information provided that the rental rate increases when a lease is overrun.

Advice received since the hearing is that although State Fleet has the discretion to do so, it has not increased rates to leases going beyond their terms. This is due primarily to agencies effectively paying a "penalty" or "premium" when leases go beyond their term, as the lease rate remains the same and would have been lower if the original term selected was longer. This "premium" usually covers any additional financing cost on the vehicle and contributes to State Fleet's profitability.

Any additional costs to the State by retaining vehicles longer may accrue through lower than expected resale values or additional maintenance or repairs costs. These costs are not available at whole-of-government level (and would need to be assessed on a case-by-case basis), but advice from State Fleet is that they are expected to be marginal.

[Supplementary Information No: B6]
Question:

Hon Max Trenorden – Shared Services – I am just wondering where that $6 million is actually going to be expended, because I am sure it is going to be?

Answer:

The table on page 447 (6: Project Management, Decommissioning of the Whole-of-Government Shared Corporate Services Reform) shows the Total Cost of Service for the Decommissioning Program (recurrent costs) over the two years, 2011-12 and 2012-13. It is approximately $74 million as stated in the question.

This reflects the costs for agencies to transition from Shared Services to their new systems ($35 million) and for the establishment of the Decommissioning Office to oversee the program ($39 million). The agencies' costs are in an administered fund and will be transferred to them when their individual business cases are approved by the Departments of Finance and Treasury.

It is noted that while the Decommissioning Office costs will not extend past 2013-14, agencies will receive funding into the forward estimates as reflected in item 6 in the Service Summary table on page 441.

The table on page 297 (Item 37 – Department of Finance) shows the Administered Fund for agencies' costs between 2012-13 and 2015-16. This totals around $80 million over the period. For the year 2012-13 total ($26.2 million), this is part of the $51.6 million shown in the table on page 447. The rest of the $51.6 million ($25.4 million) is the cost to run the Decommissioning Office in 2013-14.

[Supplementary Information No: B7]
Question:

Hon Ken Travers – Master Planning Strategy – Government Office Accommodation – Can we get a breakdown for that full 225; how it is allocated?

Answer:

The $225.845 million comprises an allocation of approximately:

- $182.4 million for Phase 1 of the Government's Office Accommodation Master Plan; and
- $43.4 million for the office accommodation fit-out of the Old Treasury Building tower.

The $182.4 million allocated for Phase 1 consists of the following projects:

- Base build upgrade and fitout refurbishment of the government-owned Dumas House, budget allocation of $55.8 million.
- Base build upgrade and fitout refurbishment of the government-owned Albert Facey House, budget allocation of $33.6 million).

- Fitout of Gordon Stephenson House and neighbouring heritage buildings, budget allocation of $49.9 million.
- Fitout of Optima Centre, budget allocation of $12.3 million.
- Various fitout works for six agencies, ICT costs and program management costs, allocated budget of $30.8 million.