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Wednesday, 23 May 2018

Legislative Assembly

Wednesday, 23 May 2018

ESTIMATES COMMITTEE A

The meeting commenced at 9.00 am.

Division 22: Mental Health Commission, $715 743 000 —

Ms L.L. Baker, Chair.

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

Mr T.M. Marney, Mental Health Commissioner.

Mr L. Bechelli, Acting Director, Corporate Services.

Mr M. Moltoni, Director, Performance, Monitoring and Evaluation.

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

[Witnesses introduced.]

The CHAIR: Welcome to the first session of Estimates Committee A of the Legislative Assembly. This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Churchlands.

Mr S.K. L'ESTRANGE: I refer to health services on page 272 of budget paper No 2, volume 1, and the statement that the government is committed to delivering quality health care to Western Australians, including inpatient care. How many adolescents are currently placed in adult wards in all hospitals across the state?

Mr R.H. COOK: I thank the member for the question. Because the question goes to the detail of mental health services, I ask the commissioner to respond.

Mr T.M. Marney: As at today, I am not aware of any people under 18 years of age placed in adult wards, but I would have to confirm that via supplementary information to be 100 per cent sure. I will have to check with all health service providers and I will do so immediately after this hearing and provide supplementary information if that is satisfactory.

[*Supplementary Information No A8.*]

Mr S.K. L'ESTRANGE: Over the past 18 months, how many adolescents have been in adult facilities for each week for all hospitals?

Mr T.M. Marney: Again, I will have to provide that as supplementary information. It would be quite a data collection exercise to provide that information for each week. If there is a more suitable presentation of that data, is the member willing to have that flexibility? I understand that the gist of the question is how many people under 18 years old are being held in adult wards. As far as possible we seek to avoid that across the system of course, but there are some circumstances in which it is clinically appropriate and it is the least worst option for young people to be on adult wards. As the member may be aware, we have invested quite substantially over recent years in a youth stream across our health service providers. We currently have a set of youth beds—I think it is 14 beds—at Fiona Stanley Hospital. We have Youth Hospital in the Home beds in the North Metropolitan Health Service and after the opening of the Perth Children's Hospital we will be opening a youth unit in the East Metropolitan Health Service. The issue the member has raised has certainly been of concern to us. We have put considerable effort into planning and phasing the introduction of youth services across all health service providers in order to address that issue and to ensure that as much as possible young people are kept in an environment that is suitable to their maturity and that the cohort they are with is complementary to their recovery.

Mr R.H. COOK: I add that once the Perth Children's Hospital is open, there will be extra capacity to take younger patients into the system. Obviously, they will be under 16 years of age, but that will hopefully provide extra capacity in adolescent units such as Bentley. I would just like to clarify that two lots of information have been requested. The first lot is more detailed and I would respectfully say that it should be requested through a question on notice.

Mr S.K. L'ESTRANGE: Yes.

Mr R.H. COOK: I am worried that if we commit to providing it as supplementary information, we will not be able to provide a weekly breakdown, because it is quite a detailed piece of work.

Mr S.K. L'ESTRANGE: Would it be easier to find if it were monthly?

Mr T.M. Marney: Monthly should be doable, and I can assure the member that we will try to capture every young person who has been held in an adult ward.

Mr S.K. L'ESTRANGE: It is just to allow us to gauge what the situation is in the health system.

Mr R.H. COOK: It is a good question. I might come back to the member with some supplementary information, and provide a more detailed answer later on.

Mr S.K. L'ESTRANGE: I appreciate that.

The CHAIR: After that very long description, could somebody please say in 20 words or fewer what is being looked for?

Mr S.K. L'ESTRANGE: Maybe I could clarify. I am seeking over the past 18 months how many adolescents have been in adult facilities for all hospitals. If that could be broken down by month, it would be great.

[*Supplementary Information No A9*.]

Mr S.K. L'ESTRANGE: The commissioner mentioned that there are 14 mental health adolescent beds at Fiona Stanley Hospital. Are they in use?

Mr R.H. COOK: My understanding is that they are. I will just ask Tim to provide some further detail.

Mr T.M. Marney: Yes, the beds are fully operational and occupancy for those beds tends to run at around 90 per cent to 95 per cent, so they are well utilised by the youth cohort.

Mr R.H. COOK: My understanding is that the beds there are split into two units or wings of that ward. I know in the early days only one of those was utilised, but my understanding is that they now both are. I know because I asked that question when I was the shadow Minister for Mental Health.

Mr S.K. L'ESTRANGE: Are there adolescent mental health beds in use at Royal Perth Hospital?

Mr R.H. COOK: That is very good question.

Mr T.M. Marney: No, not at this point. After the opening of the Perth Children's Hospital, a youth unit will be opening at what is now the Bentley Adolescent Unit. That will be called the east metropolitan youth unit and that will consist of 12 beds. That will be an addition of 12 beds to the system, with an additional net increase of one bed for children and adolescents at Perth Children's Hospital.

Mr S.K. L'ESTRANGE: When will the Bentley facility open?

Mr T.M. Marney: As soon as practical after the opening of Perth Children's Hospital.

[9.10 am]

Mr S.K. L'ESTRANGE: Is the commissioner saying that mental health beds exist for adolescents at Royal Perth Hospital but they are not in use?

Mr T.M. Marney: There are no youth beds at Royal Perth; there are only adult beds.

Mr S.K. L'ESTRANGE: What is the shortage of dedicated adolescent mental health services in Western Australia?

Mr T.M. Marney: Can I seek clarification on the age cohort? Is it 16 to 17-year-olds to 24-year-olds, or under-16s?

Mr S.K. L'ESTRANGE: Maybe the commissioner could answer for both categories.

Mr T.M. Marney: For up to 16-year-olds, with the opening of Perth Children's Hospital the 20 dedicated mental health beds will see the current modelled demand for that age cohort met in full. Indeed, I think the 2020 modelled demand will be met in the current year. The member may recall that the 10-year plan models the demand for services as at 2017, 2020 and 2025. When Perth Children's Hospital opens, the demand for under-16-year-olds will be fully met up to 2020. In terms of the youth cohort, my understanding is that once the east metropolitan youth unit opens we will again meet the projected demand up until 2020. There are further developments as part of the budget with respect to the mental health unit expansion at Joondalup Health Campus. As part of that expansion we will explore the mix of services required. It is most likely that part of that expansion will involve youth service, which will then take us forward to meet the demand between 2020 and 2025.

One consideration we gave during the purchase of that mix of services was to ensure that we did not create a gap in continuity of service for young people from Perth Children's Hospital to youth wards in the rest of the system. At the moment the cut-off age between the child and adolescent and adult and youth system is a hard single-point cut-off. We will purchase going forward a blended cut-off between Perth Children's Hospital and the youth units so that where applicable a 16-year-old, when clinically appropriate, can be treated at Perth Children's Hospital. Similarly, when clinically appropriate a 16-year-old may be treated in a youth unit. The aim is that at that particular age some 16-year-olds are very mature. They may have had experience with mental health services previously and, therefore, may be suited to a youth unit that has others in that unit up to the age of 24. Conversely, some 16-year-olds are not mature. Their state of distress and their experience with mental health services may be such that they are better treated among a younger cohort of people; therefore, Perth Children's Hospital is a more appropriate setting for them clinically. That is a shift in the current system that we believe will better meet the needs of the consumers.

Mr Z.R.F. KIRKUP: I refer to page 272 of budget paper No 2. Is there a breakdown of the number of mental health beds for adolescents at Peel Health Campus, and are there future plans to increase that capacity or simply add any to the hospital?

Mr R.H. COOK: As the member would be aware, one of the commitments we made in the election was for the Peel youth and health hub, which will have some counselling and mental health outpatient services. The idea of that is to create an off-campus site where young people can get counselling, particularly around mental health issues related to sexuality, low-level drug use and things of that nature. That $5.2 million commitment will be funded through GP down south, which has been commissioned to put that together. We are waiting on its current milestones in the construction of that facility.

Mr Z.R.F. KIRKUP: The panels are up.

Mr R.H. COOK: Yes. I do not have those notes with me—they are under the Health portfolio—but specifically in relation to Peel, the youth mental health service will get a big boost. The Mental Health Commissioner has some extra information to provide.

Mr T.M. Marney: Further to the minister's response, as part of the GP down south initiative there is also a three-tier suicide prevention initiative targeted particularly at youth. We know there have been some issues in the Peel area with suicide. That is a welcome initiative that has been rolled out and is underway. In terms of support for youth mental health treatment in Peel more broadly, we have commissioned a community treatment service out of a south metro health service provider which is an outreach community treatment service specifically for youth, so supporting the youth inpatient service is a community treatment–based youth service as well. I am sure the member understands that the treatment of that age cohort is quite a specialist area, so having lots of youth units is really not feasible, but aggregating them together and then providing outreach and clinical liaison and support is the approach that we have taken to ensure that there is support to those small units from a youth specialist perspective.

Ms M.J. DAVIES: Page 280 refers to royalties for regions under "Income Statement". Can the minister provide a breakdown of what programs or initiatives are being funded through the regional community services fund for the Mental Health Commission; and, by extension, have any of the projects funded this year or into the forward estimates come out of the Mental Health Commission's budget and into royalties for regions this year?

Mr R.H. COOK: I am happy to make some general comments. We are funding some services, particularly election commitments, from royalties for regions. One that particularly comes to mind is the 30 drug and alcohol rehabilitation beds that we are running in the south west, which is a three-year program. I am not aware of any transference from the Mental Health Commission budget to the RforR budget, although on that particular one because it was a specific three-year program, we have —

Ms M.J. DAVIES: That is a new project?

Mr R.H. COOK: That is correct. That is a new project and is one of the election commitments we made. I will ask the commissioner to make any further comments in relation to that.

Mr T.M. Marney: As the minister mentioned, the south west residential rehabilitation service is RforR funded. There has been a change in the nature of those funds as part of this budget process in order to bring the service forward two years. That is the only shift in funding that has occurred with that one. It was approved as part of the previous budget. The other services funded as part of RforR are the Karratha step-up, step-down service, the Bunbury step-up, step-down service, the Kimberley alcohol and other drug planning—a $200 000 allocation to do a needs assessment across the Kimberley for AOD services—the Ice Breaker program in Albany, the GP down south, which is the three-tier suicide prevention program, Kalgoorlie step-up, step-down, and Geraldton step-up, step-down. Kalgoorlie and Geraldton are new additions to the last year of the forward estimates. I would have to check on whether any of the other step-up, step-down programs were previously funded through the consolidated fund. My recollection is that they were not, but I am happy to check that and confirm by supplementary.

The CHAIR: Minister, would you like to repeat the supplementary information that you will provide?

Mr R.H. COOK: My understanding is that would be total services provided from RforR funding, and any RforR funding that was previously sourced from the consolidated account.

[*Supplementary Information No A10.*]

[9.20 am]

Mr Z.R.F. KIRKUP: I refer to the dot point on page 273 of budget paper No 2 that reads —

> $9.3 million in service delivery from 2018–19 to 2021–22 for the establishment of 33 additional AOD low medical withdrawal and residential rehabilitation beds in the South West.

Can the minister provide any evidence to the house of how these beds will be more beneficial than the $16 million specialist drug rehabilitation centre for the south west that was provided for in the last budget?

Mr R.H. COOK: That is a really good question. As the member would be aware, one of our election commitments was for a dedicated alcohol and other drug rehabilitation clinic, or building, for want of a better word. I acknowledge Hon Adele Farina and the member for Bunbury for championing that project. The reality of government is very different from the aspirations of opposition. I will be honest: the step-up, step-down facilities that we are trying to develop in Bunbury, Kalgoorlie, Karratha and other places are hard beasts to land. We have to find the land, get a commitment that the land can be acquired and go through a consultation process. Often that consultation process has a few bumps and scrapes along the way because of community attitudes, and ultimately it is a very long process. It was put to us, in the context of the south west, that a much better and more nimble way to do this was to engage existing community or non-government organisation capacity in the south west. The member may be aware of a couple of organisations that have some cracking facilities in the south west.

We are trying to be a little bit more flexible in our thoughts around this issue. Rather than try to build a standalone facility, we sought to engage beds that would perhaps be spread out a bit more equitably across the south west. That enabled us to bring these beds on two years earlier than we had otherwise planned. It is a good outcome because it means that people can be serviced or treated much earlier than we had otherwise anticipated. As the member would know, a lot of the issues around drug addiction in the south west are now related to methamphetamine abuse, so this is a good policy outcome from that perspective. Previously, we were looking to a build that would take us to somewhere between 2020–21 and 2021–22 before we could actually provide those services. Now we are anticipating bringing those services on stream in early 2019, to my understanding. That means that we can get on and get those services delivered to the community.

As part of the 2017–18 budget, royalties for regions funding of $17.9 million was allocated over three years for residential rehabilitation and treatment services. This comprised $16.1 million in capital funding in 2018–19 and 2019–20, and recurrent funding of $1.8 million in 2020–21. Now, bringing that on earlier will involve bringing that operational funding forward, and—I am not sure whether the word is transference—relieving the capital budget in relation to that. Now, $9.3 million in operational funding has been allocated in the 2018–19 budget to contract for services in the south west, which is an increase of $7.4 million in operational funding across the forward estimates because we are bringing them on earlier. It will allow for 33 beds for residential rehabilitation and low medical withdrawal to commence in January 2019. As I said, this is two years ahead of the original schedule. I will ask the commissioner whether he has anything to add to that.

Mr T.M. Marney: That was a very comprehensive summary. The only figure that was missing was $8.7 million saved in net debt from royalties for regions, so bringing the beds forward was actually in part about making the royalties for regions money go further. When we commenced this project, standing back from the figures—we all rattle off figures pretty quickly—$16.1 million to build 33 beds equates to around $480 000 per 50-square-metre unit. From a value for money perspective, it just was not really stacking up. We took an alternative approach, which was to go to our existing service providers and/or potential new service providers and ask them what might be feasible. That has produced a result that, as has been highlighted, brings forward the services for individuals in the south west much earlier. It will also enable us to respond to individual cohorts in the south west in a more suitable way. Community accessibility will be enhanced as well as accessibility for, hopefully, different cohorts such as youth and Aboriginal people.

Mr R.H. COOK: Just to add to that, other information I can provide is that in October 2017 we went out for a registration of interest, and that process is now ongoing to, as I said, commence the services in January 2019.

Mr S.K. L'ESTRANGE: I refer to the service summary table on page 274 of budget paper No 2, and the 14.7 per cent budget reduction for prevention in 2018–19, when compared with what was allocated in the 2017–18 budget, and also the 43.3 per cent reduction in 2019–20, when compared with the 2017–18 budget. Can the minister provide detailed figures on the specific prevention initiatives that have been stopped by program, funding source, funding amount and funding time frame?

Mr R.H. COOK: Was that page 274?

Mr S.K. L'ESTRANGE: Yes. We are looking at a 14.7 per cent reduction between the 2017–18 and 2018–19 budgets, and we are looking at a 43.3 per cent prevention budget reduction from 2017–18 out to 2019–20. We want to know what the detailed figures are on specific prevention initiatives that have been stopped by program, funding source, funding amount and funding time frame.

Mr R.H. COOK: I thank the member for the question. The budget decrease of $2.3 million between the 2018–19 budget estimate and the 2017–18 estimated actual is primarily the result of negotiations for the continuation of some external grant agreements that are yet to be finalised. In relation to the longer-term projections for the forward estimates, I will ask the commissioner, or other relevant staff, to make comment.

Mr T.M. Marney: As has just been highlighted, the main reason for the drop-off in 2018–19 is externally funded programs that the commission runs on behalf of other agencies, including the commonwealth—programs such as Strong Spirit, Strong Minds, which is a $1.13 million per annum program aimed at alcohol and other drug education and support for Aboriginal people in particular; and the parents and young people and alcohol campaign, which is just under $700 000 per annum. Those programs are funded by, respectively, the commonwealth and Healthway. A number of other initiatives are funded by organisations such as the Department of Health and the Royal Australian and New Zealand College of Psychiatrists. Those funding grant agreements expire at 30 June 2018. As at the budget cut-off point, we did not have renegotiated agreements with those organisations for the continuation of those programs. Hence, both the revenue and expenditure are not reflected in the budget papers. However, I can inform the member that since then all but one of those programs have been either verbally or formally confirmed as being renewed. The actual prevention figure in 2018–19, as at the midyear review, will be increased. The only program we are aware of that we will not be continuing is the safer settings program, which is about checking with festival organisers around the appropriateness of their environments from a drug and alcohol perspective. That was a commonwealth-funded program that will not be renewed.

The major reason for the decline in prevention activity funding in the forward estimates beyond 2018–19 is the expiry of the current suicide prevention strategy. Funding for the current suicide prevention strategy will end as at 30 June 2019. We are in the process of evaluating the current strategy to inform consideration of renewal of the strategy and amendments to the strategy going forward from 2019. From memory, that strategy was funded to the tune of $26 million over four years, so that money causes the drop-off in 2019–20.

[9.30 am]

Mr S.K. L'ESTRANGE: So is that the main reason for the 43.3 per cent reduction between the 2017–18 figure and the 2019–20 figure? Is that significant reduction because of that program?

Mr T.M. Marney: Correct.

Mr S.K. L'ESTRANGE: Can we anticipate that the figure for the 2019–20 out year in next year's budget will be rectified when a new program is in place to replace the program that is ending?

Mr R.H. COOK: The commissioner.

Mr T.M. Marney: Yes. We have an agreed process in place to undertake a rigorous evaluation of the existing strategy so that if stuff is not working, we can determine what we need to do to improve it, and we have a process laid out to present to Treasury as part of the midyear review and budget process next year.

Ms M.J. DAVIES: I refer to the step-up, step-down facilities outlined on page 273 of the budget papers. On the basis of need, where does the minister consider the priority is for the further rollout of step-up, step-down facilities in regional Western Australia? How would that need be measured in terms of the criteria and the demand for services?

Mr R.H. COOK: Thanks for the question. I think the step-up, step-down policy is a particularly exciting part of the mental health landscape at the moment. It is all part of the evolution of our understanding around mental health services and what is needed to make sure that people are locked into a recovery pathway. Smaller community-based mental health facilities around the state are obviously an important part of that process. The member will be aware that currently we have step-up, step-down facilities planned for Albany, Bunbury, Kalgoorlie, Karratha, Geraldton and Broome, and each of those facilities is currently being progressed but, as I said to the member for Dawesville, in some cases in a particularly tortuously slow manner.

The Albany step-up, step-down facility is a real success story in the sense that we are repurposing a current facility. The old hospice buildings next to Albany Health Campus have been repurposed for a dedicated step-up, step-down community mental health facility, and I am very much looking forward to opening that later in the year. The Bunbury facility is progressing, although we have had some issues with commissioning the services in Bunbury simply because it is proposed to be built in a new area, so we are waiting for the utilities to be available. The Kalgoorlie facility is progressing in the usual manner. The Broome facility is going well. I think we have now identified a more appropriate site for that facility. Previously, we were looking at developing it at Robinson Street. The Shire of Broome was initially supportive of it going in that area, but after we started to progress the development, it had a rethink, so we have now found a more appropriate place to position it. I do not know where those negotiations are at. It may be subject to more confidential arrangements, so I will leave it to the commissioner to provide more information on that. We made an election commitment for 10 Geraldton beds, and they are in the early stages of development. The Karratha facility was subject to further negotiation with the City of Karratha after the community consultation process hit some bumps. I think we have now identified a more appropriate site for that particular facility. That is a big body of work at the moment to get all those sites up and running. I know the Mental Health Commission is working tirelessly to progress them as best it can, and it is working with local government authorities and other government departments that are potentially the current owners of those sites and, obviously, in the community consultation process. I will ask the commissioner to make some comments on where we might head to next.

Mr T.M. Marney: Part of the member's question was about how that need is established.

Ms M.J. DAVIES: That is right. On the basis of need, where is the priority for further rollout considered to be and how is that need determined? What criteria and measurements are used to determine the demand?

Mr T.M. Marney: Establishing the need is articulated in the 10-year plan. It is based on all of our needs analysis. No matter what service we commission, it is based on the application of the national modelling tool for mental health and the modelling tool for alcohol and other drug services, which is an epidemiologically based tool that maps the prevalence rates of mental health issues and AOD issues in the community across existing geographical areas based on population and determines what that population optimally requires in both the level of services and the mix of acuity of services. On that basis, the current program for the step-up, step-down services rollout, which is quite substantial, meets the full projected need through to 2025 based on that very rigorous modelling and the population cohorts. That is the technical background, I guess, to the needs analysis.

At a service level and on the ground, the need goes hand in hand with wherever there is substantial mental health treatment on the ground at the moment, because these services are there to support people in the community and to complement existing mental health services. In the case of Albany, which has a dedicated mental health inpatient unit, the step-up, step-down service is a highly valued complement to that service. Similarly, when there are high levels of mental health activity in general hospitals, the presence of a step-up, step-down service in the community is highly beneficial—for instance, in the case of Karratha, which does not have an inpatient mental health unit. We expect the next phase would probably be Port Hedland, which does not at this point have a step-up, step-down service planned, but there is significant mental health activity in the Port Hedland general hospital setting. Certainly, as we do the updates to the 10-year plan, that will draw out where the next tranche of step-up, step-down facilities is required. My recollection of the 2017 version of the plan is that these were the priority facilities identified based on need. We are currently in the process of doing an update to the modelling, and that may show changes in activity and population. We have seen a significant shift in population since the data point for the first version of the plan. The population data point for that plan was around 2014, so there has been a lot of change since then. The next update of the plan will bring that population change to inform the needs analysis and may throw up a different distribution, but that is what we are going through at the moment.

Ms M.J. DAVIES: In an area like the central wheatbelt, which has a pretty small population that is spread out, does the modelling preclude it? Does that get taken into consideration, because it does not seem to be a significant focus in that area? From my perspective, anecdotally there is a demand. If it is spread out in the way that service planning is done for child care and aged care, we seem to fall through the gaps because we do not have the population base or a regional centre or the services are not there. How does that get taken into account, or does it?

[9.40 am]

Mr R.H. COOK: I will ask the commissioner to make comment.

Mr T.M. Marney: Regional dispersion does have an impact because if there is not the concentration of population, then, in the stricter sense, the modelling tools do not quite pick that up adequately, which is why we overlay where the activity is happening as well to do a reality check on the technical modelling to assess where the mental health activity is being delivered and where support is needed. We pick that up by supplementing the modelling with that kind of reality check. The next iteration of the modelling will probably not pick that up in a technical sense. Introducing all these services is going to be quite a positive shock to the system. Seeing how the system flows subsequent to the introduction of these services is going to be really important to then assess, to maximise the marginal benefit of our next dollar of investment, where is the next priority. It will mean that these services need to be up and running to be able to assess how the system is flowing. We have other elements of flow in the system that we need to work on as well. Step-up, step-down facilities are just a small part of our supported accommodation solutions. We have almost 1 800 accommodation places in other forms of supported accommodation. We also need to look more intensively at how we flow people across those and they are more dispersed because they are not concentrated numbers of beds. They are spread throughout the community. That is probably what we would be looking at for the central wheatbelt.

Mr Z.R.F. KIRKUP: I refer to the service summary on page 274. The first line item relates to prevention. I understand that the "Western Australian Mental Health, Alcohol and Other Drug Services Plan 2015–2025" set a target of prevention for the commission at around two per cent. I note that over the forward estimates, the money set aside as a percentage of the budget goes from about 1.9 per cent down to 1.2 per cent of the budget. These figures are obviously below the initial stepped up plan that I think would end up with five per cent of funding in 2025 going towards prevention. I am keen to understand why there is a disparity of about 3.8-plus per cent of the budget, which is a significant amount given how much money the Mental Health Commission has. Why is there that disparity and what more detailed figures or plans does the minister have to get back to that, if it is still an aspiration?

Mr R.H. COOK: The development of a prevention strategy was identified in the strategic framework for 2018–2025. The first draft of that prevention strategy has been developed and I think it is currently subject to consultation with the community. Coming out of that, we could certainly expect to see a more concerted effort around the preventive approach. I will ask the commissioner to make some comment on the numbers and where that sits in the Mental Health Commission's overall budget.

Mr T.M. Marney: The main reason for the drop-off and not meeting that two per cent target is the matter discussed earlier around the external grants revenue and the suicide prevention strategy coming to an end at the end of 2018–19. That is what brings those numbers down from that two per cent target. We have made progress in the prevention space in a number of areas. In particular, through the amalgamation of the old Drug and Alcohol Office with the Mental Health Commission, we have brought the prevention capability of the Drug and Alcohol Office, which was quite substantial and longstanding, to bear on suicide prevention and stigma reduction. Members may have seen the "Think Mental Health" campaign, particularly on social media, which was a first for Western Australia and is something that we will be looking to build on. But it is a first, so we need to evaluate that and check whether it is working, whether we are reducing the stigma and more people are seeking help, or whether the space is too crowded. The evaluation of that, in part, will determine where we go forward in prevention. In addition, as mentioned by the Deputy Premier, the prevention strategy was a recommendation of the 10-year plan. That prevention strategy is nearing completion and should be released in its final form in the second half of this year. That will set the broader framework for the development of our various prevention activities, which will enable us to go in a systematic and robust way towards, first, the two per cent target, and then the five per cent target.

Mr S.K. L'ESTRANGE: I refer to the service summary table on page 274 and the line item for community support. The "Western Australian Mental Health, Alcohol and Other Drug Services Plan 2015–2025" identified a need to increase community support from 842 000 support hours to 5.28 million support hours by 2025. This target is supported by the Sustainable Health Review, which identified the need for access to community-based support and earlier intervention. Is the government committed to increasing community support hours in keeping with the plan's target support hours, with adjusted modelling being undertaken for the two-year plan update?

Mr R.H. COOK: It is an extremely good question and I invite the commissioner to make some comment.

Mr T.M. Marney: It is a very good question and, yes, community support has tapered off in the current financial year and across the forward estimates. The reason is that the member will see an offsetting increase in community bed–based services. Two components are driving that but it is purely a compositional shift and how we categorise our different services. Under the independent community living strategy, that is classified as community support. During the current financial year, we have had two developments. One was the establishment of the Albany step-up, step-down service and the second was the relocation of a number of residents from a private psychiatric hostel, which closed on 30 December. In order to fund both those increases in service, we reallocated finances from the independent community living strategy, which was classified as community support, into those new services, which are classified as community bed–based services. In the case of the residents of the psychiatric hostel, funding that was provided for their support was also previously classified as community support. The hostel closed on the basis, in part, of withdrawal of funds by the Mental Health Commission due to the failure of that hostel to meet minimum quality standards for mental health service. We took people from a situation in which they were not getting the quality of service that they should and we re-accommodated them in supported accommodation, which is in the category of community bed–based service. They are now getting a far more suitable and higher quality level of service. I have to say that it is also a higher cost. The upshot of that compositional shift is that the lives of a number of individuals who were residing in a psychiatric hostel have been greatly improved. That is something that, to be honest as a public servant, I am extremely proud of.

Mr R.H. COOK: If I might follow up on that, the situation around Franciscan House was one that I think both the Department of Health and the Mental Health Commission should be highly commended for. Essentially, there was a requirement for Franciscan House to update its facilities. They said it would be too hard, so they withdrew from service. Both the Department of Health and the Mental Health Commission had to manage this cohort of residents, who essentially would have been turfed out on 31 December last year. It was a very difficult situation and one that they coped with very well. Ultimately, if Franciscan House had closed down and we did not have alternatives for the residents, they would have been tipped into the hospital system. Obviously, that would not have been good for the residents and certainly would not have been good for the health system. Mr Marney and the East Metropolitan Health Service moved heaven and earth to find these residents community-based services. Many of them they were very long-term residents, so it was a confronting decision for some of them to make. That was done with extreme sensitivity and, as Mr Marney just observed, it has produced some exceptional quality-of-life outcomes. It gives rise, though, in the context of the operations of private psychiatric hostels, to questions about what else is out there and what more needs to be done to improve the lives of these hostel residents. Significant work needs to be done to understand the quality of care at the moment and whether that need meets modern expectations. The member would understand that people are allocated to private psychiatric hostels right around the state and that some of the contracts are very long term that were perhaps struck at a time when our expectations about how these services worked were not as high as they are now. Without inviting too much chaos, in the medium term we need to take a view about the way these services are provided and whether we need to seek community-based solutions for a bigger cohort of residents.

[9.50 am]

Mr S.K. L'ESTRANGE: The minister mentioned that part of the way of addressing the problem is to move people out of hostels that might not be at an acceptable standard to the commission and into community bed–based services. I note that in the same table on page 274 funding of community bed–based services drops by 7.3 per cent from 2017–18 to 2018–19. Given this shift from hostels to bed-based services, why is the funding for community bed–based services dropping by 7.3 per cent?

Mr R.H. COOK: That is a really good question and I invite Mr Marney to answer.

Mr T.M. Marney: The bounce around in funding relates to the timing of the step-up, step-down funding flows. They are a quite significant component. We do not have a full year of funding for Albany in 2018–19, although it is close to a full year, but then as the subsequent years kick in that figure goes up. It is also associated with the existing time frames captured in the budget of step-up, step-down, which will be varied as part of the midyear review given the timing of where we are at on the various projects. Those flows will shift around a bit over the next 12 months as we land the actual build times for each of the step-up, step-down facilities, which are classified as community bed based.

Mr S.K. L'ESTRANGE: Can we anticipate seeing the budget amounts for community bed–based services actually increase in the next three years, not decrease as is currently the case?

Mr R.H. COOK: As the member would observe, the 2017–18 budget amount was about $61.4 million, but the estimated actual is only $59 million. That reflects the reality of whether the beds are commissioned and functioning within the timing that we would otherwise anticipate. I invite the commissioner to comment further, but certainly it is about how quickly we can bring these step-up, step-down facilities onstream.

Mr T.M. Marney: As mentioned, the cash flow of the current services is such that there will need to be carryover from the current financial year, and even previous years, through to subsequent years. As a result the base expenditure that the member is comparing the out years to is inflated and the out years are artificially deflated as a result. As I said, once we land the commitment on construction timing, we will with a greater sense of certainty be able to project through to when the operation will commence. That will enable us to re-cashflow all that expenditure, and at that point it will make sense.

Mr S.K. L'ESTRANGE: Still linked to the community hours targets set in the plan—as I say, from $842 000 to $5.28 million—can the minister provide an outline of the government's time frame for achieving these targets?

Mr T.M. Marney: The hours of community support are articulated at what is the optimal level of service for the community. I am not aware of any government service that reaches its optimal level of service, but certainly that is the aspirational target. Those figures will be updated as part of the update of the plan currently being undertaken at the moment. I can give an early indication that the population growth estimates since the plan was first done have been scaled back quite substantially—that is associated with the overall trends of the state's economy. The figures that will be published as part of the update of the 10-year plan—the two-year update of the 10-year plan—will show those figures coming back. Essentially we will seek to work towards enhancing those community support hours. The modelling gives us an indication not necessarily of the target level that needs be to achieved, but the rebalancing in the system that needs to be achieved. It shows that we are meeting about 80 per cent of inpatient demand, but meeting only about 20 per cent of community support requirements. To have an optimal continuum of service for the community, we need that balance between community support, community bed-based and prevention, as the member has highlighted. That means that in the commission's planning and purchasing activity, we will be seeking to rebalance the system at every opportunity. That is what we will continue to do throughout the life of the plan so as long as it tells us that is what we need to do.

Mr S.K. L'ESTRANGE: Following on from this line of questioning in and around the funding, when that two-year update is put out, will it include which funding is coming from the National Disability Insurance Scheme and which funding is coming from the state government?

Mr R.H. COOK: He has mentioned NDIS—I refuse to answer any questions around NDIS because it just hurts my head!

I invite the commissioner to comment.

Mr T.M. Marney: I am going with him!

At this point in time, due to uncertainties about NDIS coverage we have not assumed anything. We continue to work very closely with other agencies in the area of the NDIS, both with the commonwealth and the Department of Communities, to understand how the needs of people with psychosocial disability will be met under the NDIS. As much as possible we will seek to facilitate people who need to gain access to the NDIS. Going back to the earlier questions around psychiatric hostels, we are currently investing in accelerating the needs assessment for individuals who currently reside in psychiatric hostels to see how they might best fit into the NDIS and to undertake some of their preliminary planning so that when the NDIS hits their geographical area they are ready to go. It will be only through that process that we discover what the revenue contribution for the NDIS will be, and indeed what the service support contribution from the NDIS will be. As the member is probably aware, the 10-year plan does not differentiate between funding sources or service providers from any level of government, so it is something we will monitor closely. But certainly we are seeking to position consumers and carers that we are responsible for as best we can to be able to access funding, planning and services under the NDIS as it rolls into their geographical areas.

Mr R.H. COOK: I suspect that the issue around psychosocial support under the NDIS will result in a huge area of dispute and negotiation with the federal government. It is one that I am particularly anxious about. We will talk shortly about the Health budget, and certainly the NDIS represents a significant threat to budget management in Health. But around mental health, at this stage psychosocial support is almost a blank canvas, and the noises we are hearing from the feds at the moment are not encouraging. It is something we will have to spend a lot of time on. The commissioner would like to add something.

Mr T.M. Marney: To give reassurance to all, other jurisdictions have actually given their mental health expenditure across to the NDIS with, unfortunately, loose strings attached. In Western Australia we have not given any money over to the NDIS. We have held on to all our expenditure on individuals who may transition to the NDIS, and we will continue to support them to the level at which they are currently supported until such time as the NDIS takes over that level of support. We are certainly putting our consumers, carers and families at the forefront of the decision-making around this. We are not letting anything go to NDIS until we are confident that those consumers and carers will at least get a level of service and support that is commensurate with what they are getting now.

The appropriation was recommended.

Meeting suspended from 10.00 to 10.06 am

Western Australian Health Promotion Foundation —

Mr T.J. Healy, Chair.

Mr R.H. Cook, Minister for Health.

Ms S. Hunt, Acting Executive Director, Healthway.

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

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

Member for Churchlands.

Mr S.K. L'ESTRANGE: I refer to the Western Australian Health Promotion Foundation's strategic plan. I am advised that the current plan covers the period 2012 to 2017. Given that the strategic plan provides an overview of Healthway's approach to achieving its vision of a healthy Western Australia and outlines the key strategic directions the organisation will pursue over a five-year period, can the minister please advise how the current policies undertaken by Healthway, based on peer review evidence and independent evaluation of programs, is being undertaken?

Mr R.H. COOK: As the member would be aware, we are currently undertaking a sustainable health review, with Robyn Kruk leading the panel. The sustainable health review takes a very broad perspective around what we need to do to help Western Australians lead happy, healthy lives. One of the important aspects of that is what approach to preventive health gives us the best bang for our buck and provides us with a good platform for preventive health strategies. Preventive health was a very important aspect of the interim report. We now need to wait for the final report to come down, and we expect it later this year. I think November is the nominated date but I suspect that it might be completed slightly earlier than that. From that point of view, the member would understand that the Health Promotion Foundation has a very important role to play in preventive health.

The member would also be aware that, given the combination of roles, we currently enjoy the services of the CEO of Lotterywest and Healthway. That provides us with a unique opportunity to take a fresh view on the best way to carry out health promotion. For instance, the original scope of Healthway was to displace tobacco advertising. It was an exercise, ultimately struck down by the High Court, that would have provided a pool of cash to compensate sporting and other organisations that would otherwise benefit from tobacco advertising. The concept of advertising and promotion in sport has changed significantly over that period. It is no longer an exercise of simply hanging a banner on the boundary of the WACA for sport promotion. Nowadays it is a very complex beast involving social media, engagement in the community and so on. That has made the role of Healthway much more complex and it is certainly due for a refresh. I will ask Ms Hunt to make some supplementary comments.

Ms S. Hunt: The one aspect that resulted in bringing Healthway and Lotterywest together was looking at their body of work around grant giving and the most effective way that we can build a better Western Australia. The Healthway mandate is to build a healthier WA and Lotterywest's mandate is to build a better WA, so there are a lot of synergies. In terms of the priorities that emerge for health promotion and health generally, as the minister has said, the sustainable health review has been a really important driver for us to ensure that we reflect those priorities. There are also a lot of other reviews in health promotion. For example, the health department released a strategic plan for health prevention, which links very, very well. The existing priorities listed in the 2017 plan and the substantial consultation that occurred last year on the priorities for health promotion for Healthway are still sitting there and informing the work. I think it is really important that we reflect, firstly, on the best way to look at grant giving to create the best impact for Western Australia and also, as the minister has outlined, the external environment in the tobacco, alcohol and healthy eating areas. Given that things are moving pretty fast, we need to make sure that we do the best we possibly can. The work that was undertaken in 2017 will be integrated into the work we are doing in looking at the bigger social impact of the grants, which are decreasing in the external environment with the budget situation so it is a very important priority for us.

[10.10 am]

Mr S.K. L'ESTRANGE: The minister mentioned Healthway and Lotterywest coming together. Does the minister have an idea of the projected total cost of this merge?

Mr R.H. COOK: I can confirm for the member that it is coming together, I guess, in an administrative sense but not in a legislative or statutory sense. From that point of view, Healthway and its Western Australian Health Promotion Foundation still has its own legislation and is its own beast. There are some administrative savings to be made in consolidating some of Healthway's activities. That does not relate immediately to the current buildings. That is a sub-cost because that is subject to an existing lease arrangement. Ultimately, those savings will come back into the system as well. What Healthway is allowed and not allowed to do with its money is fairly complex under the legislation. Chair, I will ask Ms Hunt to provide further information.

Ms S. Hunt: We are seeing some savings as a result of bringing together Lotterywest and Healthway. Already, of course, there is a saving from the senior executive who was previously managing Healthway—so the salary and on-costs of the previous CEO—and some staff have departed for other jobs; not because we wanted them to go. We now have a corporate services director that we no longer require. We can also integrate an executive officer to the board into Lotterywest's existing staff. We have also decreased vehicles because all the staff are now located within the Lotterywest building. In the longer term, once we can lease that building that Healthway was previously in, it looks like a saving of about $500 000. We are looking at substantial savings without compromising the grants program that will go to Healthway and without compromising the intent of the Western Australian Health Promotion Foundation Act.

Mr S.K. L'ESTRANGE: The minister mentioned the purpose and role of Healthway and the transition away from just focusing on tobacco advertising to other aspects of health promotion. Has the minister made any directions to Healthway in accordance with section 39 of the Western Australian Health Promotion Foundation Act 2016; and, if so, what directions have been made?

Mr R.H. COOK: I will refresh my memory about section 39. Under section 39(1), no; and under section 39(2), no. Under section 39(3), I am sure I would have if there were some statutory requirement to lay before each house the text of any direction—so, no, I have not done that either because I have not provided a direction. And no to section 39(4), which is notice under the Financial Management Act.

Mr S.K. L'ESTRANGE: Without the minister providing any directions, it means Healthway is in a position, through its board, to make its own decisions about how it spends its money and how it promotes health in Western Australia. I am looking forward to seeing the new strategic plan because there are many aspects to how we can promote healthy lifestyles and whatever.

I note that earlier this year the minister announced $140 100 in grants to the lesbian, gay, bisexual, transgender, intersex, queer community. Is that forming part of the overarching direction from Healthway to the minister as to what it wants this money spent on?

Mr R.H. COOK: That is correct. I have not made any directions to the board about its strategic approach as yet. As the member knows, the board is operating under new legislation and there has been a certain amount of bedding down of the board's membership. Ms Hunt is also doing some work in developing clinical input, for want of a better description, for advice to the board. The board deliberates on funding applications and ultimately comes to me with a recommendation. At this stage I have not differed from any of those recommendations. There is scope for me to not agree to particular recommendations, but I have accepted them all at this point in time. As I signalled before, there is a certain amount of rethinking going on around the role of Healthway and how it best should apply its money and where it should apply its money to get the best bang for its buck. Ms Hunt and the board are doing a lot of this work at the moment. I am eagerly awaiting advice from them about that strategic direction. It is actually exciting times for the life of Healthway because we are at this juncture now where it can take a fresh approach. By virtue of the administrative amalgamation, it has cooperative oversight over the work it can do with Lotterywest. I am really interested to see how they can combine their efforts around the crossover in the cooperate intent of both entities. From that point of view, I am really looking forward to hearing their thoughts about the long-term strategic direction. As the member observed, originally its focus was tobacco; now it is tobacco, alcohol, and junk food. The Act–Belong–Commit campaign has also received funding from time to time for sporting, community or arts events that Healthway has backed. With that rethink, I am really looking forward to seeing what the future might hold. As I said, these are interesting times. A really good example, for instance, is cricket sponsorship, which I know Ms Hunt has had a lot of discussions with the Western Australian Cricket Association about. The member will be aware that we have a substantial agreement with the WACA around sponsorship of Alcohol Think Again, but at the end of the day, when you see the Scorchers the first thing you think of is KFC because the level of promotion and social media leverage that these big corporate entities have in high-level sport is fundamentally overwhelming. We have to be cleverer and a bit more nimble about the way we do these things.

[10.20 am]

Mr W.R. MARMION: Back in 1993 when Addy Carroll ran Healthway, I had a meeting with her and she took great pride in the fact that she had an internal key performance indicator for the percentage of administration costs against the total pool of money that was funded. I cannot remember the exact figure, but it was around four per cent, and she said it was one of the lowest in the world. My question is simply: Does Healthway still have that KPI? If so, what is it now and how has it been running over the last decade or two, knowing that Healthway has provided assistance to some very small sporting groups that never got grants because they did not know how to put them in like the really big ones did? I understand that admin costs could have gone up.

Mr R.H. COOK: I might ask Ms Hunt to respond to that question.

Ms S. Hunt: Thank you very much. I think the member's question is a really important one and one that is of concern, as the chief executive officer for both entities and previously for an entity that worked a bit more like Healthway used to, in terms of the smell of an oily rag. The amount in grants that went out of Healthway over the last financial year was around $18 million and the administrative costs for last year were $23.6 million, so from what I can understand that KPI is not occurring because that is quite a high proportion. Part of what we would like is to see it a bit leaner; certainly, we would be looking at that sort of KPI again in terms of administrative costs.

Mr S.K. L'ESTRANGE: To clarify, did the CEO just say through the minister that the grants that went out were $18 million, but that the cost of administering Healthway was $23.6 million?

Mr R.H. COOK: Grants are a subset of that $23 million.

Ms S. Hunt: Sorry; I was not clear.

Mr R.H. COOK: I heard that too; I am used to being confounded by numbers, so I was happy to just accept that I did not hear it properly!

Mr W.R. MARMION: Just to follow up, is it possible to get that figure over the last eight years or so—the admin costs over the total pool of money, just as a KPI, through supplementary information?

Mr R.H. COOK: It is certainly in the annual report; I think the member will find it there.

Ms A. SANDERSON: My question relates to the Perth Children's Hospital, budget paper No 2, page 247.

Mr R.H. COOK: Sorry, member, we are just on Healthway.

Mr M. HUGHES: I refer to page 248 and the heading "Significant Issues Impacting the Agency".

Mr R.H. COOK: No, we are just dealing with Healthway at the moment, member.

The CHAIR: If there are no further questions.

Mr R.H. COOK: I am sure there are no further questions, Chair.

The CHAIR: That completes the examination of Healthway authority and we will now transition back to division 21 for WA Health.

Division 21: WA Health, $5 062 550 000 —

Mr T.J. Healy, Chair.

Mr R.H. Cook, Minister for Health.

Dr D. RussellWeisz, Director General.

Dr D.J. Williamson, Assistant Director General.

Mrs R. Brown, Deputy Director General.

Prof. T.S. Weeramanthri, Chief Health Officer and Assistant Director General, Public Health.

Mr A. Frontino, Assistant Chief Finance Officer.

Dr R. Lawrence, Chief Executive, Child and Adolescent Health Service.

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

Ms A. Kelly, Acting Chief Executive, North Metropolitan Health Service.

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

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

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

Mr M. Hutchings, Director, Budget Strategy Purchasing and System Performance.

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

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Churchlands.

Mr S.K. L'ESTRANGE: I refer to page 251 and the heading, "Longer Term Election Commitments—Delivering Quality Health Care for Patients", the first bullet point and then the first sub–bullet point and the statement that the government remains committed to delivering its longer term commitments, including a renal dialysis service at Newman Hospital and the establishment of a Kimberley mobile dialysis unit. Given that no funding has been allocated to either of these commitments, when can the people of Newman and the Kimberley expect these services to be delivered?

Mr R.H. COOK: I thank the member. Obviously we are trying to populate the forward estimates with our election commitments, and some of those are easier to do than others, particularly around costings and things of that nature. With regard to Newman Hospital, the issue we are confronting there is that ultimately we re-scoped the funding under royalties for regions for that redevelopment, so we are currently discussing with the Minister for Regional Development how to go forward with that. We are committed to it and once we have a better idea of the costings associated with it, the member will see that in the forward estimates. Was the other one around the Kimberley mobile dialysis unit, member?

Mr S.K. L'ESTRANGE: Yes, the Kimberley mobile dialysis unit.

[10.30 am]

Mr R.H. COOK: The business case for the Newman health service redevelopment was approved by cabinet in December 2015, with total funding of $59 million. That was a certain amount of funding from royalties for regions, plus a $10 million contribution from BHP. As I just mentioned, that is subject to final analysis. We are still waiting on costings for the Kimberley dialysis units before they appear in the forward estimates. I will ask Jeff Moffet whether he has any further commentary to make about that.

Mr J. Moffet: As the minister has indicated, we are in the final planning stages with Newman. We are currently working with the Kimberley Aboriginal Medical Services on the Kimberley mobile dialysis unit to ensure we have our program from next year going forward. We are in the final stages of negotiation. It is possible that some services may start in June or July this year, subject to it resolving other funding sources separate to state government.

Mr S.K. L'ESTRANGE: I thank the minister for that. Can the minister also provide an update on the Derby Renal Hostel and the dialysis facility at Fitzroy Crossing that we asked about earlier this year?

Mr R.H. COOK: That is a particularly vexing issue. As the member would be aware, for the delivery mechanisms under the business model, we invited non-government organisations to provide bids to run the facility. That process did not produce any viable bids and as a result we have gone back to market to try to find an appropriate operator. That has obviously delayed the opening of the hospital. My view is that is not good enough and we have to step in and provide at least interim services from within our own workforce or departmental capacity. I have asked the WA Country Health Service to operate that facility until it can find the community-based organisation to provide those services. If I may, Chair, I will invite Mr Moffet to make further comment in relation to those services.

Mr J. Moffet: Yes, we have completed construction of those hostels. We are currently in negotiation with providers from the non-government organisation sector to run it. We are making plans to commence operations as soon as possible, subject to the outcome of those negotiations. It is likely that in some parts of the state, such as Kununurra and Carnarvon, we will operate some of those smaller scale services and facilities ourselves, but in Fitzroy and Derby we expect to have an outcome with an NGO provider.

Mr S.K. L'ESTRANGE: I am not sure whether I heard the minister correctly. Did he say that there are some health department staff working in these facilities while he is negotiating to get a contractor in?

Mr R.H. COOK: That is what I have asked the department to have a look at, yes. If we are going back out to market, my understanding is that we will not have someone in play until the end of the year. That is just the nature of the bidding process. I think we should be utilising those facilities much earlier.

Mr S.K. L'ESTRANGE: Just to clarify, is there a time line for when staff will be put into the Derby and Fitzroy facilities while the negotiation process for somebody to take on the contract is going on?

Mr R.H. COOK: No, I have not been advised of that yet, but I will ask Mr Moffet to provide any information we are able to.

Mr J. Moffet: We are currently assessing what is possible in terms of the staffing and logistics of the operation. We do not have a time frame as yet, but if we can commence services prior to having an independent operator we will do so.

Mr S.K. L'ESTRANGE: How are the patients in the regional area currently being cared for?

Mr J. Moffet: In Fitzroy, for example, we have just commissioned a new four-chair unit. That unit is being well utilised. Current clients have their own accommodation with either separate providers or family. We support them; we provide transport functions. We have a level of uptake of accommodation in the private and, I guess, NGO sector separate to the existing hostel at the moment. Once the hostel is operational, obviously, we will be able to fully utilise the four chairs, so that will be up to 16 people. A similar arrangement exists in Derby, where we have accommodation in various places around town, but clearly once a hostel is in operation it provides a much more stable base for those patients. It enables really only a small number now to return from Perth. We have returned a significant number of patients home to the Kimberley over the last three or four years.

Mr W.R. MARMION: I refer to the royalties for regions expenditure table on page 172 of budget paper No 3.

The CHAIR: We are in division 21.

Mr W.R. MARMION: It has to do with health, yes.

Mr R.H. COOK: Chair, my understanding is that questions can be asked about issues related to budget paper No 3, but they need to be linked to a line item in budget paper No 2.

Mr S.K. L'ESTRANGE: It is on page 264 of budget paper No 2, volume 1, the royalties for regions fund under "Income Statement".

The CHAIR: That is the reference; please ask the question.

Mr W.R. MARMION: The minister will need to look at page 172 of budget paper No 3 to see the figures.

Mr R.H. COOK: That is fair enough.

Mr W.R. MARMION: My question is about funding to the line items "Fitzroy Kids Health", "Ear, Eye and Oral Health" and "Rural Palliative Care Program" about halfway down the page under "Other Health Programs". Funding for Fitzroy kids health stopped in 2016–17 and for the other two stopped in 2017–18. Can the minister explain why and whether they will be replaced by another program or funded from somewhere else?

Mr R.H. COOK: Previously, they were funded under royalties for regions. After discussions between the Department of Treasury and Department of Health, it was decided that those programs were to be absorbed into the main budget of the Department of Health. A range of issues are still being worked through in relation to that. Kimberley ear health is subject to a fresh election commitment, so funding for ear health and Earbus services will be ongoing. We continue to work through how the other programs can be better served out of the mainstream health budget. Palliative care in country health is one of the issues highlighted to me. I will ask Mr Jeff Moffet to make some comments about that issue.

Mr J. Moffet: The rural palliative care funding is provided directly to the department and funds flow to country health. There were some time-limited funds that will cease this year. We do not anticipate any impact on palliative care services. We are planning how we will address that and pick it up through our budget process. Palliative care services will be stabilised. The time-limited nature of all the funding mechanisms the member has talked about—ear, eye and oral health, Fitzroy kids health and palliative care—was part of a fixed-term funding arrangement with royalties for regions. Through the realignment and de-commitment processes there were changes to various health programs right across royalties for regions, and those three programs were particularly impacted. The actual funding for the Fitzroy kids, from memory, flowed to the Telethon Kids Institute; it did not come directly to country health. My understanding is that it was always intended to be a time-limited funding program. Similarly, the ear, eye and oral health program underwent some assessment in the WA Country Health Service. There was a series of funds right across the state to ensure we could adequately pick up ear, eye and oral health programs. The advice we received internally last year was that we could do that ourselves together with the NGO sector. As such, those programs have transitioned into our mainstream programs, both with the NGO sector and with WA Country Health Service.

Mr R.H. COOK: To provide the member with further information, the total funding for the rural palliative care program from the 2018–19 year is $2.235 million per annum. The funding allocated from royalties for regions was $4 million across four years, and there is around about $500 000 in 2017–18. The program is substantially maintained under the current arrangements.

[10.40 am]

Mr W.R. MARMION: I get the gist that basically these programs will be continued and are being looked at, and so they will not stop.

Mr R.H. COOK: Yes. One of the things that I am keen to make sure of, particularly around Aboriginal health programs that were on a short lead, is that we fund them better into the future and that the service providers do not have to continually fill out grant applications on an almost 12-monthly basis. We are very much looking forward to making sure that particularly around rural health we get a lot of these services back on a more sustainable footing to ensure that people can plan for the long term, and also so that we can benefit from the long-term impact of those programs rather than flipping and flopping between different programs on a two to three-year basis.

Mr W.R. MARMION: I have two more questions on that table. Why is there no further funding after 2019–20 for the residential aged and dementia care investment program and also for the regional men's health program? The funding extends a little further than the others I mentioned, but why will it stop? Will those programs be picked up by other funding?

Mr R.H. COOK: I will ask Mr Moffet to make further comment on that.

Mr J. Moffet: I do not have that table in front of me but I assume the member is referring to the stream six funds for grants to the non-government organisation sector in the aged-care and dementia care investment program. That was a time-limited fund that went through EOI processes to market around increasing capacity for aged care in the bush, particularly through the wheatbelt areas and particularly focused on dementia. The grant period will come to an end at that point and the program will be considered to have achieved its objectives. It has been very successful. We have had some great service and capital outcome from that program. I missed the other part of the question.

Mr W.R. MARMION: The other part was regional men's health.

Mr J. Moffet: To my knowledge, regional men's health was provided through an NGO, not through the WA Country Health Service, so I do not have any information on that program. I am very happy to follow up afterwards, but to my knowledge that is not a program that we administered.

Mr W.R. MARMION: It is only a small amount, about $800 000 a year.

Mr R.H. COOK: Perhaps we will provide by supplementary information the funding arrangements for the regional men's health program.

Mr W.R. MARMION: Yes. It has consistently been $800 000 and it seems to drop off in 2019–20.

[*Supplementary Information No A11.*]

Ms M.J. DAVIES: I refer to "Income Statement" on page 264. I have the same question as I asked in the mental health division about royalties for regions. Can the minister provide a list of the projects that are being funded by royalties for regions and define where those projects are being funding only by royalties for regions and where there is a combination of departmental funding and royalties for regions; and list any of the projects or services that were previously partly or wholly funded by consolidated revenue that have been shifted into RforR. I heard the minister say that some had been shifted from royalties for regions into consolidated revenue, so could we have those listed as well?

Mr R.H. COOK: I would be very happy to provide that by supplementary information as this is very detailed. Over what time line—from 2017–18 onwards?

Ms M.J. DAVIES: Yes, for this budget.

Mr R.H. COOK: I will provide for the 2017–18 budget those projects that have been funded exclusively from royalties for regions; those that are funded in part from royalties for regions and in part from consolidated accounts; and any funding that has been transitioned from the consolidated account to royalties for regions from 2017 across the forward estimates.

Ms M.J. DAVIES: And the opposite as well, so any that have been funded by royalties for regions that have gone back into consolidated or been absorbed by the department.

Mr R.H. COOK: It is a four-part question.

[*Supplementary Information No A12.*]

Mr S.K. L'ESTRANGE: I refer to the service summary table on page 252 in budget paper No 2. The community dental health services line shows a funding reduction of 10 per cent in 2017–18 to 2021–22. I note that this service also receives the least amount of funding, making up 1.2 per cent of the total health budget in 2018–19 and only one per cent in 2021–22. Given this includes the school dental service and the government's emphasis on preventive health and the link between oral health and other health issues, such as cardiovascular disease, what is the rationale behind cutting funds to this important area of public health?

Mr R.H. COOK: That is a great question. As the member may or may not be aware—I learnt it over my period as shadow minister—dental services are ultimately regarded as a primary healthcare program; therefore, they fall substantially within the domain of the federal government. Over the course of 2017 we spent much time arguing with the federal government over the new national agreement on dental services. In addition to that, we provide hospital or emergency dental services, for want of a better description, through a couple of large clinics in the community. The actual make-up of dental service funding is a fairly complex beast. It is substantially commonwealth funding, but we provide some funding and are the ultimate deliverers of the service, particularly for school-based dental services. At some point there will need to be a point of reckoning around dental services because, as the member observed, it has an impact on people's overall health and wellbeing; for example, cardiovascular disease. Oral health is an import aspect. We do a pretty good job—not a fantastic job—for schoolchildren. We then lose them for 10 to 15 years, and then in their mid-30s and early 40s they come back into the dental system with what is in many cases a depleted oral health profile. Ultimately we will have to find better ways of doing this. I have diverted from the point of the question, so I will come back to that in a second.

Some work is being done at the moment around the scope of care that can be provided by oral hygienists and whether there can be a better penetration of preventative oral health in the community. That is being wildly opposed by the Australian Dental Association, the national body, in a manner in which one can only imagine we often find when it comes to turf wars in the scope of practice in the healthcare system. The Australian Dental Association WA has a very much more informed position on this matter and is very keen to engage oral hygienists. A debate is still to be had about whether oral hygienists should be able to have an independent practice or whether they should maintain their practice as part of a dental surgery. I am keen to see that work progress because hopefully that will mean people will go to an oral hygienist for a scale and clean and check-up, resulting in better oral health maintenance. I see the member for Kalamunda nodding furiously because he has a couple of oral hygienists operating in his area and they are great champions of the cause.

Returning to the issue the member raised initially about the funding arrangements, it may or not surprise him to hear that I am going to flick pass that and get a more informed answer, firstly, from the director general and, then, his colleagues if they wish to comment.

[10.50 am]

Dr D. Russell-Weisz: I concur with everything that the minister has said. We have also prosecuted an argument with the commonwealth to increase dental funding to the state. Indeed, probably 12 to 18 months ago there was a proposal from the commonwealth to push forward a new dental scheme—a new partnership agreement—to the states. That was not supported by the other states, and did not get up, but it was supported by Western Australia. That means that there is a continuing national partnership agreement for public dental health services for adults. As part of that, across the new NPA, which just basically revisits the old one—unfortunately, it is not the one that was actually proposed—we are eligible to receive up to $21.8 million in revenue, subject to the achievement of more activity. The new NPA reflects a reduction in commonwealth funding per dental weighted activity unit. All states are becoming more efficient in the delivery of health services in general, so the new NPA reflects a reduction from $850 to $600 through what is called the modified Monash model. There is now a loading for patients in rural and remote areas. We will continue to expend the money given to us by the commonwealth through the national partnership agreement, but there is still an argument to seek additional funding from the commonwealth for, as the minister says, a primary health care service.

Mr S.K. L'ESTRANGE: I appreciate the challenges that departments and ministers face with funding arrangements between the states and the commonwealth, but the question is really about the delivery of services to the community, and that is why the budget has a line item for community dental health services. The real concern is that from 2017–18, compared with 2021–22, we are talking about a $10.5 million-plus reduction in the amount of money allocated to this important service. Notwithstanding that the government will be negotiating with the commonwealth over budgets—we get that—which services delivered to the community will have to be cut back as a result of this almost $11 million drop in funding?

Mr R.H. COOK: I do not think there will be any depletion in services. I will provide the member with more analysis of how that funding falls into the forward estimates. As I said, it is a fairly complex funding model. I think it is a great question, and I will certainly get that information to the member. My understanding is that the anticipated volume of work or activity will increase over the forward estimates, so efficiency issues are probably involved. I will undertake to provide supplementary information to the member on the breakdown of funding for community dental health services across the forward estimates, and reasons for any reduction in each of those funding categories.

[*Supplementary Information No A13.*]

Mr W.R. MARMION: I refer to the last dot point on page 251 of budget paper No 2, on the National Disability Insurance Scheme—my favourite subject. Can the minister provide details of what the government is doing to ensure that Western Australian patients do not lose out on services currently being provided to them in the transition to the NDIS? The dot point refers to home and community care clients.

Mr R.H. COOK: As the member would be aware, HACC services are transitioning to the federal government as a result of a decision made in 2016. One assumes that decision was taken in the context of the rollout of the NDIS generally, although at that point we had not signed up to the NDIS. That essentially means that patients under the age of 65 who are currently recipients of HACC services will ultimately transition to the NDIS. In addition, patients over 65 will continue to receive HACC services, but ultimately funded solely by the federal government, rather than on a co-funded basis or a co-delivery model.

I am sure that the director general has a lot of views about the major threats to the Western Australian health budget, but I think the NDIS represents one of the greatest threats. The member will appreciate that that is because, firstly, we still do not know what it looks like, in large part; and, secondly, the NDIS is a model of service that relies on assessment and being able to access private sector service providers. I may be old-fashioned, but I suspect that a young Aboriginal person living in Wiluna will struggle to find a private sector provider of disability services in that town. Therefore, it will fall back to the service provider of last resort, which of course is the WA Country Health Service. The other aspect of the NDIS is that it is based upon an assessment of people's care needs, and they are funded around that. We could imagine someone sitting in a hospital bed waiting to get a care assessment from the NDIS. Before they can transition out to the community, there will be some time lag. We have seen some horrific time delays in care assessment packages in the eastern states, where they have had a bit more experience of that. That means extended length of services and length of stay, which is a key metric in controlling the health budget. Some significant challenges will come with the rollout of the NDIS.

I can provide assurances to the member that no-one will be worse off in receiving the care they need. We will obviously stand by patients and make sure that they are looked after. However, I am very focused on making sure that genuinely federal government funding obligations are not picked up by the Department of Health simply because of the deficiencies in the NDIS program, therefore resulting in a cost transference to the states from the feds. That is a huge threat to our overall budget. I will ask the director general to provide further comments on that.

Dr D. Russell-Weisz: The minister has summarised it very well. We look at other states, through the Australian Health Ministers' Advisory Council, and other states are finding that patients are going to the providers of last resort, which are their health departments or health service providers. We have to watch for gaps in not only country areas but also metropolitan areas. One issue that is coming up recurrently across the country is delays in assessments. As the minister said, once a patient is delayed in hospital getting an assessment, they are delayed getting out of hospital and into appropriate care. We met this week with the Department of Communities, and we will be monitoring, with our health service providers, examples of the NDIS not meeting the needs of patients quickly enough. As the minister said, there is a very big risk, as there is in aged care, of a cost shift to the state in which we will pick up patient services and patient costs.

Mr W.R. MARMION: I am encouraged on two points. One is that the government will make sure that no-one is worse off—that is a good point—and also that it will be watching the transition. I am encouraged by that. But just to get something back in writing, if it is possible, can the minister list which categories of patients will receive less government funding support for a medical condition, and by how much, under the NDIS than was previously the case?

Mr R.H. COOK: I suspect that I cannot, because we are still trying to work out exactly where the NDIS is going to land. It is a very good question, and I wish I knew the answer—I think we all do—but I do not think we have that level of clarity at this stage.

[11.00 am]

Ms M.J. DAVIES: I refer to the line item for the drawdowns from the royalties for regions fund on page 262 of volume 1 of budget paper No 2. Does this line item contain funding for the upgrade of Laverton Hospital? I understand that $4 million in funding earmarked for Laverton has been quarantined in the royalties for regions budget. Further to that, how does the Department of Health plan to fund the shortfall? I presume that $4 million will not be enough.

Mr R.H. COOK: Obviously, the Minister for Regional Development and I are acutely aware of the need to ensure that Laverton Hospital gets the necessary upgrades. We both went out there late last year and met with the staff at Laverton Hospital and also with the local government authority to talk about how we might progress Laverton Hospital. I have not had an update on Laverton Hospital in the last month or so. I am waiting for the Minister for Regional Development to come back after some of her deliberations; I think she is having some discussions about how we can properly fund that hospital. It is a priority. The buildings at Laverton are substandard, despite the great work that is done there. It had a really good feel. The staff there are really committed and pretty optimistic about their future. But we want to make sure that we get the necessary funding to that hospital as a matter of priority.

Ms M.J. DAVIES: Is work being done on exactly what funding is required? There is $4 million quarantined. What is the total projected budget?

Mr R.H. COOK: I do not have the total projected budget details to hand, but certainly the Minister for Regional Development is looking at how we can better scope that particular project to make sure that we get value for money. With some of these projects, there is a lot of fat in the system, so to speak. The example we use is the upgrade to Bremer Bay hospital. I think the total project cost was $6.3 million. Of that, the Building Management and Works component was $3 million, so half the construction costs of the hospital were going to be taken up with overheads provided by government. We are still trying to get some more information on the needs of Laverton Hospital to make sure that we have an appropriate rebuild. I assure the member that it is a matter of priority. I am just waiting for further advice from the Minister for Regional Development.

Ms M.J. DAVIES: Just so I am clear, because maybe I do not have the process right, would the Department of Health provide the scoping for a hospital, rather than the Department of Primary Industries and Regional Development?

Mr R.H. COOK: Ordinarily, yes, but I am aware that under the royalties for regions program there is more than one stakeholder in the room, and the Minister for Regional Development wants to ensure that we get proper value for money out of that particular project. Also, as the member will be aware, the Minister for Regional Development is the manager of the royalties for regions budget and has a wider body of work within which we can manage these things better.

Ms M.J. DAVIES: Is the intent to pay for the entire hospital upgrade with royalties for regions funding? Has no funding been allocated in the forward estimates within the health budget?

Mr R.H. COOK: I am not aware of funding that would be made available. As the member will be aware, the previous government committed $19.5 million for Laverton Hospital, which was a royalties for regions commitment. When I went there with the Minister for Regional Development in December, we reviewed the drawings and updated cost plans that identified a revised total cost of $16.75 million. That was the recasting around that. We are continuing to work with the Shire of Laverton and the Minister for Regional Development to recast that particular development. I understand that other projects in the area are also being considered as part of the overall package. The Minister for Regional Development is taking, as we would suspect, a regional view of it. I am taking a health view, so I am focused on the hospital. The Minister for Regional Development has a wider scope of consideration.

Ms M.J. DAVIES: Would it be fair to say that if the Minister for Regional Development cannot find the funds within the royalties for regions budget, there will not be an upgrade to Laverton Hospital because there is no intention to put any health funding dollars into that project?

Mr R.H. COOK: I can confirm that there will certainly be upgrades to Laverton Hospital, because we have to bring it up to scratch. At this stage, the funding that we have identified, just as the previous government had identified, is within the royalties for regions package. I am just waiting for further advice on that.

Ms M.J. DAVIES: Is there a time line? I know that the minister has said that he is waiting, but is there a time line for that? Obviously, the staff and the community are very aware of the current state of the hospital.

Mr R.H. COOK: I will get some quick advice on the time lines. I might ask Mr Moffet to make some further comment.

Mr J. Moffet: In terms of trying to manage scope tightly and manage value on the project, we are looking very closely at the previous $19.5 million. It is possible that we can reduce some of the cost, for example, by decoupling some of the age-appropriate accommodation. We are looking at some scope options and some value management of the previous proposal. I do not have an exact time frame, but I imagine that within a couple of months we will have advice for the minister on what we think is possible from a planning perspective. At this stage, we think we can achieve greater value with a very similar outcome with the information I have. I suggest it will probably be a couple of months.

Ms A. SANDERSON: I refer to the spending changes outlined on page 247 of the budget papers and to Perth Children's Hospital. Can the minister quantify the cost of the impact of the historical contract mismanagement by the previous government on the health budget?

[11.10 am]

Mr R.H. COOK: Obviously, the member will be aware that this is an incredibly frustrating project, but we have invested a lot of time and energy in getting Perth Children's Hospital open as early as possible and as safely as possible. I am very pleased that we have now landed on an opening date. The Minister for Transport would say that that is 10 June. I say that we have already achieved the opening date, which was 14 May, but that is as may be. Because of those delays, a range of cost elements are, quite frankly, extremely damaging to our financial position. Obviously, key amongst those is the contract for parking arrangements that operates at the children's hospital. Under the contract with Capella Parking, which is the private equity company that developed the contract—this is not about Capella; I understand it is out there to basically put together a business case that makes sense for it—compensation payments are due to Capella because of the lack of operational beds at the hospital on the Queen Elizabeth II Medical Centre campus. That is ultimately what it is about. There has been some commentary recently to say that now that the government is opening the hospital, surely it does not have to pay compensation to Capella. Until we have patients at the hospital, those compensation payments are still forthcoming. That is an incredibly frustrating situation. Quite frankly, it is gobsmacking that it was not foreseen by the previous government that there may be construction delays and therefore financial risk associated with putting together the contract in that way. I am very anxious to make sure that we get to 10 June so that we can get rid of that particularly invidious part of the contract.

Another compensable aspect is that under the current contract, there was a schedule of fees to be paid by staff and visitors utilising the car park. That schedule of fees was revisited by the previous government, subject to some fairly effective campaigning by some of the health unions at the time. Because we have put a lower trajectory on the way those fees are charged, Capella said, "You, the government, have to pay the difference between what you now want to charge people to utilise the car park and what you previously said you would charge under the contract", so more compensation is associated with that. It is an absurd situation for the government to find itself in. The parking rates for 2018–19 have not been finalised. However, if parking fees for staff increase by 5c to the maximum of $6.05 a day, the agreed rate in the project agreement for 2018–19 is $7.80 a day. Members can understand that across the thousands of staff who will be using that car park, there is a substantial financial risk to the Department of Health. I am not sure about the costs associated with the tariff difference, but we now know that the cost for operational beds will be over $5 million. This is $5 million of dead money that has to be paid to Capella simply because of the delays at the hospital. The delays at the hospital were for a range of reasons. My thoughts at the time were that an opening date of December 2015 was extraordinarily optimistic. Nevertheless, to peg financial penalties in the contract with Capella to those delays really put us at extreme financial risk. Of course, that financial risk was identified in the Langoulant report, which was quite damning of the car park arrangements. A lot of good taxpayer money has been thrown after dead money. It is a very frustrating situation but, mercifully, we will at least get away from the operational bed penalty once Perth Children's Hospital opens on 10 June.

Ms A. SANDERSON: If the government is supplementing the tariff as well as paying the penalty, and it depends on how many hours an individual uses the car park, is the figure quantifiable? Can we predict what the tariff will be?

Mr R.H. COOK: For 2018–19, the tariff difference has been estimated at around $1.4 million. That is a financial penalty we will pay directly to the private operator.

Ms A. SANDERSON: For one year?

Mr R.H. COOK: For one year, yes.

Ms A. SANDERSON: Because of the contract entered into, is the government subsidising the parking for users of the hospital by $1.4 million just in this financial year?

Mr R.H. COOK: In 2018–19; that is correct. Depending on where the new parking fees are struck compared with what they were anticipated to be under the project agreement, there will always be a penalty until such time, if it happens, that the agreed trajectory of car park fees meets the actual car park fees.

Ms A. SANDERSON: Is Capella a Western Australian company?

Mr R.H. COOK: I do not think it is a Western Australian company. I know of it in the eastern states, put it that way, so I assume it is based in the eastern states. Capella is like a lot of private equity companies; it comes in, does these things and makes a profit on an agreement. For Western Australian taxpayers, this contract is a dud.

Mr S.K. L'ESTRANGE: I refer to page 262 of the *Budget Statements* and the total funding for the asset investment program. I note that the funding for 2017–18 was $653.5 million and for 2018–19 is $411.245 million. The funding drops to $107 million in 2021–22. From 2017–18 to 2021–22, there is a drop of 83.6 per cent in asset investment. Can the minister explain why this investment has been reduced so drastically, especially given the fact that this budget omits important infrastructure needs at Peel Health Campus, King Edward Memorial Hospital for Women, Graylands Hospital, Laverton Hospital and Royal Perth Hospital, plus no doubt others?

Mr R.H. COOK: I thank the member for that important question. The reason there is a drop across the forward estimates is simply that a lot of the costings and scheduling of those projects have not yet been built into the forward estimates. In addition, there is a range of royalties for regions–funded projects, particularly in the wheatbelt and other country areas where there have been major hospital upgrades. To give the previous government its dues, it made the biggest expenditure in southern country hospital upgrades in the history of that government. From that point of view, a substantial amount of capital works are coming to an end, which represents an important contribution. Into the future, as we identify costs and cost trajectories for other capital works, they will be built into the budget. As we bed down the business cases for those capital works, we will get a better line of sight on how those costs will occur across the forward estimates. So the reasons for the drop at this point are, firstly, we are coming from a historical high; and, secondly, we are yet to identify the full costs across those capital works we have identified to date.

Mr Z.R.F. KIRKUP: Obviously, I am not a committee member, Deputy Premier, but Peel Health Campus seems to be the reason for my existence here at the moment. I am keen to understand where in the asset investment program the $4.4 million for the car park at Peel Health Campus sits, given that is what we are looking at here for new works. Can a breakdown be provided of what that $4.4 million will be invested in?

Mr R.H. COOK: The $4.4 million for Peel Health Campus is part of a repurpose of some funding that was discovered from other capital works that came in under scope. It is a good opportunity to direct some funding that way. The South Metropolitan Health Service has identified a range of works that it would like to undertake at that hospital, which go to the question of patient safety and is inclusive of the car park. I want to sit down with the South Metropolitan Health Service to get an understanding of exactly what that funding will be for because I think some elements of that hospital need care, most notably the waiting area for patients in the emergency department, which I think is suboptimal, quite frankly. The emergency department functions pretty well despite its volumes. It is an old-fashioned emergency department in which the staff and patients are all together in the same big room, rather than having partitions. Considering its older design for an emergency department, it functions pretty well and the staff do a good job. However, I am worried about the waiting area and I think we can do better. An upgrade to the car park and some CCTV arrangements around car park security have been identified in the first instance. I am unsure about some other elements at this stage. South metro has said that it needs upgrades to some of the information technology and communications systems within the hospital. I would like to have a closer look at that to get a better understanding.

Mr Z.R.F. KIRKUP: With regard to further needs at Peel Health Campus into the future, the Deputy Premier identified the emergency department waiting room area, for example. I realise it is not catered for in the forward estimates, but can the Deputy Premier please provide us with an insight into when we might see something like that land more specifically regarding investment into that hospital?

[11.20 am]

Mr R.H. COOK: In part, it is complicated by having a private operator in the field. I am not trying to sound too political about this, but there was an opportunity for some upgrades when extension of the operating contract occurred in 2016. That was a segue in terms of the contract; admittedly it was just exercising a five-year option to 2023. However, I think that the previous government really missed an opportunity to say to Ramsay, "You're operating this hospital. If you want an extra five years on this contract, at least out of an act of goodwill we would like you to contribute, along with the government, to do some work there." But that is a matter of history and as a result at this point in time there are no big asset investment plans across the forward estimates.

Ordinarily, the next opportunity will be in the lead-up to the negotiations that decide that contract in 2023. I do not think that it can wait that long, so I have asked the department to dip in and have another look. If substantial changes were made to the hospital, such as expanding the capacity of the ED, I do not know how that would be done without an expansion of inpatient beds. Ultimately, an emergency department works only when a ward is sitting behind it, and some work needs to be done there. I do not think it is in crisis, as the member would portray it in the community. I talk to staff there on a very regular basis, and they say, “No, things are going very well. We are busy, but we’re a hospital; we’re always busy.”

I will invite Paul Forden, the chief executive officer of south metro, to comment, because in the past he has mentioned that he thinks that we can sweat the asset a bit more and get some efficiencies out of that operation. He is discussing that with Ramsay Health Care at the moment. I, like the member, look at that hospital and think that it is not the most modern in the fleet and that some minor works need to be done to make it a bit more comfortable for the users and the staff who work there. In the second instance, I think we have to plan for it for the longer term, which is the work that would be done around 2023. I have asked the Sustainable Health Review panel to look at that and to give us a good idea about the needs assessment of the Peel region generally.

The member would also be aware that Murray District Hospital is just up the road. It is a beautiful hospital in the finest traditions of a hospital. A jumbo jet could be landed in those corridors and it is built like a double-brick building! I would love to see that utilised better as well, but we are restricted to a certain extent by, one, the population cohort and, two, its fairly old design. What I might do, because estimates is a great opportunity to engage on this stuff, is to get Mr Paul Forden to comment on this matter.

Mr P. Forden: In the short term, the waiting area is tired; it definitely needs some refurbishment.

Mr Z.R.F. KIRKUP: To clarify, chief executive—the ED waiting area?

Mr P. Forden: The ED waiting room, but I would say it is the walk-in waiting room rather than in the main ED. The main department where the ambulances largely drop off, and not those of the inpatients, is the area that is failing not because of its size but because the patients are not getting out of the ED on time. Recently, Ramsay created a short-stay assessment area within the hospital. It has re-provisioned some beds. That has allowed patients for whom there is uncertainty about whether they will be admitted to leave the department and be put into a more respectful environment. As a result, the hospital’s WA emergency access target parameters have gone from 64 per cent to 78 per cent. It shows that it is not just about the size of the department, as the minister said; it is about how we pass patients through the service and make sure that they are in the right place at the right time. There were other problems around certainty, where the walk-ins were coming in, and I think there were some areas where the chairs were opposite patients on trolleys. That, again, is not the most respectful place for those people. That has been moved that around and there are some plans to make other changes around that. It will require some spend, but I would not countenance the problem being solely the size of the emergency department. That was not the issue. The rest of the hospital, though, is an area with rising demand in that Mandurah population, so across the whole of south metro we are implementing a demand management model, which is almost complete. That will show us where the population will change over the future years and will allow us to then model the services in Mandurah, not only Peel, but also in Rockingham, Fremantle and Fiona Stanley, and align those service needs to meet the needs of the population. The other part we are doing, though, is actually not in hospital bed–based solutions; we are working with other providers, whether it is in partnership with primary care, with other NGOs et cetera, because a number of patients are still accessing that hospital and other hospitals in south metro, potentially via not the most appropriate route. We have a number of cellulitis patients and chronic obstructive pulmonary disease patients. With a different model of service we could actually reduce the number of patients getting to crisis stage and therefore needing to be admitted.

Mr W.R. MARMION: I have a question on the asset investment program and I raise the issue of King Edward Memorial Hospital for Women. I understand the Sustainable Health Review stated that there needs to be a commitment to progress plans for a new King Edward hospital. I understand it recommended that it be co-located at the Queen Elizabeth II Hospital. Has the government committed any funding that may not be represented in the budget for further planning of a King Edward Memorial Hospital merger with QEII, or any other replacement structure for King Edward Memorial Hospital?

Mr R.H. COOK: That is a great question. I would love to be the minister to kick off this project. It would be a humdinger! As the member knows, the two big infrastructure elements of the Reid review was for a big tertiary hospital in the southern suburbs. In a great spirit of consensus, that was paid for by a Labor government and built by a Liberal–National government. In relation to the other element—that is, that there should be a new tertiary children’s hospital on the QEII campus site—in a great exercise of consensus, that was substantially paid for and built by a Liberal–National government and I took great pleasure in opening it.

Mr W.R. MARMION: I noted that; I got an invite after that. Play on!

Mr R.H. COOK: I insisted that the member got an invite—do not worry about that. The other element is that Reid formed a view about RPH on which there was no consensus, but on which we have since found consensus. The final element, the other aspect of the Reid review, was shifting the women and babies hospital to the QEII campus site. That is, if you like, in terms of the Reid review, the next big tile in the puzzle. As the member knows, neither the government nor the opposition committed in the last election to infrastructure expenditure around King Edward Memorial Hospital. But it was brought to my attention in fairly enthusiastic terms, particularly when I held a staff forum recently at King Edward Memorial Hospital, that people believe there is a very high need to now get on and put a blowtorch to that particular project. The back half of that building is heritage listed and I now understand that the front half has been also heritage listed, because it is apparently good art deco architecture. Now we need to do two things: the first is to keep it functional until a new hospital is commissioned and the second is to work out how to get to the new hospital. The North Metropolitan Health Service is working through an asset audit, which is due by the end of this month, that will identify priority items that will need to be rectified to ensure patient safety and to keep the facility and infrastructure operational. My notes observe that it has been in operation since 1916, so it is well and truly ready for a new way forward. I would like to see in the forward estimates at some point a good chunk of cash for planning to get that show on the road. That is not in the forward estimates, so I must say, no, we have not committed to that in a budget sense; but, politically, I am very committed to ensuring that we start that project. These things always have a long time line. It remains to be seen whether it becomes a Fiona Stanley Hospital or a PCH in terms of who gets to open it.

[11.30 am]

Mr W.R. MARMION: I think the minister almost answered my next question. He is right; it takes a long time to plan. A lot of planning was done for the children’s hospital. Staff were involved and workshops were conducted so that the facility met the needs of the people who were going to use it. That sort of stuff should happen now so that we have some options. The scale of the project needs to be considered. Where will it be on the site? Are there problems with that? How high should it be? I have the view that things should be as high as possible because there will be no residents in that area. That sort of planning should be done so that when the button is pressed, at least the government has a project definition plan to work with. Can the minister comment on that?

Mr R.H. COOK: Quite a lot of work was done in 2016 around the operational needs and what it might look like in the future. As part of that, a longer term business plan was undertaken. We have a pretty good idea about where it would sit within QEII. I will ask the director general to make some brief comments about that. Once it sits there, we can understand the economies of scale that will be built into it, with an ICU, operating theatres, catering, laundry and facilities management—all at QEII. The new women and babies hospital will be a very different looking building. I think the member is right; it will be tall because the QEII campus is starting to become fairly constrained in its size. I will ask the director general to make some brief comments.

Dr D. Russell-Weisz: From the early stages of the master plan of the QEII site, there were always plans to place the replacement for King Edward Memorial Hospital for Women there. It is clear that we cannot place a King Edward there unless we look at the economies of scale that we get with the main G Block on the QEII campus, and that would be done with any planning. We would have economies of scale with intensive care and no need for an emergency department at the King Edward Memorial Hospital or whatever replaces it. There has always been a plan to place a new women’s and neonatal hospital between the new PCH and G Block so we get those synergies between intensive care in G Block and the emergency department, and also the neonatal synergies with Perth Children’s Hospital. I concur with the minister that this is clearly a priority. It is an ageing hospital. Standalone women’s hospitals are not usually built unless they are built on an adult campus.

Mr S.K. L’ESTRANGE: Another hospital that is ageing, as I mentioned in the original question, is Graylands Hospital. The government allocated nothing towards this facility in 2018–19 or the out years. Can the minister update us on what is happening? Is the government decommissioning the facility? Does it have a plan for what will replace it?

Mr R.H. COOK: Yes; absolutely.

Mr S.K. L’ESTRANGE: There is no money in the budget for it.

Mr R.H. COOK: And potentially there may never be. The member would be familiar with the Graylands site. It is a very large site in the western suburbs. It is sitting on some extremely valuable real estate. I know that the director general and the Mental Health Commissioner have been working on developing a business plan around how we would go about decommissioning the bulk of the services at Graylands, but also at Graylands Selby–Lemnos and Special Care Health Service—the older adult site. My understanding is that the draft business case is in its final stage of development and we will be getting that fairly shortly.

The commitment is the same as it was under the previous government. We are looking at a full rollout of this project by 2025. Obviously, the work that needs to be done is fairly extensive. As the member knows, it will involve taking between 30 and 40 per cent of the patients who are at Graylands at the moment and rehousing them in either community-based mental health facilities or other smaller hospital-based facilities. This is consistent with the modern view about how we deal with long-term mental health patients and acute mental health patients. To put it bluntly, I think we would want to chop up Graylands into tiny little bits, make lots of money out of it and fund the project that way. I will ask the director general to make some comments.

Dr D. Russell-Weisz: A lot of work is going on between the commission and ourselves. The business case will look at putting this into bite-sized chunks, so there will be a number of phases. The member would be aware, knowing the site, that to the south and probably to the west are areas with no buildings or very, very old buildings that house services that we believe can be relocated. There are a small amount of dental services and PathWest services. There are stages. We do not want to do this in one approach. As the minister says, patients will need to be housed if patient services are moved, and then we would more than likely concentrate on a forensic health facility at the current Graylands site. That only needs a very small portion of the land. The business case is due. A team between the commission and the department is overseeing that work, and the minister will be briefed within the next month or so.

Mr S.K. L'ESTRANGE: Just to be clear, the minister said that there are patients in great need. If the government is going to develop that site for housing or whatever and use the proceeds of that sale to build the new facility, obviously the transitional facility will need to exist in some form because these people need particular care. At the very least, when will we see the cost of that transitional facility in the budget so that we get an understanding of the government's commitment to looking after these patients?

Mr R.H. COOK: I might ask the director general to answer that.

Dr D. Russell-Weisz: We have to see the business case first. There may be some early wins with the first couple of stages because quite large tracts of land that are occupied could be developed whilst we then deal with the stages that we would need to build or seek funding through ERC for additional capacity at some of our other sites, such as Osborne Park or potentially other areas. We also need to be cognisant that we more than likely need additional forensic services, so additional forensic services would need to be built at the Graylands site around the current forensic service that is situated there because that is the centre of excellence. We now provide outreach services. This is bringing it all together. I cannot give the member a time when it would be in the forward estimates, but I imagine that we will present a completed business case for the 2019–20 budget. Whether it gets into that budget depends on approval from the government at that time. We would certainly want to get one of the first two stages—those early stages—sorted as quickly as we can because we believe there would be minimal disruption to services on that site.

Mr R.H. COOK: Just to round off our response, this is something that we are extremely committed to. This estimates session is going very well; it is cordial and professional. Last time it got a little frazzled and unprofessional when I got a bit shouty at Hon Kim Hames when the Osborne Park mental health bed redevelopment was deferred over a number of years. It ultimately came out of the Osborne redevelopment proposal. I was getting a bit shouty because the building of capacity at Osborne Park was a crucial step in decommissioning Graylands. I do not know whether the member has had an opportunity to see inside Graylands yet, but some of the wards are very confronting.

Mr S.K. L'ESTRANGE: I think the minister is arranging a tour of the facilities for me soon.

Mr R.H. COOK: I highly recommend it. The staff are amazing but some of the facilities are quite Victorian and do not reflect our current values in the way we would like to deliver mental health services. I was really pleased when acting director general Professor Bryant Stokes committed the previous government to 2025. I am absolutely committed to that. I have been harassing the Mental Health Commissioner and the director general about this since March last year.

[11.40 am]

Mr S.K. L'ESTRANGE: Do we have a date for the Graylands business case to be ready?

Mr R.H. COOK: I have not received the draft business case; I just know that it is imminent.

Mrs R. Brown: As the minister has outlined, the Mental Health Commission and the department have been working together. They are in the final stages of the draft and we will be working jointly to analyse that business case and provide advice to the minister probably within the next month or two.

Mr S.K. L'ESTRANGE: I am still on the asset investment program where those facilities are mentioned. Royal Perth Hospital is a key one in that. I notice that there is no funding allocated from 2019. With Royal Perth Hospital not having any investment plan budgeted for, and particularly given that the minister has gone out in public saying it needs a new emergency department, an acute care block and single rooms, what is the government's long-term plan for the hospital?

Mr R.H. COOK: I will not allow the member to verbal me in terms of single rooms and things of that nature! I have ambitions for making sure that Royal Perth Hospital remains our grand old lady of the hospital system—that is, providing great health care, particularly to country patients with whom it has a great tradition—and that it becomes a centre for modern medicine. As it is a smaller city-based hospital, it is ideally located for doing clever, innovative new ideas as it partners with entities such as start-ups and other medical innovators in the CBD. The former Liberal–National government went to the 2008 election saying it would do two things. Firstly, it said it would legislate to protect Royal Perth Hospital as a tertiary hospital and, secondly, that it would redevelop the hospital. An allocation of about $200 million was in the forward estimates after the 2008 election. It is obviously now a matter of record that neither of those things took place. The former Minister for Health introduced the Royal Perth Hospital Protection Bill, but it lapsed on three occasions because of a lack of any progress in the chamber and had to be reinstated onto the notice paper by way of a motion. During the first term of the Liberal–National government, I asked the Minister for Health on several occasions when he was going to start spending this $200 million that was in the forward estimates. I think there was some work done around planning because eventually that $200 million turned into $180 million and then the Minister for Health said, "No, it's a second-term priority."

I move forward to the second term of the Barnett Liberal–National government when there was still no progress with the Royal Perth Hospital Protection Bill. I actually reintroduced it as a private member because there was very little interest from the Barnett government to progress that legislation.

Ms A. SANDERSON: That was despite its election commitment.

Mr R.H. COOK: That was despite its election commitment—and ultimately it was passed under a private member's bill sponsored by yours truly.

In terms of the funding for the redevelopment across the forward estimates, which kept getting bumped out, it finally disappeared from the forward estimates altogether. During the 2017 state election, it disappeared from the Liberal Party's election commitments altogether. At the 2017 election, the Labor Party made commitments about Royal Perth Hospital. Those commitments were not for the wholesale redevelopment of the hospital. I am sure we would all like to be part of a government that basically redevelops that hospital in a way that makes it better equipped for the patients who are using it and a better experience for the staff, despite the fact they continue to provide what is internationally renowned health care, particularly in relation to trauma.

The Labor Party's commitment was around the development of a number of things, but mostly the mental health observation area and the establishment of an urgent care clinic. We made some commentary on the mental health recovery college. I was very pleased to be part of that announcement yesterday with the Premier when we introduced the toxicology urgent care clinic. That is an urgent care clinic inside the emergency department. People coming into the hospital who are alcohol or drug affected can be diverted to a specifically set up clinic that allows them to get the care they need in a more appropriate and safe environment; so we reduce harm. That obviously makes it much more pleasant for other patients sitting in the ED waiting room who are affected by people whose behaviour is perhaps not within the range of normal behaviour we would like to see from patients in an ED waiting area. It also frees up ED staff to ensure they can focus on the patients coming through the door who really need ED care. That is a great development. I am very pleased that we were able to meet that particular election commitment through careful management by the health department. To give the member an idea of how busy that would be, it is a five-bed facility plus a chair. It will receive just under 500 patients a month. They will be patients who are particularly drug affected or have a range of behavioural issues. They will go into that area and I think it will make a great contribution.

The Labor Party also said it would establish a mental health observation area at Royal Perth Hospital. I am very pleased that that is part of funding in this particular budget. We have also been able to build some dedicated mental health beds into the mental health observation area. The unit will essentially have eight assessment beds. It will receive patients who present with mental health issues—psychoses and so on. Twelve authorised beds will be located near the emergency department. That is important because this stuff really keeps us awake at night. The problem with mental health patients in EDs is being unable to get them into a ward to get care rather than them sitting in an ED waiting for a transfer to a mental health bed elsewhere in the system. This will be a great contribution. It means that we do not have mental health patients sitting there. Sometimes they sit in an ED for days waiting for a bed. That is not good enough. We will be able to get them into at least a short-term inpatient bed inside Royal Perth Hospital before transitioning them, hopefully, to a community-based bed through community mental health services.

They are the redevelopment proposals that we have in mind at the moment. I, like the member, have ambitions for making sure that Royal Perth Hospital continues to provide great care. It is doing some incredibly innovative and interesting work, which is ideal for an inner-city hospital. I hope we will be in a position to fund some more substantial redevelopment of that hospital into the future. There is nothing in the forward estimates at this stage.

Mr S.K. L'ESTRANGE: I thank the minister for outlining the plans that are already in the 2018–19 budget. My question relates specifically to 2019 and out to 2022. The minister has just said that there is nothing in the budget for that. Does the minister have a view about when he might have a project plan for Royal Perth Hospital for those out years?

Mr R.H. COOK: I have an ambition! I would like to have a long-term plan for Royal Perth Hospital in the next 18 months to really map out exactly where we are going in relation to this stuff. I stress there is no funding yet.

There is nothing in the forward estimates but we have hopes that we can provide that long-term vision for the hospital.

[11.50 am]

Mr M. HUGHES: I refer the minister to "Update on Sustainable Health Review" under "Significant Issues Impacting the Agency" on page 248 in budget paper No 2. This question really goes to children's health. We note in the interim report the sustainable health review's key focus area of prevention and health promotion and its recommendation for immediate action on addressing childhood obesity. There are two parts to this question. How is the ambition of tackling obesity being integrated into the work of health service providers, which traditionally focus on treating illness rather than promoting wellness? The second part is: will the minister be looking at further enforcing the Healthy Options WA food and nutrition policy for Western Australian health services and facilities?

Mr R.H. COOK: I thank the member for the question. He is right: the sustainable health review particularly identified childhood obesity as an area that should be an ambition for focus by government. Ultimately, the job of government is to help people lead happy, healthy lives. When they get sick, we have to make sure we have the services in place to assist them on a pathway back to good health. One of the really frustrating elements and one of the social issues underpinning a lot of ill health is the prevalence of chronic disease associated with obesity and other related causes. Our hospitals are places where people go to get better, but they should also be institutions of wellbeing, and everything they do should reflect those values. We cannot on the one hand put out a report that identifies obesity, poor diet and a lack of activity and at the same time not exhibit all those values in the work we do. Something I am particularly concerned about is an issue that was raised at the WA Preventive Health Summit held in March: the availability of unhealthy eating options in hospital environments. It is totally counterintuitive for people entering a hospital to be confronted with sugary drinks, fatty foods and other unhealthy eating options. That was identified at the WA Preventive Health Summit as one of the great low-hanging fruits that the government should address in the first instance. Minister McGinty, when he was Minister for Health, made some headway on this issue. Hon Kim Hames, when he was minister, reversed a lot of the requirements for hospitals to maintain healthy eating options. I think it sends the wrong message and is counterintuitive to the values we have.

The Department of Health's Healthy Options WA food and nutrition policy for WA health services and facilities is a policy response to the question of what food should be made available to the public in our hospitals. The policy was mandated in 2008 and requires all retail food and drink outlets managed by the WA health system to adhere to a traffic light code for healthy foods, displaying at least 50 per cent "green" foods and drinks, 20 per cent or less "red" foods and drinks, including sugary drinks, and the remaining 30 per cent in "amber" food and drinks—those that fall between the other two categories.

I was gobsmacked to see that none of our health service providers are complying with that mandated policy—I am now getting some interjections! I was advised that none of our health service providers were complying with that mandated policy. I subsequently wrote earlier this month to each of the health service providers to remind them of Healthy Options WA and to make sure that each of our health service providers were complying with Healthy Options WA.

Mr M. HUGHES: I was going to ask whether that was a carrot or stick approach.

Mr R.H. COOK: There are health stakeholders, such as the Australian Medical Association, that believe Healthy Options WA does not go far enough, but in the first instance we should expect our hospitals to have vending machines and food outlets that at least comply with this policy that has been in place since 2008. I have written to the chairs of each of the boards, instructing them that they should meet the mandated requirements of Healthy Options WA, including in vending machines throughout the hospital system. That does not mean that people cannot get a bottle of Coke at a hospital; it just means that the vending machines reflect the Healthy Options WA guidelines.

I have said that they are to meet those standards by October this year, so I have given them six months; it is my understanding that that is how long it takes to reconfigure the vending machines. As a result, I expect hospitals to become paragons of virtue in that regard. I would like to see that extended to all government buildings, to be honest. I think all government buildings should comply with Healthy Options WA so that we, as a government, can walk the talk. We always talk about tackling obesity and healthy eating and lifestyles underpinning what we do, so it should not be too much of an ask for all government buildings to display those values. But in the first instance, I have instructed our government hospitals to make sure that they at least comply with that mandated policy.

Ms A. SANDERSON: Does that apply to private providers?

Mr R.H. COOK: It depends on the contract, but I will certainly check that. I can understand our private providers wanting to be in lock step with our public health system to make sure we are all sending the right message.

Mr M. HUGHES: Can we be reassured that the food provided to our children on the wards is going to be compliant with that?

Mr R.H. COOK: That is guided by dietitians who study the menus carefully and design them.

Ms M.J. DAVIES: I have a very specific question and I am happy to put it on notice, if we need to. It is an issue that has been raised by a constituent, but it goes to the broader provision of services at Northam hospital and making bladder cancer treatment available there. At the moment, patients have to travel very regularly down to Perth using the patient assisted travel scheme. It is pretty trying anyway for people going through that treatment to have to travel; that type of treatment means that they have to be near a bathroom, so if they are driving up and back on Great Eastern Highway, it is a fairly average experience for a patient. It is my understanding that the treatment cannot be provided at the moment because of staffing limitations, not because immunotherapy services cannot be provided at that hospital. My question is: is there an opportunity for us to explore whether there could be additional provision of funding for our regional hospitals? If the minister needs a line item, I am not sure whether it comes under page 255, "Public Hospital Non-Admitted Services", or page 258, "Small Rural Hospital Services". It is obviously a service that is provided through our regional hospitals, and I have a very specific case, but I have spoken to others who say that they could offer it but they are restricted in terms of nursing staff.

Mr R.H. COOK: As the member knows, there is a substantial rebuild going on at Northam hospital; I think it is going to be a fantastic facility once it is completed. What I will do, with the chair's indulgence, is ask either the director general or the chief executive officer of the WA Country Health Service to make a comment.

Dr D. Russell-Weisz: I will pass directly through to the chief executive officer of the WA Country Health Service.

Mr J. Moffet: We have a cancer strategy for country WA that has recently been endorsed by our board, so we are looking at continuing to develop options to keep as many people in the bush as possible with regard to cancer treatment. Cancer treatment obviously has a significant range of modalities; it can be very complex, so the level and range of treatment offered in the bush will always be limited relative to a tertiary or quaternary centre. In Northam specifically we have as part of the redevelopment some chemotherapy chairs being put in place, so we will commence a chemotherapy service there and in other parts of the wheatbelt next financial year. I did see some information on the specific query in the last week or so. I am advised that currently our staff are not trained to support that type of therapy. There are hundreds of different therapies for the very many different types of cancers. Our focus is primarily on cancer support at the moment and then mainstream chemotherapy support for programs that can be supported in a centre such as Northam. We are very happy to look at those issues specifically. I think we committed to do that to try to understand whether there were options, where we could, to support clients who really were suffering by having to access treatment in Perth and then travel back home. The advice I have received at this stage is that our staff are not trained to deliver and support that type of treatment.

[12.00 noon]

Ms M.J. DAVIES: I have advice from treating specialists who are working with the patients in those areas that it is a relatively simple process. There has been a response in relation to this issue that this cannot be pursued at this point in time and the reason given is that it is due to the way that the hospital is set up. The specialist's advice back to me was that that is not the case and these services are being provided in other hospitals. I am just asking for some urgency. There is a particular patient affected, but I am aware of others who are also currently affected. There are up to 16 payments through the patient assisted travel scheme. The treatment is over nine months. For the first six weeks the patient goes weekly, and then it is monthly. For the want of getting a couple of our nurses trained and providing the service, which I am advised can be administered in Northam now without any changes to the set-up, we could be making these patients' lives a lot easier.

Mr R.H. COOK: I am very happy to have a look at that. I thank the member very much for raising the issue.

Ms M.J. DAVIES: I thank the minister; I appreciate that.

Mr S.K. L'ESTRANGE: I refer the minister to page 248 of the *Budget Statements* and the second dot point, which states —

> … the Western Australian health system has also achieved favourable results in the Western Australia Emergency Access Target and Western Australia Elective Services Target.

The document is the "Western Australia Emergency Access Target Performance Monthly Report". We notice that the March report showed that 20 out of 24 hospitals performed below the government target. We also have some information for April that shows Fiona Stanley Hospital achieving only 66 per cent of patients within the four-hour rule, compared with 79 per cent a year ago, and Sir Charles Gairdner Hospital managing 77 per cent within four hours, also down from 79 per cent a year ago. I wonder why page 248 of the *Budget Statements* states that the health system is performing well, but the annual data is showing a reduction in performance in the WEAT monthly performance reports.

Mr R.H. COOK: I thank the member for the question. I remember when the four-hour rule was originally brought in under Hon Dr Kim Hames. I think he set a target of around 90 per cent of patients to be treated, discharged or admitted inside four hours. That has gone through various iterations. I think even he ultimately suggested that 90 per cent was perhaps a little bit too keen. The statewide WEAT performance for the year to date to March 2018 was 76.2 per cent, which is an increase of 1.5 per cent compared with the year to date figure to March 2017 of 74.7 per cent. That was off the back of significant improvements at Royal Perth Hospital of 4.6 per cent; Joondalup of 4.9 per cent; Geraldton, which did some heavy lifting, of 6.1 per cent; Busselton, 4.8 per cent; and

Esperance, five per cent. It is true to say that across a lot of the categories we are still below the 80 per cent target. From that point of view, it continues to be an area of focus for the performance of hospital services. I observed that across categories 1 and 5 performance targets were exceeded—one is 100 per cent and the other is 70 per cent. Category 4 has a target of 70 per cent and 67.2 per cent was reached. In category 2, with a target of 80 per cent, 81.9 per cent was achieved. Some of the categories are performing quite well. Patients in category 3 are supposed to be attended to in 30 minutes and the target is 75 per cent, but we are scoring only 53.3 per cent. I am not particularly concerned that we have not hit all the targets across all the categories, but by and large I think we are performing fairly well, and we are certainly performing better than last year. Yet, we are also continuing to see growth in volumes of patients presenting to emergency departments. We understand that in a constrained budget environment we are putting downward pressure on budget growth, but at the same time we are seeing more people. In March 2018, for instance, there were just over 700 000 attendances to emergency departments, which was an increase of 21 728 people or a growth of 3.2 per cent compared with March 2017. In a flat budget environment we are seeing more patients, with a higher number of patients attending emergency departments. By and large we are tracking pretty well in improving ourselves against those targets. But this is health and there is always room for improvement, and we will continue to do that.

The member also raised the issue of elective surgery targets, and we are continuing to track fairly well in terms of seeing patients within the clinically recommended time. We are now only 6.8 per cent over target with reportable procedures. That means we are seeing over 93 per cent of all patients requiring reportable procedures within the clinically recommended time. That is a pretty good outcome. I understand that that does not work for everyone all the time, and we need to make sure that we sit on the median waiting times, but by and large I think that is a pretty good outcome, particularly with increased activity in elective surgery, which I think was up by about 0.9 per cent in March 2018.

Mr S.K. L'ESTRANGE: I think that is the point, particularly with the four-hour rule. With a growing population and increased pressure on our EDs they are going to come under strain, and I think we are seeing that with Fiona Stanley Hospital, which in April achieved only 66.8 per cent of the target. That is considerably less than last year. Sir Charles Gairdner Hospital was also down at 70 per cent for four hours, down from 79 per cent. We are seeing pressure on these big tertiary hospitals.

Mr R.H. COOK: Yes, the big ones.

Mr S.K. L'ESTRANGE: I am just flagging for the minister that there may need to be some ways of assisting these hospitals. Maybe it could be through dealing with the shortages in general practitioners, for example. We know there is a shortage of GPs in our state and that is putting stress on our EDs. Is the government or the minister looking at a strategy to ensure that EDs are appropriately funded to achieve the four-hour rule, while at the same time growing the GP base to lessen the pressure on EDs?

[12.10 pm]

Mr R.H. COOK: I think the member is spot-on to look at EDs as being a barometer of how the rest of the system is going. Unless we can get people out the back door, it is difficult to get people in through the front door. I will talk about GP capacity in a second, but one of the issues we confront is the lack of residential aged-care capacity. At any point in time we have anything between 150 and 200 patients in hospital beds whom we cannot get out because they are too frail to go home, and we are waiting for them to be assessed to be put into a residential age-care facility. If there is not the capacity in the residential aged-care system, we cannot get them out of the hospital system. If we cannot get them out of those beds, we cannot get new patients into those beds. That is one of the challenges we have and it was one of the issues I raised with Greg Hunt recently in my discussion with the federal government. The average number of aged-care beds per 1 000 head of population across the nation is 8.1. In Western Australia that is just over six, so we are significantly short of our federally funded aged-care bed places and that impacts on our capacity to get people through the hospital system. The member mentioned the shortage of general practitioners. To touch on those statistics, the national average for GPs per 100 000 of population is 95. My notes say it is 77 in Western Australia; I think it has improved slightly to about 78, but we still have a significant shortfall of GPs. We also have the highest concentration of GPs anywhere in Australia, and that is in the western suburbs. They must be very ill there! The member for Nedlands needs to have a talk to his constituents! The member is right to identify the shortage of GPs as being one of the constraints on our ability to deliver health care. I will double-check with Dr Williamson, but I think the study his department did found that between 30 and 40 per cent of patients at EDs would have been able to be treated in a primary-care environment. Is that right?

Dr D.J. Williamson: Those numbers are a bit contentious in terms of what is a preventable GP-type presentation. Emergency department doctors would put the figure lower. However, the minister is right: that is the number from our study.

Mr R.H. COOK: That is the reason one of our election commitments was for urgent-care clinics to encourage patients to receive the care they need in the communities in which they live in an acute primary care environment that might be better suited to their unplanned episode of care. A range of views have been expressed about how effective the urgent-care clinic policy will be. I am happy to admit when I am wrong, but I do not reckon I am.

I think we can substantially care for a larger cohort of patients who would otherwise tip into our EDs in an acute primary-care environment where they can receive a range of services such as GP care, some pathology, some X-ray and allied health care. If people can receive that in an acute primary-care environment, it is better for the patient and ultimately takes the pressure off our EDs, which is of course what the urgent-care clinic policy is about.

Mr S.K. L'ESTRANGE: The other aspect to my question, which the minister picked up on in an earlier part of his answer, was to do with the elective services target. I notice that the cases over boundary for category 1 surgery went from 8.7 per cent in May 2017 to 19.5 per cent in April 2018. Again, this could be an indicator of hospitals under pressure when they have to move patients on to other facilities. There has been an increase in movement. It comes back to page 248 where the statement outlines that it is achieving favourable results, but the data is showing that some hospitals are clearly under strain.

Mr R.H. COOK: I will ask the director general or someone else more appropriate to provide some explanation around those specific figures, but it is true to say that we are seeing an uptick in activity around elective surgery as people either do not access their private health insurance or tip out of private health insurance altogether. Anecdotally we are seeing a proportion of patients move from the private sector to the public sector and that anecdotal evidence is borne out in discussions with some of the private hospital providers in the metropolitan area.

Dr D. Russell-Weisz: The minister has covered most of the issues. Obviously, our focus is on over boundaries. If we take it collectively, yes, around 6.8 per cent or seven per cent are over boundary. We would love that to be at zero per cent but we will always get some patients who tip over that over boundary mark, maybe because of their complexity. We now know much better the areas in which we struggle. It might be where we have more patients, such as in urology and plastics. The member is right to notice that there has been an uplift in category 1 over boundary, even though the overall over boundary has not moved and we are doing more cases. The overall number, which we do look at, has jumped from around 19 000 to 22 000 over a few months. The critical thing we look at irrespective of that is whether we are performing elective surgery within the target. We are trying to keep up with that in a constrained environment. We are also seeing a significant move from private to public health. In obstetrics people may not be dropping but choosing to not use their private health insurance, and we have seen an uplift in obstetric cases. The health service providers will always look at the category 1 cases—I know they are looking at that at the moment—and why they have jumped up that substantially. It will be a focus because category 1 should come before categories 2 and 3. Even with those figures we are measured on the waiting times by urgency categories. For category 1, from July 2017 to March 2018 we are at 18 days and the clinically recommended time is 30 days; for category 2, we are at 58 days and the clinically recommended time is 90 days; and for category 3, we are at 118 days and the recommended time is 365 days. I know they are only statistics, but if cases go to 31 days when they are meant to be performed within 30 days, they are counted as over boundary. The first thing health service providers do is ensure the patients are booked. They have a booked time, even though it might go over. I can assure the member that health service providers are actively looking at those category 1 cases in their health services.

Ms E. HAMILTON: I refer to the "Asset Investment Program" on page 260 of budget paper No 2. Reference is made to an election commitment—stage 2 of the Joondalup Health Campus development. I note that the government's election commitment to open a stroke unit at Joondalup Health Campus is part of the redevelopment and is very much anticipated by the Joondalup community. Where is the commitment at and when will it be available for use?

Mr R.H. COOK: I thank the member for Joondalup for the question. It is a matter on which she is particularly focused and has been for some time, both as a candidate prior to the election and now as the member for Joondalup. I thank her for her aggressive advocacy. As a result of that we have some good news. The opening of the proposed stroke unit is scheduled for the second half of 2018. The timing is dependent on key workforce recruitment, such as a stroke physician and a clinical nurse specialist. The Joondalup Health Campus stroke implementation working party has been established and a collaborative model is being developed in relation to services at Sir Charles Gairdner Hospital. I would like to commend the North Metropolitan Health Service, which has worked with Joondalup Health Campus to bring this to bear. Dr Andrew Wesseldine was recruited in February 2017 to work as the Joondalup Health Campus director of stroke services. He has been working on determining the optimal model of care for Joondalup Health Campus and a review of the best practice models. I am very pleased to say that at the end of 2017 we established the stroke unit working party, which looked at a range of issues, engaged with consumer representatives and strengthened the partnership with Sir Charles Gairdner Hospital. The Stroke Foundation was very animated and active on this issue, as was the member, in particular. I am very pleased that we are now in a position to announce that we are looking at commencing the stroke outpatients clinic from July 2018. That is a fantastic outcome. The target start date for the 12-bed stroke unit is early 2019, depending on staff availability and so forth, and funding for the new stroke unit is part of the WA government's $158 million expansion of Joondalup Health Campus generally. I know that the member was keen to get the stroke unit in before we did the major redevelopment, and I am very pleased to say that the North Metropolitan Health Service has done a fantastic job in now bringing that to fruition. We will soon have our first patients through that unit in July this year, thanks to the member's advocacy—well done.

[12.20 pm]

Ms M.J. DAVIES: I refer to public and community health services on page 257, and the line item for average cost per trip of the patient assisted travel scheme. Can the minister advise how much has been allocated to PATS over the forward estimates? Further to that, will the state government be implementing the recommendations of the PATS inquiry from the last Parliament?

Mr R.H. COOK: We have a choice here, Chair. Either we wait till I find my notes, or I flick past this and get the straight answers and then return to the political issues.

Ms M.J. DAVIES: However the minister would like to do it.

Mr R.H. COOK: I think it comes under the area of the chief executive of the WA Country Health Service.

Mr J. Moffet: I am just trying to check on the forward estimates question.

Ms M.J. DAVIES: I have an average cost per patient, but how much is allocated across the forward estimates?

Mr J. Moffet: I do not appear to have the forward estimates picture. I have the figures only up to 2018–19, so just the next financial year, I am sorry, unless other department representatives have that with them.

Ms M.J. DAVIES: I am happy to take it as supplementary information.

Mr R.H. COOK: I can provide supplementary information to the member for Central Wheatbelt of allocations towards PATS across the forward estimates.

Ms M.J. DAVIES: My second question is also related to PATS, but it was really a question on whether the state government is considering or planning on implementing the recommendations made by the PATS inquiry that was conducted by the last Parliament.

[*Supplementary Information No A14.*]

Mr R.H. COOK: I apologise that we do not have that information to hand today. For the member's information, the PATS 2017–18 budget expenditure profile is $39.9 million, and in 2018–19 this will increase to $45.4 million. Those are the numbers for 2017–18 and 2018–19, and I will obtain the figures across the forward estimates as supplementary information.

I think the parliamentary committee did some great work, and it provides us with an insight into some of the weaknesses of the system, and some of the ways forward. I have not sat down to consider the report in detail. It came out under the previous government and I think the response disappointed both the member for Central Wheatbelt and me. We need to make sure that PATS is properly funded, in terms of not only activity, but also meaningfully meeting people's travel expenses. Some of my initial activity has been focused on trying to develop medihotels, the meet-and-greet service and other services that would benefit patients travelling to Perth. I would also like to see a digitisation of PATS to see whether there is a way to get a better flow of funds to people. I like the nuanced way, for want of a better description, in which PATS is managed by the staff in each of the regional areas. I hear constantly about the good work that they do to try to identify opportunities to get money for people. I am not saying that they bend the rules, but they work with the patient to make sure that the service is provided. I will go back and have another look at the PATS report. I am not familiar with the detail of it, although I recall the substantial commentary it made at the time and, in a broad sense, its recommendations. I will go back and have another look at it and make sure that I am more informed on that subject. I recall sharing the member's disappointment with the response at the time.

Ms M.J. DAVIES: I thank the minister, and welcome a follow-up discussion on how we might work on some of those recommendations, because I think the committee put a significant amount of work into that inquiry.

Mr R.H. COOK: Was the member on the committee?

Ms M.J. DAVIES: No, I was not.

One of the things we have identified from an immediate point of view is that people in the shires of Chittering, Toodyay and Gingin do not have access to hospital care in their immediate location, yet they are not able to access PATS, and so they fall into a black hole right now. That is one of those flexibilities that I am not sure even the PATS staff can be compassionate enough to make work. It is something that could be investigated.

Mr R.H. COOK: Yes, they are just inside the 100-kilometre boundary.

Ms M.J. DAVIES: Chittering, Toodyay and Gingin are the shires, as well as parts of Northam—those peri-urban shires. Although Northam has access to a hospital, those other three shires do not, and that means that residents are required to travel for treatment.

Mr R.H. COOK: As we see the metropolitan area extend northwards, the member is right to identify Gingin, and I suspect some of those coastal areas will also be in that category soon.

Mr W.R. MARMION: I refer to the fifth dot point under "Health System Overview" on page 248 of budget paper No 2, which reads, in part —

> … the Western Australian health system has become more efficient in the delivery of hospital services, with higher than target activity delivered without funding supplementation …

The minister may have to provide this as supplementary information. How many people are currently waiting for elective surgery in Western Australia; and can the minister provide a list of elective surgery wait times by month and hospital for the past 18 months? Can the minister provide a list of the ramping times for hospitals for the past 18 months; and can he provide a list of actual waiting times by triage across all emergency departments for the last 18 months?

Mr R.H. COOK: I can provide that. I can point the member to the Department of Health website, under the link "Our performance" for elective surgery and emergency department performance. The member will find that it will provide all that information. When the member said "waiting for elective surgery", obviously some people are on the elective surgery waitlist, so they have already received an outpatient appointment for assessment, and there is also the waiting for waitlist, which is a list published every six months. That is under "Our performance" on the Department of Health website as well. I am happy to get a member of my staff to forward those reports to the member. I think he will find that they provide all the information he needs, and it would certainly go back 18 months.

Mr W.R. MARMION: Sometimes it takes me an hour to find something on websites.

Mr R.H. COOK: It is not the easiest website to use.

Mr W.R. MARMION: Sometimes I end up in the wrong bit.

Mr R.H. COOK: It is called being in opposition, and trying to navigate that website.

Mr W.R. MARMION: Perhaps someone could press the button, and provide a printout and forward it through as a supplementary printout.

[12.30 pm]

Mr R.H. COOK: Yes. I will get a member of my staff to forward that to the member.

Mr W.R. MARMION: Or give us a complete list of all the different buttons we have to press.

Mr R.H. COOK: No, I will not do that as supplementary information, but I am happy to get copies of those reports to the member. We will send it electronically. It will have the links to those reports so the member can do a single click. You are an engineer, Bill; I thought that would be a snip!

The CHAIR: Just to confirm, that will not be done as supplementary information.

Mr R.H. COOK: No. We will just take that on board.

Mr S.K. L'ESTRANGE: I refer to the total appropriations provided to deliver services in the table of expenses and cash assets on page 247 of the budget papers. I note that that line item in the 2017–18 budget shows that the amounts of the total appropriations provided to deliver services have decreased by $37.2 million in 2018–19, $74 million in 2019–20 and $90.4 million in 2020–21. Given the significant reductions in funding, are any health service providers currently estimated to be in deficit; and, if so, which ones and by how much?

Mr R.H. COOK: I cannot provide the member with a breakdown of the total appropriations. The total appropriation ultimately is a calculation that gets done between the total cost of services and other forms of income, grants, capital allocations from the commonwealth, single allocations from the commonwealth and so on. Certainly, the member has asked whether some of the health service providers are operating in deficit. I can confirm that one is. I will invite the director general to provide further information.

Dr D. Russell-Weisz: To point to the first question, I will look at the overall $8.8 billion for the total cost of services for 2018–19. There is a reduction there. The majority of that reduction is because of the transition of the home and community care program to the commonwealth. That is about $231 million. There is some expensed capital, voluntary severance scheme payments and some other adjustments in the midyear review for the Perth Children's Hospital transitioning. There are a number of reasons why there would be a reduction from 2017–18 to 2018–19, and clearly the majority of that is due to the HACC program. In 2017–18, because I think the member's question related to the 2017–18 health services, yes, four health services—the South Metropolitan Health Service, the WA Country Health Service, the Child and Adolescent Health Service and the East Metropolitan Health Service—are expected to balance their budgets. The North Metropolitan Health Service will come in with a deficit position, but we are not seeking additional funding from Treasury. We will alleviate that position from within the Department of Health funding. There is a deficit position within the North Metropolitan Health Service. The North Metropolitan Health Service has put together, and it is being revamped, a recovery plan for its approach over the next two to three years, which we will rigorously monitor. The incoming acting chief executive has been heavily involved over the last two to three weeks in relooking at that recovery plan to make sure that we meet the strategies within that.

Mr S.K. L'ESTRANGE: Can the minister detail the budget given to each health service provider under this budget and how they compare with last year's budgets?

Mr R.H. COOK: The director general.

Dr D. Russell-Weisz: I cannot today give the member the exact details for 2018–19. We are still going through the process of what we call the service agreements between the budget holders and the Department of Health. But certainly when those budgets are settled, there would be no reason why we could not give him that information per budget holder.

Mr S.K. L'ESTRANGE: To break it down a degree further, can the minister outline which hospitals within each health service provider are estimated to be in deficit and by how much?

Mr R.H. COOK: The director general.

Dr D. Russell-Weisz: When we have given a budget to a health service, we have had a mature model of funding our health services through activity-based funding. It is how we get funded by the commonwealth for the majority of our volume-based services to our hospitals. We have hospital services under activity-based funding and we have non-hospital services. When we give our activity and funding to our health services, we expect them to come in on budget as a health service. Yes, there can be some ups and downs within the hospitals and between one hospital and another. We could certainly seek that information from the health service providers, but we look at the overall budget and how they are performing as a health service, not as individual hospitals.

Mr R.H. COOK: I will provide some further colour and movement around that. For instance, Osborne Park Hospital has a very different service configuration from Sir Charles Gairdner Hospital's. In addition, it also receives lots of Sir Charles Gairdner Hospital patients as their acuity de-escalates, and therefore they can be treated in a different environment. Although we could probably find a number, it probably would not be very instructive in understanding the overall management of the budget.

Mr S.K. L'ESTRANGE: I understand that getting down to that level of detail is probably not in the context of where the budget is at, but it is in the context of understanding which hospitals may be under pressure. Cross-referencing those statistical pressure points that we have already outlined with some budget pressure points would help give us an understanding of where they may have to spend more to achieve outcomes. That is why I am interested in looking at that.

Mr R.H. COOK: The director general.

Dr D. Russell-Weisz: Certainly, if we had a specific question, I would be happy to take that on notice. To give some more background to this, obviously we had not quite uncontained, but certainly unsustainable, expenditure growth five to six years ago. There was one year when it was growing at 12 per cent. Expenditure growth has been brought down significantly. In the last couple of years, it has been under five per cent, and this year it will be well under that. We have to move more to the national efficient price when we are looking at hospital services. This year we are estimated to be 15.6 per cent above the national efficient average benchmark, whereas we were expected to be 18.9 per cent above it. A huge amount of work has been done by the health service providers to bring down their costs. That is about doing more activity with the same fixed costs, but also doing the right activity. Those pressures will continue in this very constrained financial environment. Also, while we are providing the same, or even better, safety and quality, we have to continue to be more efficient.

Ms M.J. DAVIES: I refer to the line item for the Dongara aged-care facility under the heading "New Works" on page 262 of the budget papers. First, can the minister clarify that this amount is the remainder of the amount for what was previously called the Turquoise Coast Health Initiative?

Mr R.H. COOK: I thank the member for the question. The Dongara aged-care facility was seen as a priority and we re-prioritised other expenditure under the Turquoise Coast Health Initiative. I will ask Jeff Moffet to provide some more detail about that.

Mr J. Moffet: I do not have the table in front of me, but in the budget papers there is a conversion of $1 million from operating to capital for Dongara. I am not sure whether that is the line item that the member is looking at. That is in relation to the development of four to six additional aged-care places inside the existing high-care facility attached to the Dongara health service.

[12.40 pm]

Ms M.J. DAVIES: Is that the only component of the Turquoise Coast Health Initiative that exists in this budget going forward?

Mr R.H. COOK: I will refer to Jeff Moffet.

Mr J. Moffet: Yes, it is based on the previous Turquoise Coast Health Initiative.

Ms M.J. DAVIES: Will the Minister for Health provide an analysis, if one has been done, of existing health service gaps in the turquoise coast region?

Mr R.H. COOK: I do not know whether a service gap analysis has been done. I assume one would have been done in the context of drawing up the Turquoise Coast Health Initiative in the first place. I therefore assume a document somewhere in the system could be requested under the freedom of information process, depending on whether it was subject to cabinet deliberations. Ultimately, the Turquoise Coast Health Initiative was to address perceived gaps in services so I assume an analysis was done at some point ahead of the 2016–17 budget. The member might have a better idea than I about the status of that document.

Ms M.J. DAVIES: No, I do not, that is why I am asking! Funds have been significantly re-prioritised and my assumption is that the service gaps still exist and are probably becoming more acute. What work is being done by the department to ensure appropriate infrastructure and service planning for the turquoise coast?

Mr R.H. COOK: We continue to support health services on the turquoise coast. They include two nursing posts in Lancelin and the expanded and refurbished Jurien Bay Health Centre, which delivers a range of primary health, aged-care and emergency response services. Dongara Medical Centre provides 24-hour, seven-days-a-week nurse-led emergency responses and stabilisation services. It has two acute beds, one respite bed, one palliative care bed and six aged-care beds. Three health centres are run by Silver Chain in Mingenew, Eneabba and Leeman, and baseline nursing roster care support is provided for the emergency telehealth service. Although I am sure there is disappointment that the Turquoise Coast Health Initiative has been scaled back, some would say significantly in the context of the previous allocation, we continue to support health services in the region.

Ms M.J. DAVIES: Minister, the previous allocation was $20 million and there is now $1 million in the forward estimates for the Dongara aged-care facility. Presuming a document somewhere identifies the needs of that region, what work is being done to make sure service gaps do not widen over the forward estimates? What future projections of population, particularly the ageing population, have been done by the department to manage that? It is a fast-growing area that does not have historical hospitals, unlike the wheatbelt or the great southern.

Mr R.H. COOK: I thank the member and acknowledge her concern for the area. As I said, a network of nursing posts throughout the region provide good primary health care; in Dongara there is 24/7 nurse-led emergency care. I understand that as it becomes an area with, for want of a better description, a less transient and growing population we will have to keep a close focus on it. I imagine Jurien Bay could become a growing hub for health services given it is strategically placed on the turquoise coast, but we will continue to make sure that the people in that area receive good health services. Regarding the management of those services, it might help if I call on Jeff Moffet again to make some commentary about health services in the area.

Mr J. Moffet: The organisation is rolling out a range of strategies more generally around aged-care support, use of telehealth, stroke care and enhancing transport services, so although it is not a specific initiative to the turquoise coast those services in those locations are benefiting from some service expansions that we are currently undertaking. In fact, irrespective of the funding for the turquoise coast, we have increased the hours of operation of the Jurien Bay facility. It is currently operating 23 hours a day, to my knowledge, and we plan to go to a 24-hour service there fairly soon. We want to make sure we can manage patients overnight, short term before —

Ms M.J. DAVIES: Is that the only hospital that is likely to be 24/7 between Geraldton and Joondalup?

Mr R.H. COOK: Currently, Dongara is a 24/7 nurse-led facility, but I will ask Mr Moffet to comment.

Mr J. Moffet: That is right. We are not characterising Jurien Bay as a hospital per se, but we are certainly characterising it as a health centre that needs to have a greater capability for short-term acute care. We are doing some enhancements in Jurien Bay in particular to ensure we can respond to acute needs. We are rolling out telehealth and emergency telehealth services from Lancelin right up and down that turquoise coast strip as well.

Ms M.J. DAVIES: Does the department have any projections of population, particularly the ageing population, for that health service area?

Mr R.H. COOK: I am sure that the department has a range of population studies for that area. I will ask the director general to make comment.

Dr D. Russell-Weisz: I would probably have to take that question on notice regarding aged care in that specific area. I do not know whether Jeff Moffet has anything to say on it, but we will take it on notice and provide it to the member if we have.

Ms M.J. DAVIES: Does the minister want me to put it on notice rather than ask for supplementary information?

Mr R.H. COOK: Yes; it sounds like it might be a bigger piece of work.

Ms A. SANDERSON: I refer to pages 254 and 255 and the headings "Public Hospital Admitted Services" and "Public Hospital Non-Admitted Services." Regarding St John of God Midland, I want to know whether the hospital now has a defined referral pathway for those services that Catholic health operators have deemed restricted services within the hospital.

Mr R.H. COOK: In the first instance, I will refer the question to the chief executive of East Metropolitan Health Service.

Mrs E. MacLeod: Thank you, minister. I understand that it does have a defined pathway for those services. I am not sure of the detail of it, so we would need to provide further advice on that if that is what the member is after.

Ms A. SANDERSON: Does that pathway involve those services being referred directly from the hospital to Marie Stopes Midland, which is providing the services?

Mrs E. MacLeod: That is the detail I will have to check—whether it specifies Marie Stopes as a clinic to be referred to. I am not sure whether the hospital provides the referral to the facility.

Mr R.H. COOK: If I could provide further information for members, as a result of the privatisation contract of Midland Public Hospital, the health department now goes out and purchases the services that would otherwise be provided by a hospital in the local community. It is a perversion of our public health system whereby we discriminate between different patients simply on the basis of the convictions or otherwise of the hospital provider. It is an entirely regrettable situation. We do our best to compensate for that and I hope the member and the local community is comforted by the fact that we have the public purchase of these sort of services. We have to continue to monitor it because although the services are provided by those organisations—in this case, Marie Stopes—and that is important, we know that because they are out in the community, members of the public who access those services, and do so in a legal way, are subject to a certain amount of harassment. That is a pretty unhappy situation. We will continue to monitor that situation. It is entirely regrettable and of course it could have been entirely avoidable had the previous government contracted those services differently.

[12.50 pm]

Ms A. SANDERSON: Under the arrangement entered into by the previous government, about $1.2 million went towards the redevelopment of the Marie Stopes clinic to provide some of those services. Do we now know the ongoing cost of those services and where that would be in the budget? Would it appear under public hospital non-admitted services?

Mr R.H. COOK: I might refer that question to the director general.

Dr D. Russell-Weisz: I would have to check that. I imagine that is where it would be. It would be a very small component of our greater non-hospital services, but it would be under contract. I might see, through the minister, whether the chief executive of east metro can provide any other information or whether we will have to take it on notice.

Mrs E. MacLeod: Sorry, but Marie Stopes sits under the North Metropolitan Health Service because of the King Edward association.

Mr R.H. COOK: I might then refer that particular question to Angela Kelly, the acting chief executive of the North Metro Health Service.

Ms A. Kelly: Yes, the North Metropolitan Health Service holds the contract with Marie Stopes. There are two parts to that, and one was to do with the extension following the Midland Health Campus coming online. It is a contracted service so it would be non-admitted through our hospital service. I am happy to provide the detail of the amounts of that contract as a supplementary answer or on notice. I do not have the detail with me.

Ms A. SANDERSON: I will leave that to the minister to decide.

Mr R.H. COOK: Would a supplementary be appropriate—to 1 June?

The CHAIR: Would you like it to be supplementary information or leave it to the minister?

Ms A. SANDERSON: That is fine.

The CHAIR: You will follow it up later.

Mr W.R. MARMION: I refer to page 247 of volume 1 of budget paper No 2, and specifically to the total appropriations to deliver services to the Department of Health, which show the total appropriations provided by the state government for recurrent purposes. I note that in the 2017–18 state budget, the government forecast total appropriations provided to deliver services of $4.98 billion in 2018–19; $5.05 billion in 2019–20 and $5.15 billion in 2020–21. In this 2018–19 state budget, those appropriations have been reduced to $4.94 billion in 2018–19, $4.98 billion in 2019–20 and $5.06 billion in 2020–21. I have been informed that is a reduction of $201 million over three years. I have also been advised that when the spending changes in the table are added, it comes to only $102 million. The question is, what are the other spending changes that account for that gap between $102 million and $201 million over three years?

Mr R.H. COOK: I did not follow all that commentary, member, and the way I was following it probably differs from that of the member. Perhaps I will provide some general commentary that may answer some of the member's question.

Firstly, in relation to total appropriations, they are net of other forms of income, be they from the private sector, contracts or grants from the commonwealth government—the national health agreement and so on. From that point of view, the total appropriations are not a really good indication of the bought activity, for want of a better description. What is a better reflection of overall budgets is the total cost of services. The member will see that the estimated actual for 2017–18 for that was a smidge over $9 billion. In 2018–19 it is $8.8 billion and in 2019–20 it goes up to $8.9 billion. That is of some interest because, as the director general said, we have the transference of home and community care funding directly to the commonwealth, whereas previously that money would have come through our books. That is the reason for that reduction. In that particular instance, that is $231 million. Other issues impacting on that are expense capital associated with the Perth Children's Hospital of $35.2 million; the impact of the voluntary targeted separation scheme; the social and community sector supplementary payments; other adjustments approved in the midyear review and so on. Of course in the 2017–18 midyear review there was a top-up for Capella Parking of $5.2 million, and expense capital adjustment, other than PCH, of $13.5 million, and there is significant wash through from things that have impacted around that.

However, I will draw the member's attention to WA Health expenditure on hospital services. The full forecast for 2017–18 was $6.3 billion, and in 2018–19 it was $6.5 billion. That is a growth of around about $2.9 billion. In 2019–20 it is at $6.7 billion, with a growth of $3.3 billion. In addition, there is the purchase of non-hospital services. For non-hospital services in 2018–19 there is a substantial reduction of 16 per cent, and that will continue to wash through in home and community care funding in a reduction of three per cent, one per cent and a slight uptick in 2021 of 5.4 per cent.

For the purposes of public consumption and what can be deduced from these numbers, it could be said that hospital services are continuing to grow at a modest rate, at an average of 3.3 per cent over the forward estimates. That is crucial because we also have a growth in hospital activity of about 2.3 per cent. The impact of that is downward pressure on the average costs of the weighted average unit of activity. It is the first time since the new regime of activity-based funding was introduced in 2012–13, I think, or in 2009–10, that we have seen a reduction in the weighted average unit cost of activity, particularly in its relativity to the national average price. Traditionally, there would have been continued growth in the projected state price and a reduction in the national average price. We are now for the first time contracting that gap. That is an incredibly good outcome for the WA health system and is a credit to the leadership that sits next to me and behind me. That has not happened in the health system before and it is really why this budget is a game changer in overall budget management. The reason the Treasurer has a big grin on his face nowadays from getting the finances back under control is due to the hard work done by the people in this chamber, and it is a real credit to them.

Mr W.R. MARMION: I was actually asking a simple financial accounting question. It was not a criticism about the figures. I might be wrong—someone might have added this up wrong—but I thought the table on page 247 is supposed to compare the changes from last year's budget with this year's budget. It is purely financial accounting. I know the minister has done a financial accounting MBA.

Mr R.H. COOK: Take us through the figures again. Perhaps I misunderstood.

Mr W.R. MARMION: If we compare the figures from last year with the figures this year there is a reduction of $201 million. Someone has added up the figures in the spending changes table, which is supposed to clarify the difference between last year and this year, and they have come up with $102 million, but the figure in the budget paper is $201 million. There is an imbalance. There might be a simple accounting explanation.

Mr R.H. COOK: Can the member give me the numbers again to make sure we are looking at like for like?

Mr W.R. MARMION: I have already. If we take $102 million off $201 million we get something like $99 million.

Mr R.H. COOK: Is the member talking about the net appropriated to deliver services?

Mr W.R. MARMION: I am saying that in this table on page 247 there is a difference between last year's appropriation figures and this year's appropriation figures.

The CHAIR: Minister, you have about 10 seconds.

Mr R.H. COOK: I see.

Mr W.R. MARMION: Perhaps the minister can get back to me.

Mr R.H. COOK: We will provide that by way —

Mr W.R. MARMION: That would be great.

The appropriation was recommended.

Meeting suspended from 1.00 to 2.00 pm

Division 3: Premier and Cabinet — Service 2, Aboriginal Affairs, $38 621 000 —

Ms J.M. Freeman, Chair.

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

Ms M. Andrews, Deputy Director General, Policy and Reform.

Mr G. Meyers, Director, Corporate Services.

Ms A. Elder, Manager, South West Settlement Implementation.

[Witnesses introduced.]

The CHAIR: I would like to start by acknowledging the traditional owners of the land on which we meet—the Whadjuk people of the Noongar nation, and their elders past and present.

This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

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

Mr D.T. REDMAN: I refer the minister to page 57 of budget paper No 2. Under "Spending Changes", there is reference to a number of spending changes that reflect the Aboriginal policy shift from the Department of Communities and the Department of Planning, Lands and Heritage. Could the minister please enlighten us on the full structure and who is responsible for what? Something is now located in the Department of the Premier and Cabinet—it has come out of other agencies—and, of course, there is also the reform unit.

Mr B.S. WYATT: Is the member referring to the bottom of the page and the transfer of policy?

Mr D.T. REDMAN: Yes.

Mr B.S. WYATT: I will read something just to get some statistics on the record and then have a broader conversation. On 1 July 2017, formation of the Aboriginal policy unit within the DPC fell out of the machinery-of-government changes that created that policy unit. I have some numbers that the member may find of use. The combined transfer of $1.3 million in 2017–18 from the Department of Communities, being $322 000, and the Department of Planning, Lands and Heritage of just over $1 million, represents a section 25 transfer of function from the former Department of Aboriginal Affairs to the Department of the Premier and Cabinet. As I think the member referred to, there was effectively also all the lands work, and the vast majority of FTE in the former department went to DOPLAH—the policy unit was created within DPC, and the land work, heritage work et cetera went to DOPLAH. The native title unit is still within Premier and Cabinet.

Mr D.T. REDMAN: Does the remote reform unit still sit with Housing as the lead agency?

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: I am sure that the minister has publicly stated in the past that he has concerns about what used to be the old Department of Aboriginal Affairs. Is there any intent to effectively abolish that and make it part of the broader agencies, as he just described?

Mr B.S. WYATT: Yes. Effectively, under the Aboriginal Affairs Planning Authority Act, the minister is the authority. The department was created to support the minister as the authority under the Aboriginal Affairs Planning Authority Act. The policy unit is there to support me as minister even though it is within DPC but obviously to provide more of a whole-of-government policy work. The DOPLAH staff, as the member is probably aware, really do that kind of transactional work around the Aboriginal Heritage Act and section 18s, and, more broadly, the Aboriginal Lands Trust work as well. The Native Title Unit, also in Premier and Cabinet, has its own work as well. There are three parts to it. I think it is a better structure. As the member pointed out, there is also the regional reform work, which Housing leads but that is obviously a big role for me.

Mr D.T. REDMAN: I am assuming that the work that the Minister for Housing is doing under the regional services reform is a fair bit driven by this policy unit in terms of where investments are made and the nature of those strategic investments?

Mr B.S. WYATT: I will hand over to the deputy director general in a second but, yes, they are clearly very closely involved.

Ms M. Andrews: The intent is to build the policy unit to provide that sort of support to the line agencies in delivering on those major commitments and priorities of government. One of the objectives around the machinery-of-government change was to bring that policy function into the central agency—into DPC—to be in a better position to support the line agencies in the delivery of outcomes and to get better coordination across government. That is certainly the intention of forming the new policy unit.

Mr K.J.J. MICHEL: I refer to page 62 of budget paper No 2. Can the minister provide an update on the number of native title claims and determinations in Western Australia?

Mr B.S. WYATT: I thank the member for the question. I think I have made the comment in this place before that, by and large, native title is an issue that the governments of Queensland and WA spend a lot more time on. In Western Australia, we are now at the tipping point in that we have more determinations than applications.

Currently, there are 79 native title applications in WA and 81 determinations have been made up to 16 May. During 2017–18, there were 15 determinations, 10 by consent and five litigated. Fifty-six of those 79 applications are in active Federal Court case management. We are effectively at a point that the more complicated native title applications are outstanding but the vast majority of those are in some form of process. I have had those conversations with the other native title ministers and with the former commonwealth Attorney-General around the status of native title. I think we are much more progressed around this space than almost all other states. Having said that, many other states have different tenures that occupy time as opposed to native title. New South Wales and the Northern Territory are classic examples.

Dr M.D. NAHAN: Could the minister give me some background on the state of play with the Yindjibarndi issue with FMG?

Mr B.S. WYATT: I can. That is at a fairly high level. The Wirlu-murra Yindjibarndi Aboriginal Corporation had success in an exclusive native title claim. There has been ongoing conflict between two different groups—the Wirlu-murra and Yindjibarndi. I have had conversations with all three groups, including Fortescue Metals Group. I am trying to understand how we can move forward. Bear in mind I am a state minister dealing with commonwealth legislation—it is a sort of funny place to be. There is now generally between the two Yindjibarndi groups—Wirlu-murra and Yindjibarndi—a desire to resolve some of those outstanding conflicts, and I think FMG as well. There were some sticking points that led to the split with the different Yindjibarndi groups. It seems that FMG has taken a different view on some of those, which is good. FMG has appealed the court's determination on some points of exclusive possession. That will go through the court process. I think this is now ripe for agreement—I hope. I am doing all I can to try to facilitate that. It seems that FMG, as is its right, will pursue a court process.

[2.10 pm]

Dr M.D. NAHAN: I refer to the Premier's section of the budget papers, specifically page 68 of budget paper No 2, which shows that about $35 million is set aside for native title and other issues north of Broome for the James Price Point issue. Last year, a budget allocation of $35 million was proposed or thought of but was not done. I want to get some indication about what that was actually for. Was it residual money? There is also an allocation of $37 million in 2019–20 for the Browse liquefied natural gas precinct regional benefits package. A fund is, of course, attached to that. I cannot remember dealing with this at all, to be honest. An amount of $33 million in the 2017–18 budget was supposed to be expended but has not been expended and has been carried forward. I cannot remember as Treasurer ever coming across this fund.

Mr B.S. WYATT: The sum of $30 million includes the state's contribution of $10 million to the economic development fund. The purpose of this fund includes increasing the number of members of the native title claim group that are involved in sustainable employment, self-employment and business, traineeships and apprenticeships, supervisory, technical, professional and management positions within all sectors of government and the economy, and to increase the number of businesses owned by members of the native title group. That $30 million comprises $10 million towards the economic development fund and $20 million towards the Indigenous housing fund. The Leader of the Opposition is right—it looks as though payment for that has been rolled over into 2019–20.

Dr M.D. NAHAN: I just wanted to get some feel for it. It looks as though the government wanted to spend it in 2017–18 but it decided not to, for whatever reason, and it is being held in the fund until 2018–19. Is it still being negotiated in some way or is it residual from the James Price Point discussion of Browse? Will it remain parked until the government does something with Browse?

Mr B.S. WYATT: That is it. The delay in the agreement is effectively why it has been rolled forward. It is a fallout of that.

Dr M.D. NAHAN: So it will remain parked until something significant happens at Browse?

Mr B.S. WYATT: Yes, until an agreement is finalised, I suspect.

Ms M. Andrews: Until the determination is finalised.

Mr B.S. WYATT: Sorry—until the determination is finalised. We are waiting on the finalisation of the determination. That is going to take a bit more time, so it is to be rolled forward.

Dr M.D. NAHAN: I have a general issue about this. There is a whole range of agreements between miners, LNG developers and Aboriginal groups about various types and places. If we added up all of them, it would be a substantial amount of money. From my trips through the Kimberley, an issue that kept coming up was that certain groups have potentially benefited and some have not. Some groups are quite wealthy, some groups have money parked aside for future use but have not got access to it, and some have nothing. In terms of allocating government resources, often those different equity positions are not adequately taken into consideration; in fact there is not too much information about who has what, when and where. Will something be done about this because I was told it is a huge issue?

Mr B.S. WYATT: Yes. This issue has been around since the Native Title Act. Effectively that was why the Indigenous Land Corporation was established. The commonwealth created that land fund to enable the purchase of land for Aboriginal people who either had had native title abolished for whatever reason or had moved off country et cetera. That was the intent of it. The commonwealth department recognised back then that there will be this fundamental issue of those who have native title rights, whatever they may be, on whose country there may be valuable deposits of whatever it may be. That is a fundamental issue and that is ongoing. There are even splits within those groups—the Yindjibarndis are a good example—that create those exact issues. I am not sure that I have a solution to it. I do not know whether the Leader of the Opposition has seen that the commonwealth has now released a discussion paper around some proposed amendments to the Native Title Act. They have been around a long time but were prompted by the debate around the amendments that fell out of the McGlade decision in this state with the south west settlement. There is now an opportunity to make some broader amendments to make the act work better for those who hold native title. However, that does not deal with the fundamental problem that people may have lost native title for reasons beyond their own. One matter that I would love to have some form of solution to relates to the Gibson Desert, where a petroleum lease, eons ago—there was never any activity as a result of the petroleum lease—extinguished the right to exclusive possession of native title. It is almost like a stand surrounded by exclusive possession, and right there is non-exclusive possession of native title. That is a standing issue for traditional owners but it highlights a problem that I do not have a solution for. The role of government is to ensure, in a broader service delivery sense, that we still provide those services. The Attorney General is doing some investigations under the Charities Act—I do not want to get the name wrong—into one or two charitable trusts to try to examine how money has been used and perhaps whether it has been used contrary to the purposes of the trust.

Mr D.T. REDMAN: Following on from the Leader of the Opposition's question about a number of Aboriginal corporations that get money from effectively the resource sector in the north, informal feedback I have received suggests that it is because of the downturn in the economy that those flow-through impacts are being felt. Is the minister getting any signals into his office about some stressors in respect to Aboriginal corporations and the employment base that sits within them, for example? I guess, by extension, the government is the supporter of last resort. Will it play a role in supporting what is going on?

Mr B.S. WYATT: Yes, I have come across a range of anecdotal examples. Some of the stressors are also seen in the media. Like almost any organisation, when an expense base comes off a revenue base during much better times, pressures emerge pretty quickly when revenues decline for whatever reason. I am not going to name them—we have all read about them in the media—but some have responded pretty well and reduced their cost base, and some have struggled to do that. Yes, I do see that all the time. Of course the state is always there as a service provider of last resort for those essential services. A lot of organisations have spent a lot of money in areas that traditionally were government space, such as housing, training or whatever. It might be scholarships—Aboriginal kids come to Perth to go to an expensive school and then the money that was supporting that has shrunk. I have come across a few terrible examples in which the money is no longer there, for whatever reason, to pay the school fees.

[2.20 pm]

Mr D.T. REDMAN: There is no acute government response to that, just normal service support?

Mr B.S. WYATT: Yes, normal service support. There are some things we can assist with and there are some we cannot.

Mr D.T. REDMAN: This is a separate question. I refer to page 62 and the second dot point under "Government Policy Management", regarding strategic policy advice from this unit that sits within the Department of the Premier and Cabinet. I refer specifically to the royalties for regions-funded north west housing initiative of some $95 million over four years. Can the minister advise us as to how that will be disbursed and whether it will be transitional housing with a focus on some of the bigger centres in the region, as distinct from remote communities? I am chasing the policy settings around how that is going to be deployed.

Mr B.S. WYATT: That is all being done in the Minister for Housing's space.

Mr D.T. REDMAN: The Minister for Housing? Appropriate.

Mr B.S. WYATT: Yes. I apologise; he is the person who sets those priorities and parameters.

Mr D.T. REDMAN: I guess this question leads to my earlier point about having a strategic focus on where investments are made. This area has historically had some challenges in terms of left hand, right hand. The minister's moves, I think, are the right moves, in centralising some thinking around that, and I guess this is one of those examples.

Mr B.S. WYATT: That is what we want the Aboriginal policy unit to be—exactly that. These sorts of funds, which are designed to have an Aboriginal focus, need to have involvement from our unit, particularly around priority settings. I suspect that will happen; it just does not seem to have happened yet.

Ms M. Andrews: Probably to reconfirm what the member is looking for, it reflects the early days of the unit being set up. One of the learnings for us through the recent Expenditure Review Committee cabinet process was looking at the decisions being made through that process and seeing opportunities there for the new policy unit to be engaged earlier on in the process, with agencies helping inform the priority settings around exactly the points the member is making.

Mr D.T. REDMAN: Does that involve engagement with any federal government funds? I know the National Partnership Agreement on Remote Indigenous Housing is coming to an end, but there are sometimes federal funds with ear tags that are challenging to Western Australian strategic positions. Is that engagement through this unit?

Mr B.S. WYATT: Yes. Does the deputy director general want to make some comments?

Ms M. Andrews: Yes, two units are already working very closely. Again, that is highlighting the opportunity but it is still early days. We have a different policy unit in my broader team that is focused on federal–state relations and looking to strengthen the approach we are taking to negotiations with the commonwealth government around all sorts of agreements. But in the space we are talking about here, the Aboriginal policy unit and the federal–state relations team are working very closely together around the strategy we are deploying in that space, looking to get better outcomes for Western Australia.

Dr M.D. NAHAN: I just seek a bit of background on the Noongar deal in the Perth area. I never followed that too closely. I assume there is still a flow of impacts on the budget in terms of expenditure going forward. Is that continuing? Are there any issues relating to that? When we left government negotiations were still ongoing to some extent, particularly with regard to access to land, types of land and input to jobs.

Mr B.S. WYATT: I will make a couple of comments and then I will ask Angela Elder, who is sitting behind me, to comment; she is managing this. Yes, the Leader of the Opposition will recall that annual payments started. Obviously, because of the delay, it has simply shifted. That has not changed; the timing has changed. There were delays as a result of some federal parliamentary requirements that fell out of the McGlade decision. That delayed things. It was then effectively re-registered with the National Native Title Tribunal. There were a range of objections and they are now being heard. The McGlade judgement was in February last year and created some implications. The objections that were re-lodged are now being dealt with by the Native Title Registrar. It is anticipated at this point that the settlement will commence, at the earliest, in early 2019, but that is very much subject to what the registrar finds. That is simply because there are legal proceedings on now. I will ask Angela to make some comments because there is also the possibility that even if we get through all of the objection process successfully, the reality is that there might still be a judicial review. I will ask Angela to make some comments.

Ms A. Elder: As the minister said, the registration process continues with the National Native Title Tribunal and we expect there to be a decision on that hopefully in July or August, but we also expect there to be a judicial review of that decision. There have been objections in the community so there is that possibility. That could probably take six months, which is why the estimate of early 2019 is what we are working towards. As the minister said, that funding and the budget that was approved in 2012 keeps getting rolled over, year by year, until the commencement, so the funds are there. However, the land identification process that the Leader of the Opposition mentioned has already commenced and we have started to identify land that can be transferred, once the settlement commences. That final allocation can only occur once the settlement actually starts, and that will not be until 2019.

Mr B.S. WYATT: To add to that, this is something that has been around now for a while; the previous government did a lot of work on this. We are also continuing, as the previous government did, to try to get the commonwealth government involved in the settlement. In March 2015 the commonwealth government offered to contribute $10.8 million, which was effectively three years' funding for the South West Aboriginal Land and Sea Council. The view of the former government and of this one is, to be frank, that that is not terribly sufficient, because it does not even bring the commonwealth government to the agreement as a party. That will be ongoing; I would like to think that, whether it is commonwealth land and in light of the fact that it is a 12-year time frame for payment from the state government, the commonwealth government could at least do a 12-year payment in respect of the South West Aboriginal Land and Sea Council, because it is ultimately funded by the commonwealth government. That is ongoing. I am hopeful, in light of the significance of this settlement, that the commonwealth can play a bigger role than it has thus far indicated it wants to play.

Dr M.D. NAHAN: This has been going on for a long time. Are the Noongar people unhappy with the length of time it is taking and asking for payments in lieu of settlement?

Mr B.S. WYATT: I caught up with the board of SWALSC last week. It has an almost entirely new board and it is, understandably, frustrated with it but it is still a very unified and strong board. I reiterated the support of the government and the Parliament for this settlement, which it was pleased to see. Out there, of course, there is not 100 per cent support; we will never get 100 per cent support, but my view is that the majority of the Noongar people want this resolved. Yes, there is general frustration that it has taken so long, but they understand why. The process is there. The fact that there are no time frames around these processes of objections et cetera highlights a problem with the Native Title Act, and this might be an opportunity to perhaps deal with some of that, now that the commonwealth government seems to be keen to proceed. George Brandis was keen; we had some good meetings last year. I think we have an opportunity now; Christian Porter is a former native title minister of this state, so hopefully he is keen to progress native title. It sometimes gets forgotten or becomes very difficult to amend at the commonwealth level, particularly with a problematic upper house, but hopefully we can, because I think there are some real opportunities to fix this so we no longer have what is at the moment a never-ending process that is frustrating for everybody and is very, very expensive.

The CHAIR: The member for Warren–Blackwood has just asked me for clarification, minister. We are on division 3; division 43 is around the Department of Planning, Lands and Heritage. There will be different advisers, but there is a question about whether the minister can flow from this division to division 41 so we can keep on the same track of thinking.

[2.30 pm]

Mr B.S. WYATT: I am happy to; it is just that if we get very specific, I will obviously need different people.

The CHAIR: You would bring in different advisers. We will put this appropriation.

Mr B.S. WYATT: I am not sure the advisers are here. I am told they are.

The CHAIR: We would put this appropriation and bring in the new advisers.

Mr B.S. WYATT: That makes sense.

Mr K.J.J. MICHEL: I refer to significant issues impacting the agency on page 58 of the *Budget Statements*. Can the minister advise what works the state government has done to advance discussion with the commonwealth government about the federal government contribution towards native title agreements in WA?

Mr B.S. WYATT: I thank the member for the question. This has been part of an ongoing process with the commonwealth government around Noongar, and I have now taken up the issue of an alternative settlement agreement for Geraldton with the commonwealth. That is proceeding. In March, I wrote to the Attorney-General, Christian Porter, and the Minister for Indigenous Affairs, Nigel Scullion, seeking the commonwealth position on this. I received a letter back from the Attorney-General indicating he would take the matter up with the federal Indigenous affairs minister. We are very keen to have the commonwealth involved. Something that is often lost is that we are dealing with commonwealth legislation, and the commonwealth needs to be involved in some—I would like to think all of them—alternative settlement processes. This is also playing out in respect of conversations we have tried to have with the commonwealth on compensation. The commonwealth does not want to have a broad policy position and will treat each matter on a case-by-case basis. I must admit that that has not been particularly clarifying, but that is the process we are going through and hopefully we will get a better outcome with Noongar, and then the second largest matter proceeding at the moment, which is Geraldton.

Mr D.T. REDMAN: For want of a better point of entry, I refer to policy advice to the minister on page 62 of the *Budget Statements*. Under the previous government the crown land and pastoral leases estates had a pathway towards freehold land tenure reform should there be identified opportunities, whether they be touristic, cultural or agricultural. There was a pathway to a section 79 lease through the Land Administration Act or freehold. There were different views within traditional owner groups about whether that was a good thing. Around Gogo Station, for example, it was very positive. There was positive engagement and there was support for a pathway to freehold. In other areas it has not been positive. I am interested in whether this still remains a policy position of the current government. It is an opportunity to bring some capital investment to those areas. Is it a policy setting and is it currently supported through the relevant minister?

Mr B.S. WYATT: The answer is yes, it is being supported by the Minister for Regional Development in particular. Suffice to say that the positions and responses have not changed, and depending on who and where it is, and the current nature of the tenure, there are different views.

Mr D.T. REDMAN: So it is case by case.

Mr B.S. WYATT: Yes, it is case by case.

Mr K.M. O'DONNELL: I refer to responsible ministers on page 592 of the *Budget Statements*. I just have a broad question to the Minister for Aboriginal Affairs. Aboriginal people have issues and various needs and they need to be continued to be met. Does the minister believe those needs have been met since Aboriginal Affairs has been placed in a super department? As an example, within the police department, if there is an officer in charge who is very traffic orientated, he will put all his resources that way and forget about other things such as community policing.

The CHAIR: Member for Kalgoorlie, I am sure that the minister will give you latitude, but you are supposed to refer to a line item.

Mr K.M. O'DONNELL: I am referring to the heading "Responsible Ministers" and lines 9 and 10 listed next to "Minister for Aboriginal Affairs". My apologies; I should have even gone further.

Mr D.T. REDMAN: It is page 592.

Ms A. SANDERSON: Is that a line item?

Mr K.M. O'DONNELL: Apologies.

Mr B.S. WYATT: I am happy to respond. That is ultimately what I have been trying to achieve with what we have created over a long time. I guess this goes back to the Aboriginal Affairs Planning Authority Act, which, to be fair, most people thought had gone well past its due date. Aboriginal people were frustrated with it as well, because it was not advocating their interests. In the view of lots of Aboriginal people it was mainly there to provide the Aboriginal Lands Trust service and support the policies of the government. To be frank, I found it an easy excuse for other agencies to refer Aboriginal issues to that agency, and it was never a service delivery agency. By bringing that policy unit into the Department of Planning, Lands and Heritage, and I get it is a big central agency, I am trying to get to a point at which government gets more use. There is a whole-of-government policy unit, but there are agencies such as police, health et cetera. These are citizens of Western Australia and if the government is responsible for the delivery of services, it should not think there is an Aboriginal agency that should be doing health services for Aboriginal people. That is the responsibility of the Department of Health, be it regional or metropolitan. This will take some time. We have had a bit of conversation about it and it is taking a bit of time, but I think it is the best outcome. On what I will call the transactional side of things there is the lands stuff. The land estate, the ALT estate and the heritage processes under the heritage act tend to be transactional. I think in government we know how to deal with them pretty well. Aboriginal representative bodies and prescribed bodies corporate and whoever know how to deal with them pretty well. That is something that just sort of happens and the agencies deal with it quite well. Yes, there are controversies along the way, but if we can amend the heritage act and get a better process there, it will be good. I think we will land a better outcome. Having said that, I still expect police to have particular people focused on Aboriginal people, whether that be through Aboriginal police officers, Aboriginal programs et cetera. But the policy unit is more about ensuring the subject of the conversation that we just had; that is, housing or another agency does not wander off and do something without coming to the coordinator and saying what is happening. I think we are starting to see some progress; for example, the response to the Roebourne issue was very much coordinated. Even though the Department of Communities and the minister responsible had the lead on that, the question was how a proper culture of response to the Roebourne issue was ensured. We have seen these things in towns all over the place before. The response has been clumsy and in another 15 years they have to deal with the same thing again. Hopefully, I have answered the question.

The CHAIR: Member for Kalgoorlie, the minister has been very charitable. You were supposed to refer to a line item. Firstly, what you referred to was not in the right service, because you took me to a heading that was another part of division 41. Secondly, it was not a line item. If you want to ask a further question, I caution you that some ministers may not be as charitable, so please do not assume that this is the natural course of how estimates operates. If you want to ask for a further question, I am happy to enable you to do that, but firstly, you were referring to the wrong division and secondly, what you referred to was not a line item.

Mr K.M. O'DONNELL: Apologies, Madam Chair. I thought we had combined the services. I thought it had gone.

The CHAIR: No, we have to change. That is okay, let us not enter into a debate. You do not have to debate the Chair. Do you have a further question?

Mr K.M. O'DONNELL: Negative.

The appropriation was recommended.

[2.40 pm]

Division 41: Planning, Lands and Heritage — Services 9 and 10, Aboriginal Affairs, $16 801 000 —

Ms J.M. Freeman, Chair.

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

Mr G.A. Gammie, Acting Director General.

Mr J. Deery, Chief Finance Officer.

Mr D. Corr, Executive Director, Land Use Management.

[Witnesses introduced.]

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

Mr D.T. REDMAN: I refer to "Significant Issues Impacting the Agency" on page 590 of budget paper No 2. The first dot point refers to the Aboriginal Lands Trust. In the past the Minister for Aboriginal Affairs has advocated his desire to dispose of lands out of the Aboriginal Lands Trust. I am interested in a progress report on that. I know that I found it very frustrating when dealing with this area and I hope the minister is finding it just as frustrating.

Mr B.S. WYATT: Yes, I can confirm that I have found it just as frustrating. There has been a pretty good response from Aboriginal groups around the state. The member would be familiar with the tenure difficulties around it. For things like freehold land and pastoral leases, if I could get them out the door and off to a group, I would be desperate to. There are still six pastoral leases in the ALT and I have asked the ALT to start thinking about what needs to happen to divest those. I have asked Aboriginal groups themselves, particularly when traditional owners are identified under the Native Title Act, to identify lands for me, because I am very keen. When it is freehold or that sort of lease, it is easy to do. To be frank, it has had some success and some frustrations. I suspect that it is probably similar to what the member experienced.

Mr D.T. REDMAN: Is the minister happy to provide by way of additional information those that he has been successful in transferring out of the ALT estate since coming to government?

Mr B.S. WYATT: Can I do that by way of supplementary information?

Mr D.T. REDMAN: Yes.

The CHAIR: Minister, would you clarify what the supplementary information is?

Mr B.S. WYATT: The member is asking for land that has been divested out of the Aboriginal Lands Trust estate since March 2017.

[*Supplementary Information No A15.*]

Mr D.T. REDMAN: Does that included town-based reserves?

Mr B.S. WYATT: Town-based reserves will be part of the estate, yes.

Mr D.T. REDMAN: Has the minister made any budgetary allocations in relation to dealing with contaminated sites issues to resolve that prior to transfer?

Mr B.S. WYATT: There is a spend on contaminated sites coming through the Regional Services Reform Unit, because ALT effectively does not have a budget, incredibly—it has been that way for however long. There is a spend of $4 million or $5 million on contaminated sites.

Mr D.T. REDMAN: Is that royalties for regions moneys under the town-based reserves funds out of the Pilbara?

Mr B.S. WYATT: Yes, that would be part of that fund.

Mr D.T. REDMAN: Those funds were specifically for town-based reserves. I am assuming that there will be other assets that will not have an allocation of funds, or was that a global allocation to all ALT lands that the government is choosing to decontaminate?

Mr B.S. WYATT: The member would know those I am talking about, where obvious contamination is being remediated. There are also contaminated sites in the broader estate, but we do not yet have a budget for them, but they are not necessarily town-based reserves.

Mr K.M. O'DONNELL: We talked about the successful groups. Are there any unsuccessful groups trying to get land or infrastructure from the ALT? Is it top heavy? Are there a lot not getting it, through no fault of their own?

Mr B.S. WYATT: Not necessarily. It is often difficult to divest land because whatever the tenure issue is, if it can be resolved, an organisation that can then take on the liability of land ownership must be found. If it is freehold in a large regional centre, that is not such a big issue, but it might be an issue in other circumstances when it comes to cost. Of course, having conversations around land that is contaminated as part of the ALT estate, why would an Aboriginal group take on something like that? That is a conversation that has been had. Cullacabardee has contamination. It used to be nowhere near the city and now the city has grown up around it, so it is an area of land that is now very much within the metropolitan area, but it does have a not insignificant contamination. If people came to me wanting land divested to them, particularly if they were a traditional owner group, I would be hard pressed to say no.

The appropriation was recommended.

Division 12: Treasury, $5 111 197 000—

Ms J.M. Freeman, Chair.

Mr B.S. Wyatt, Treasurer.

Mr M.A. Barnes, Under Treasurer.

Mr M.J. Court, Deputy Under Treasurer.

Mr R. Watson, Executive Director, Economic.

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

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

Mr Z. Khan, Executive Director, Public Utilities Office.

Mr D. Corbellini, Principal Policy Adviser.

[Witnesses introduced.]

The CHAIR: I give the call to the Leader of the Opposition.

[2.50 pm]

Dr M.D. NAHAN: As usual, I will go through a number of things, but I will start with some issues with the budget of the Department of Treasury itself. I refer to page 132 of budget paper No 2. I raised this with the Premier yesterday. In the line items for public sector reform and senior executive service reductions, there is approximately $3 million of additional public sector reform expenditure, and about $4.5 million over the forward estimates, including 2017–18, for senior executive reductions. Can the Treasurer tell me what the public sector reform moneys will be spent on?

Mr B.S. WYATT: Yes, I can. I can deal with both. I will deal with the senior executive service reduction first. That is a whole-of-government position that we took to the election, about reducing the number of senior executive staff in government. That has been rolled out, and we are continuing to roll it out. That equates to four positions in Treasury. In the area of public sector reform, the member might have seen that the report of the special inquiry by John Langoulant made some recommendations around reskilling, or providing the skills for central agencies. Both the Department of the Premier and Cabinet and Treasury, over a long period, effectively stayed flat with their budgets, whereas most agencies obviously increased dramatically. For Treasury, that works out to be 11 full-time equivalents—nine permanent and two temporary—who will effectively go into a range of different areas that have been identified through what we will call the Langoulant inquiry as being necessary, but also Treasury has been keen to provide more support in these areas. These can be seen on page 133, in the points about the development and implementation of standardised governance arrangements for government trading enterprises, which is an important area that we need to do; expanding Treasury's revenue forecasting capacity, and I think the member understands the importance of that; and, of course, more broadly—this was a direct recommendation from Langoulant—enhancing Treasury's role across the public sector in terms of financial management capacity-building. This is 11 FTEs to effectively allow Treasury to do more work in those three areas.

Dr M.D. NAHAN: Are any of those 11 FTEs in the senior executive service?

Mr B.S. WYATT: No.

Mr D.T. REDMAN: I refer to the budget aggregates on page 5 of the *Economic and Fiscal Outlook*. I have a rather simple question to start with. Can the Treasurer give me a figure for the total public sector net debt on the change of government in 2017?

Mr B.S. WYATT: If the member wants 30 June 2017, we can give him that.

Mr D.T. REDMAN: Yes, that is probably close enough. I am just hearing a number of figures being touted around the place, and I am interested in confirming it for the sake of *Hansard*.

Mr B.S. WYATT: The total net debt as at 30 June 2017 was $35.281 billion. Hang on, I am being corrected.

Mr D.T. REDMAN: I am just looking at the aggregates, Treasurer.

Mr B.S. WYATT: There it is—$31.964 billion.

Mr D.T. REDMAN: Thank you. So the notion of forty thousand millions dollars is not right?

Mr B.S. WYATT: I will try to explain in this place my view on this. I get the member's argument that what we get at the point we come to government is what we inherit. That would be the case if we were in a surplus position, but when we came to government, we had nothing but a forward projection of deficits. That is all we had. We have got to own the deficits, because ultimately all that money is being borrowed to cover them. That is why I firmly believe that the forward projection, which I think, from memory, was out to $42 billion at the *Pre-election Financial Projections Statement* time—it has just been handed to me, and it is $41.113 billion. That is why we used that figure.

Mr D.T. REDMAN: Looking again at the aggregates on page 5 of the *Economic and Fiscal Outlook*, I note that expense growth is predicted at 0.9 per cent, and the estimated actual for 2017–18 expense growth is 2.8 per cent, but the underlying estimate is 1.6 per cent. In the interests of Treasury providing the Treasurer with advice that is totally independent, I am wondering whether the Under Treasurer might be able to make comment about —

The CHAIR: You cannot ask that, member.

Mr D.T. REDMAN: The minister may well give me some latitude here. When new governments come in, in my experience, there is a bit of a slowdown in expense growth, simply because the government is getting a handle on agencies, and decisions are not made and do not go through cabinet. Is there a history of that, and therefore is there some underlying influence on these aggregates of a change in government, as distinct from —

Mr B.S. WYATT: I can answer that. I am sure that is right, and also a large machinery of government reform process slows spending down as well, I suspect. In fact, I know it does, and we are seeing that already. In fact, the March quarter results, which went online yesterday, highlight that that 2.8 per cent is now coming in at about 1.4 per cent. Expense growth for 2017–18 is slow for a range of reasons. I am sure the member is right—a change in government and then not insignificant machinery of government changes would be assisting that slower spend.

Mr D.C. NALDER: In respect of the forty thousand millions dollars, using the logic that the Treasurer is applying, the need to backtrack and re-address the start position of the previous administration would be a fair assumption, would it not?

The CHAIR: The assumption is questions.

Mr B.S. WYATT: I am happy to have this conversation; that is all right. The difference in 2008, when the government last changed, was forward estimates full of surpluses.

Mr D.C. NALDER: No, but the projection of net debt on forward estimates was quite considerable at that point, in 2008.

Mr B.S. WYATT: I cannot remember what it was, but it was increasing. The benefit given to the government in 2008 was large surpluses across the forward estimates.

Mr D.C. NALDER: There were larger surpluses, but large capital spends, so increases in net debt. What we are talking about here, Treasurer, is net debt.

Mr B.S. WYATT: Capital spends can be changed. When there is a recurrent spend, that is very difficult to change—members all know this—and also forward estimates full of large assumed savings, and still a deficit position each and every year, that is almost impossible. That is why we utilise the $41.113 billion figure.

Mr D.C. NALDER: The government keeps espousing this figure of forty thousand millions dollars, and yet the budget papers clearly specify $31.96 billion as at 30 June. It must also be accepted that if the *Pre-election Financial Projections Statement* is used, just before the election, to provide the forward estimates, one other Treasury assessment after the PFPS and before the election actually stated that forecast net debt, if a Liberal Government was returned, would be $28.8 billion. Why is the government not utilising the last estimates from Treasury, which pointed to a net debt position of $28.8 billion?

Mr B.S. WYATT: Because that was a Liberal Party wish, not the reality of the finances. The reality of the finances, and I have the *Pre-election Financial Projections Statement* here, is net debt growing to $41.1 billion on the back of operating deficits each and every year. The Liberal Party had a wish to sell Western Power at that time. That is one theoretical, hypothetical way we could have gone. I could have also wished for a brand-new revenue source, which was part of the former government's agenda as well, but that never came about. There are hypotheticals and there is reality. I deal with the reality of the *Pre-election Financial Projections Statement.* If the previous government had sold Western Power, that no doubt would have had an impact on the PFPS.

[3.00 pm]

Mr D.T. REDMAN: I refer to the royalty income outlined on page 83 of the *Economic and Fiscal Outlook*. The Treasurer probably does not need to turn the page. There are now a number of pushes by the federal government to basically pursue big mining companies that are not paying tax because of trading hubs in Singapore and the like. Presumably, if there are unpaid tax liabilities and therefore legal ramifications in trying to pursue that, there may well be flow-on impacts on unpaid royalties at a state level if there is a demonstrable example of cost shifting into those trading hubs. Are there any discussions with the federal government or any work by Treasury about watching that as a potential unpaid revenue source for the state?

Mr B.S. WYATT: This is a question I asked not long after coming to government, because trading hubs have a lot of potential, particularly as highlighted in that Senate committee hearing. There was a lot of attention on the use of them. I have since been educated that it is a little bit easier when dealing with royalties, because, ultimately, the calculation of volume is much clearer than perhaps using a mechanism for company tax rates et cetera. Treasury relies on the volume rates that come to it from the Department of Mines, Industry Regulation and Safety. I will ask the Under Treasurer to explain how we get that data from the Department of Mines, Industry Regulation and Safety. It is a lot simpler when we are dealing with a volume-based royalty than it is with corporate tax rates, for example.

Mr D.T. REDMAN: Price is a factor.

Mr M.A. Barnes: As the member will be aware, our royalty system is an ad valorem system. It is simple and straightforward; it is a function of price and volume. Price forecasts are done by Treasury, whether that is the iron ore price, the nickel price or whatever. The exchange rate forecasts are done by Treasury. The volume projections are informed by a survey of the producers conducted by the department of mines, which we then, I suppose, quality assure, and we bring all those things together to inform our royalty forecasts. The issue that the member has raised is around deductions. A limited number of deductions are available under our ad valorem royalty system. The department of mines, in particular, as the administrator of the royalty system, keeps a close eye on those deductions.

Mr B.S. WYATT: The federal government is spending a bit more time on it because it is a more complicated tax base.

Mr D.C. NALDER: I refer to page 1 of budget paper No 3 and specifically the point that states —

> Successful negotiation with the Commonwealth for a fairer share for Western Australia has secured additional funding for priority infrastructure projects, including METRONET, …

There are additional road projects. My questions centre around specific road projects such as Tonkin Highway. I assume that the gap is the pinch point at the crossing of the Swan River, but I have never been clear on the gap. I might save that for the Minister for Transport.

Mr B.S. WYATT: In terms of details about roads, the member might have to put those questions to the minister.

Mr D.C. NALDER: I will save that.

From the funding perspective, can the Treasurer please advise how much federal funding and how much state funding has been allocated to these specific projects that have been listed in the budget papers? I can see that no state funding has been allocated to the Metronet projects, but the federal funding is there. But I cannot determine it for the road projects. I wonder whether the Treasurer could please advise on that.

Mr B.S. WYATT: There is a small amount of state funding.

Mr D.C. NALDER: It is 80–20, Treasurer.

Mr B.S. WYATT: There is a very small amount of $21 million for Metronet and $18.8 million for the Bunbury Outer Ring Road and there was $60 million in last year's budget for Stephenson Avenue.

Mr D.C. NALDER: I am a bit confused, because the government announced projects such as the extension of Mitchell Freeway to Romeo Road and the like. I am struggling to identify where these are outlined in the budget and the state's contribution in the budget.

Mr B.S. WYATT: The member will not find a contribution to a lot of those roads that were announced as part of the commonwealth budget because work is still being done. I think that both I and the Premier have said in this place that a range of work is still being done on a lot of those roads. I found it quite interesting that similar questions were put to the deputy secretary to the Department of Infrastructure, Regional Development and Cities, Mr Luke Yeaman, on Monday night in Canberra. I will read what he said about a lot of this commonwealth funding for roads out to 2024–25. In referring to the commonwealth government, he said —

> The government has chosen to essentially mark out those projects and put some serious funding commitment on the table to help leverage the kind of planning work that was discussed earlier …

He then referred to a Tasmanian project —

> It is well understood inside government that there is still, on many of these projects, a detailed planning process to go and be undertaken, but this is intended. The funding commitments are intended to stimulate and drive that planning process.

That is exactly what it has done. That planning process within the state government will continue. We have a national partnership that will expire on 30 June 2019. To be frank, I would be keen to see an increase in the commonwealth component of some of the proposals from the commonwealth government that are 50–50 assumptions, but that will be part of that ongoing process.

Mr D.C. NALDER: Just taking it to a higher level, of the $3.2 billion in promises from the commonwealth—some are beyond—how much has been booked into the 2018–19 year and the forward estimates?

Mr B.S. WYATT: From memory, it is just under $1.2 billion. It is $1.198 billion. There is $702.2 million in 2017–18 and $1.197 billion across the forward estimates to 2021–22.

Mr D.C. NALDER: Can the Treasurer give the breakdown of what is rail, what is road and what is hospitals within those two?

Mr B.S. WYATT: There is $729 million for the Metronet projects under development, and there is $188.9 million for the hospitals infrastructure package, which was articulated as the GST top-up. It included $158 million for stage 2 of the Joondalup Health Campus redevelopment, $10.6 million for Osborne Park Hospital, $4 million for the Royal Perth Hospital mental health observation area, and $16.3 million for the Royal Perth Hospital medihotel and refurbishments, which is yet to be allocated. In terms of road projects, there is $65 million for Stephenson Avenue and $75 million for the Bunbury Outer Ring Road. There is $140 million for the Myalup–Wellington water project, plus a further loan of $50 million that it is dealing with Collie Water on.

Mr D.C. NALDER: As work is still to be done and therefore the state's contribution has not been allocated to Metronet, on what basis did the Treasurer allocate federal funding, given that it has only just been announced in the federal budget, no budget has been done and no business case has been done? On what basis did the Treasurer grab the federal money, bring it into revenue and expense it under capital, when he is not in a position to do the state's component of that?

Mr B.S. WYATT: It is because we are committed to Metronet. We do not know when we are committed to a lot of those other roads. That work on Metronet in particular is continuing and is on track, as per the comments made by Mr Yeaman in commonwealth estimates this week. The business-case work is going well and we expect construction to start as per our commitment. That is now obviously the global figure. I suspect that, in due course, once the business cases are done, it will be cashflowed accordingly and the state contribution will become clear.

Mr D.C. NALDER: Does the Treasurer acknowledge that he has booked the federal funding because the federal government is committed to it and there is a current agreement of 50–50, even though the Treasurer would like to negotiate a higher contribution in the future, but because he has not expensed the state component and it is a 50–50 arrangement, he has understated net debt?

Mr B.S. WYATT: When we make a decision to spend more, that will have an impact on net debt, yes.

Mr D.C. NALDER: But the Treasurer has committed to the project by booking the revenue from the commonwealth government. If he is not committed to the project, he could not book the revenue. To go back to the original question, based on a 50–50 agreement with the commonwealth, the Treasurer has understated the net debt position of the state —

Mr B.S. WYATT: For roads? What is the member talking about?

Mr D.C. NALDER: I am talking about Metronet. Metronet is a 50–50 arrangement.

[3.10 pm]

Mr B.S. WYATT: The member says that. I am not familiar with that, but go on.

Mr D.C. NALDER: A joint press release from the state and federal governments stated it was a 50–50 arrangement.

Mr B.S. WYATT: I am going on conversations I had with the Minister for Finance, Senator Mathias Cormann.

Mr D.C. NALDER: It was a joint press release. The state government has booked 50 per cent for the project from the commonwealth and because it has been booked and expensed, and because the Treasurer is saying that the state government is committed to the project, he has understated the state's net debt position in this budget.

Mr B.S. WYATT: I can confirm that as we spend more money, whether it be on Metronet, road projects, health or whatever it may be, net debt will increase. I get that it frustrates the member, but that is the reality.

Mr D.C. NALDER: Treasurer, that is not being clear and concise to the community of Western Australia about the current financial position of the state. The government has committed to a project, it has taken the share of money from the commonwealth and it has been expensed so there was a windfall revenue gain on a wish list—we were talking about wish lists earlier; the Treasurer has one. The money was expensed as capital below the line and the corresponding state contribution has not been included, which increases the risk to the net debt position of this state. That has not been articulated anywhere for people to understand it.

Mr B.S. WYATT: When we increase our spend, that will fall to net debt; I can confirm that. If we had simply assumed a figure now, the member would be sitting there and quite correctly critiquing me for not following the strategic asset management framework, which was ignored by and large by the former government, and the member would be critiquing me for not following Langoulant's recommendations. I can confirm that when we increase spend, whether it be on Metronet, roads or anything else, it will increase net debt.

Mr D.C. NALDER: Further to that, it is —

The CHAIR: Member, can you take out your standing orders and look at standing order 77. It states that preambles, opinion statements, arguments, allegations and inferences are not questions and they should not be contained as that, so ask a question.

Mr D.C. NALDER: Madam Chair, this is not an inference.

The CHAIR: Ask a question, member, otherwise I will rule it out of order.

Mr D.C. NALDER: Okay. The Treasurer just made a statement that we would critique him for not having undertaken a business case and therefore not putting the state contribution into the budget —

The CHAIR: Just ask your question, member.

Mr D.C. NALDER: — when the federal contribution is in the budget.

The CHAIR: Do not argue with me; just ask your question.

Mr D.C. NALDER: Our argument is not critiquing the Treasurer for not doing a business case if it was put in there, it is why the commonwealth funds were put in there when the Treasurer does not have the business case ready.

Mr B.S. WYATT: It is because we are committed to the project.

Dr M.D. NAHAN: On the package of $3.2 billion, firstly, to get clarity, an alleged agreement between the commonwealth and the state was reported in the paper for road funding. It included Tonkin Highway and the extension of Mitchell Freeway. There was an apparent sharing. To clarify, is none of that money in the budget for Tonkin Highway and Mitchell Freeway?

Mr B.S. WYATT: That is right.

Dr M.D. NAHAN: Commonwealth or state?

Mr B.S. WYATT: That is right.

Dr M.D. NAHAN: Is the reason that the state, which is the operating government, has not committed to the projects yet?

Mr B.S. WYATT: Correct—yet.

Dr M.D. NAHAN: We will get this from the Minister for Transport, but does the Treasurer know that the Mitchell Freeway extension is almost shovel ready?

Mr B.S. WYATT: I am sure that the Minister for Transport will confirm or deny that.

Dr M.D. NAHAN: Okay, good.

Mr B.S. WYATT: I think that is probably right, but I do not know for sure.

Dr M.D. NAHAN: It was almost ready under our government. The Mitchell Freeway extension is very progressed; the right-of-way is there, it is owned and whatnot, and it is almost shovel-ready. Has the Mitchell Freeway extension not progressed because the Treasurer has not agreed to that investment? It is not because further business plans are needed. Is it because the government has now chosen not to commit to that project?

Mr B.S. WYATT: We have not committed to it in the budget; that is right.

Dr M.D. NAHAN: It is not because another extensive planning process is needed; it is because the government is yet to choose to allocate funds to commit to the project.

Mr B.S. WYATT: I think the Leader of the Opposition referred to Tonkin Highway in his comments. My understanding is that a range of roads are in different states of preparedness. Apparently the Mitchell Freeway extension is ready or nearly shovel-ready to go. Interestingly, the Tonkin Highway project is exactly what the *Hansard* from the commonwealth estimates, which I quoted a minute ago, referred to. It seems that a lot of work needs to happen before that is ready. The projects are in different states. We have not committed to all of those projects for a range of reasons. Firstly, more work needs to happen, and secondly, we were not ready in a budgetary sense to commit to them. In the next budget, we might be, but we will see.

Dr M.D. NAHAN: Regarding hospitals, the Treasurer indicated funding for them. For each one, the Treasurer indicated the commonwealth funding, which is in the budget. How much is the state funding for each one in the budget?

Mr B.S. WYATT: In state funding, Osborne Park Hospital has $14.4 million; Royal Perth Hospital mental health observation area has $7.8 million and that is it.

Dr M.D. NAHAN: What about the medihotel?

Mr B.S. WYATT: We are yet to allocate funds to RPH medihotel.

Dr M.D. NAHAN: Is there no state money for the RPH medihotel?

Mr B.S. WYATT: No; we are yet to allocate that.

Dr M.D. NAHAN: What about Joondalup?

Mr B.S. WYATT: That is all commonwealth funded.

Dr M.D. NAHAN: I take it the Treasurer is committed to all those?

Mr B.S. WYATT: Yes, that is right.

Dr M.D. NAHAN: Regarding rail, the government has committed to major announcements. For roads, no commonwealth or state money was booked because the government has not committed to the projects. That is fair enough; I understand that now. For rail projects, commonwealth money was provisionally booked. I do not know how that was allocated provisionally. Could the Treasurer indicate how the commonwealth money was provisioned and on what basis? Is it an expected flow of money? What is the expected timing and cost of the project? It must have been provisioned on some sort of hypothesis.

Mr B.S. WYATT: The assumed spend of the global allocation for Metronet is in the budget for 2019–20 at $100 million; for 2020–21, $250 million; and for 2021–22, $400 million. That will change once the business case is done and we know what the proper cash flow will be. Then the member will also see what the state contribution is.

Dr M.D. NAHAN: I am confused why the Treasurer can provision commonwealth money but not provision the department's own money.

Mr B.S. WYATT: Because we could.

Dr M.D. NAHAN: I do not understand how the Treasurer can have —

The CHAIR: What is the question?

Dr M.D. NAHAN: I am trying to ask about the cash flow. I am trying to understand it. In the budget, there is a cash flow of $100 million, $250 million and $400 million over the last three years of the forward estimates. Regarding the point we were discussing, I am trying to understand how cash flow can be committed for commonwealth money the department has committed to but not commit cash flow to its own.

Mr B.S. WYATT: It is because we have not yet done our business case work.

Dr M.D. NAHAN: But it has not been done for the commonwealth money either.

Mr B.S. WYATT: We are doing the business case work and, as I said, that is progressing. Once it is completed, we will then have two things: firstly, the cash flow will change and, secondly, the state contribution will be added.

Dr M.D. NAHAN: Did the commonwealth agreement involve a 50–50 split between the commonwealth and the state governments for the rail money?

Mr B.S. WYATT: Certainly not in my correspondence with Senator Mathias Cormann, no, but we were committed to the project. That is the commonwealth contribution. The Premier has also made comments that we would like to see greater contributions or continue with that. Whether that contribution works out to be 50–50 or a different percentage, I do not know. I think the commonwealth Minister for Infrastructure and Transport, the Deputy Prime Minister, has suggested it would be 50–50 but that was not the basis upon which we bought the project to book in our budget.

Dr M.D. NAHAN: The Treasurer booked $750 million on Metronet from the commonwealth without a business plan—committed conceptually to the various projects without a business plan, and without a sharing arrangement between the commonwealth and state governments. Does the Treasurer have an agreement with the commonwealth for the cash flowing of the projects or the sharing of the projects, which has been done in the past on major joint projects with the commonwealth?

Mr B.S. WYATT: Not at the time we booked this. I have no doubt that is happening, I suspect between the Minister for Transport and the Deputy Prime Minister federally. No, we do not have an agreement on cash flowing. We will get an agreement on cash flowing when our business case work is done. Do we have an agreement on sharing? Of course we do, because we are going to build this. The amount of money that the commonwealth has provided is not sufficient to cover the entirety of it; I wish it was. But it is not, so there will be a state contribution. I suspect it will be around 50–50 once it is complete, but we do not yet know.

[3.20 pm]

Dr M.D. NAHAN: The commonwealth agreed in its budget to provide the state funding for Metronet. Why did the government book it at all if it is not provisionally booking its own?

Mr B.S. WYATT: Because the government is committed to the project.

Dr M.D. NAHAN: Yes, the government is committed to it—actually, it is not committed to the project because it is not committing any of its own money to it.

Mr B.S. WYATT: We have. As I said, we have a small amount of $21 million of state money.

Dr M.D. NAHAN: Yes, $21 million, which is from the Metropolitan Redevelopment Authority.

Mr B.S. WYATT: This is a project that we are committed to.

Dr M.D. NAHAN: The government is committed to it, but it is not ready to commit any money to it because the Treasurer does not understand the cashflow and costing.

Mr B.S. WYATT: That is right.

Dr M.D. NAHAN: I understand that, but the state government is taking money from the commonwealth, putting it in the budget and, in effect, committing financially to it. We are just puzzled. This is a new accounting treatment I have never seen, whereby in a 50–50 joint venture the government is taking the money from one side and does not put in its own money.

The CHAIR: Leader of the Opposition, it is interesting that you are puzzled, but that is an opinion, argument, inference or imputation and does not fit within the rules of the questioning. I do not want to rule you out of order, but please ask a question.

Dr M.D. NAHAN: Is it the advice of Treasury that the cashflowing in the budget, that $100 million, $250 million and $400 million, from the commonwealth is the expected expenditure pattern from the commonwealth and will be for the government's committed rail project over the next four years?

Mr B.S. WYATT: It is probably a best-guess scenario at this point. Once the business case work is done and we are in a better position to cashflow it, we will then do so accordingly. As I keep saying, the Leader of the Opposition will then see the state's contribution.

Dr M.D. NAHAN: If the government commits to these projects and if the assessment of the costs are as the Treasurer expects them to be, what does the Treasurer expect the reasonable state contribution to be over the next four years for those rail projects?

Mr B.S. WYATT: I am not going to guess at that. The work is happening; that is why we do these business cases. Once we have that, they will be reported.

Dr M.D. NAHAN: Last year a whole raft of money was provisioned for Metronet projects that had no business case. The government put its own money into them provisionally.

The CHAIR: The question is?

Dr M.D. NAHAN: I am just trying to understand their accounting methodology.

The CHAIR: You do not have to understand anything; you need to ask a question.

Mr B.S. WYATT: I assume that the Leader of the Opposition is talking about the Perth Freight Link reallocation.

Dr M.D. NAHAN: That is right.

Mr B.S. WYATT: It will be reallocated accordingly into projects that effectively cover those projects.

Dr M.D. NAHAN: The government committed to the projects; it had not done a business case for them and it provisioned the money on its best estimates. I am asking why the government did not do that this time?

Mr B.S. WYATT: Can the Leader of the Opposition start that again?

Dr M.D. NAHAN: Last year on the reallocation of PFL, $1.2 billion, the government put additional money into it also, so there was state and commonwealth money. The government spent it on rail and road projects, and maybe some others. Some of those—at least the rail projects—had no business case. That is what we have been told. They had no business cases and a lot of work had to be done on them. But last time, the government provisioned the money over it; this time, under very similar and equally uncertain projects, the government is not provisioning the state allocation. I am trying to understand the difference between the accounting treatment last year and this year.

Mr B.S. WYATT: The project definition plans for Yanchep and the Thornlie extension are being finalised now. We do not yet have draft business cases for Ellenbrook. The point I am making is that the work that had taken place on those two that we funded in last year's budget is much more advanced than the work we are currently doing on Ellenbrook, Byford et cetera. But it is ongoing, on target and we will have it done.

The CHAIR: Do you have a further question, Leader of the Opposition? The members for Bateman and Warren–Blackwood have further questions. Ask your question.

Dr M.D. NAHAN: When the government committed in September last year to the Yanchep and Thornlie rail extensions, the business cases were—the Treasurer has done work since then—rudimentary and preliminary at best. We understand that on the Byford rail extension and Morley–Ellenbrook line the government has a preliminary business case that is equal to those two. We are puzzled why last year, before a business case was done, the government committed to and provisioned money, yet this year the government is committed to them and it does not have a business case; it has to work it out and the government is failing to do so. Our concern is the Treasurer has left—I do not know—$750 million or so out of the budget and therefore has over state debt.

The CHAIR: Treasurer, it is not a question; you do not have to answer.

Mr B.S. WYATT: No. I cannot help the fact that the Leader of the Opposition is puzzled and concerned, but I assure him, as I said to the member for Bateman, that I can confirm that when we spend money on Metronet, net debt will increase. I am not trying to suggest that is otherwise. We will spend state money on Metronet and it will have an impact on net debt, as it will do if we spend money on a range of roads that we have not yet put a state contribution to.

The CHAIR: Member for Bateman, you have a question. We have now spent 20 minutes on this matter.

Mr D.C. NALDER: The Treasurer has just acknowledged that net debt is understated. The point is that the commonwealth has come up with a certain amount of money for Metronet in these three amounts. Has it taken that on advice from the state? How did it determine how much money the state required? It has come out and said it is 50 per cent. Did the federal government make up the number for what Metronet will cost or has it taken that from the state?

Mr B.S. WYATT: I imagine the federal government has taken that from the state in terms of likely costs and likely contributions; similarly, there is a range of things there. I think there was a business case for a train station. That came from the federal government and not from the state government. But we will continue to do this work. That is why I am not saying anything different from what is being said at the moment in the federal parliament during estimates. I quote again Mr Yeaman, who said that the funding commitments are intended to stimulate and drive that planning process. It is happening and it will do that. As a result—on the questions that the Leader of the Opposition asked about the Mitchell Freeway extension—that no doubt will stimulate not only whether planning is finalised or complete, but also public conversation around that project.

Mr D.C. NALDER: The money from the commonwealth is a commitment for money, but no real money has been handed over because that occurs at the time of the project. Is the funding commitment from the commonwealth subject to a business case?

Mr B.S. WYATT: The member will see the time frames of the commonwealth contribution. The most significant part of it is in the 2017–18 figures, this year, which is coming out their door very, very quickly—the majority. For Metronet, $513.3 million is coming into our Metronet special purpose account this financial year, 2017–18, and a total of $702.2 million is coming out in 2017–18. After that, the dollars, if you like, through to 2021–22, are actually reasonably small.

Mr D.C. NALDER: I have one more quick question, please.

The CHAIR: We are at 24 minutes. There is nothing quick about this.

Mr D.C. NALDER: Is the commonwealth funding subject to a business case, because it always has been historically?

Mr B.S. WYATT: Certainly in respect of our ability to book it, no; but, of course, it will go through that process as we are doing it and I suspect it will go through Infrastructure Australia as well. The Under Treasurer nods in the affirmative.

Mr D.C. NALDER: I just want to finish that one.

The CHAIR: You said that last time. Member for Warren–Blackwood?

Mr D.T. REDMAN: Further to —

Mr B.S. WYATT: I am sorry to cut off the member for Warren–Blackwood. Can I add that in my conversations with the federal finance minister, it is very much understood, of course, that business cases will be done. I do not imagine Mathias Cormann or —

Mr D.C. NALDER: Commonwealth money will not flow without a business case.

Mr B.S. WYATT: — the Prime Minister or Paul Fletcher would be providing this sort of money without business cases being part of it.

Mr D.T. REDMAN: Further to that question, the point has been made here that the government is still doing the fine-tuning work on the business cases for those two projects, and when it finalises that, the Treasurer will be able to bring to book a cashflow of state funds. Can the Treasurer confirm that at least part of that cashflow will come from debt funding?

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: By extension, therefore, there is guaranteed to be an impact on net debt when the Treasurer finishes its business cases and brings that to book?

Mr B.S. WYATT: I can confirm that.

Dr M.D. NAHAN: To clarify this issue. There are two pools of money in the Metronet funding. The commonwealth has allocated money and he Treasurer has booked it, but it will not actually flow until the government does a business case—in other words, until the government commits to it and it has a business case. That business case will be the same decision factor for the Treasurer to allocate money. The Treasurer is booking commonwealth money without the business case —

The CHAIR: And your question is?

Dr M.D. NAHAN: We are talking about the cashflowing of the money.

The CHAIR: You are doing preamble opinions.

Dr M.D. NAHAN: No, it is a lengthy question because it is complicated. The Treasurer books $750 million from the commonwealth over the forward estimates, and the receipt is based on a business case. It is a 50–50 matching. The Treasurer has not allocated any state money because the government does not have a business case yet, but the commonwealth money will flow only if there is the same business case. The simple question is: why is the Treasurer treating commonwealth money differently from the state's money?

[3.30 pm]

Mr B.S. WYATT: The flow of money is dependent on the business case. The money will be spent after the business case has been done. I accept that the Leader of the Opposition is determined for it to be 50–50. That is not the basis upon which we book the money, which is why the Premier has said ad nauseam that we will continue to seek commonwealth contributions. The flow of money is happening. That is why a big chunk of it comes out of the 2017–18 budget from the commonwealth Treasury.

Dr M.D. NAHAN: Is the government putting in jeopardy its agreement with the commonwealth for reneging on the deal?

Mr B.S. WYATT: Which deal?

Dr M.D. NAHAN: The deal for $3.2 billion worth of infrastructure funding that has been discussed with the commonwealth. Some of it is a median fall. I suspect that the hospitals are agreed, as is the Bunbury bypass and Myalup–Wellington water project. Clearly, with Mitchell Freeway, the commonwealth expected that the state government had agreed to a deal to share funding and it has been left out of the budget. Now we are hearing that even the rail money is still open to negotiation. It is not a done deal. Is the government's treatment of the commonwealth money putting in jeopardy the whole $3.2 billion worth of infrastructure funding because it is not sticking to the deal; it is still going back and renegotiating? That is what the Treasurer has just said.

Mr B.S. WYATT: I will make some comments and respond to that. The Leader of the Opposition may have a view that we are reneging on some deal. The federal finance minister knew exactly how we were going to report this in our budget. I wrote to him and set out accordingly how we would be reporting this in our budget. There is no bad faith from the state government. We will continue to do this. I think it has been done well. In respect of us reneging on a deal, I do not accept that at all. We are booking the revenue as per our agreement. The work will continue as per our agreement. The Leader of the Opposition referred to the Mitchell Freeway. We have not funded that. To be frank with him, this was in the dying days before cut-off. I am unlikely to make a decision that quickly around that sort of spend. We will go through the processes, as we do.

The CHAIR: Leader of the Opposition, the rules for questions are not to have repetition. Questions should not be repetitive or ask for an expression of opinion. We are at 29 minutes. I think we should move on.

Mr D.T. REDMAN: I refer the Treasurer to page 136 of the *Economic and Fiscal Outlook* and the quasi-politicking heading "Railcar Program Creating Local Jobs". It refers to investment in infrastructure that supports the assembly of railcars. I assume that the Treasurer will be developing a business case for this as it happens. In doing so, will there be any sort of comparator to straight out purchase the railcars? Although I understand and support the notion of local assembly, it is good to know at what price. Is there any process that determines the effective cost of the election commitment he has made here?

Mr B.S. WYATT: There are a couple of things. The member might have to put specific details to the Minister for Transport. In light of the fact that this is now out for tender, as the member would appreciate, I do not want to make any comment around pricing. With respect to specifics, I think the member might be best placed to put the question to the Minister for Transport tomorrow.

Mr D.T. REDMAN: Further to that, it is also alongside a maintenance contract for 30 years. Is that out now? Secondly, that sounds like an awful long time to be locking down to a maintenance contract—30 years.

Mr B.S. WYATT: Is the member asking whether that is a long wait? Is that a long contract? I do not think the maintenance contract is out. The member will have to confirm that with the minister.

Mr D.T. REDMAN: Just going back to my first question, can the minister confirm that there is a business case for this project?

Mr B.S. WYATT: Yes, for the railcar procurement.

Mr D.C. NALDER: I have a question about Metronet, on a different angle. Because the Forrestfield–Airport Link comes in in 2020, I cannot find a specific line item on the operating subsidy of the FAL.

The CHAIR: You have to have a line item to ask a question.

Mr D.C. NALDER: All I am saying is that the operating subsidy is there. Am I missing a line item? Have I not been able to identify it? I ask this because we have a master operating subsidy but I am trying to understand whether some modelling has been done to give specific operating subsidies of Metronet projects in Perth. Obviously, some are coming on but beyond that, has any modelling been undertaken?

Mr B.S. WYATT: It is happening now. The member will not see it until it is due to come on and starts rolling into the forward estimates. The airport line is there.

Mr D.C. NALDER: I will ask the question a different way.

Mr B.S. WYATT: For example, the airport line is already there because we start operating in the forward estimates. The operating subsidy for that line alone is around $40 million a year. The operating subsidy, the Public Transport Authority, is budgeted there. For 2018–19, it is $834 million.

Mr D.C. NALDER: I can see the global figure but I do not see any acknowledgement of new projects. Is there any reason new projects would not be specifically line itemed?

Mr B.S. WYATT: For the same reason the previous government did not do it. It is just a global figure. That incorporates a range of things, including regional school bus services, Transperth and Transwa. Within that figure, by 2020–21, I suspect, is the airport line.

Dr M.D. NAHAN: I refer to table 2 on page 138 of the *Economic and Fiscal Outlook*. I want to clarify certain things, one of which is land sales. The second line of capital funding shows a figure of $305 million over the forward estimates. What are the total expected land sales across government during that period, including this, and what is the policy? This is a very large increase in land sales. I suppose it is associated with the Metronet lines. I do not know that. This is a very large increase in the sale of land. Is there a program for it? Can the Treasurer describe how it will come about?

Mr B.S. WYATT: It is large—$305 million. The work has been rigorous, so it has been accounted for accordingly.

Dr M.D. NAHAN: There is an additional amount of money for land sales in the housing budget. Is that included in here or is that on top of this?

Mr B.S. WYATT: I expect that the land sales are part of this table. Is the member talking about the social housing package?

Dr M.D. NAHAN: Yes.

Mr B.S. WYATT: That is different. The $398 million is separate from the social housing package.

Dr M.D. NAHAN: We are getting close to $600 million-plus in land sales. In our period of government, my colleagues and I struggled to get within cooee of that.

Mr B.S. WYATT: The $398 million is $398 million in land sales.

Dr M.D. NAHAN: The housing package was a total package of over $600 million. That includes buildings. Land sales itself, which you build buildings on and obtain social housing, has to be separate from this because those land sales is the way we fund social housing. It is nothing different. We have been doing that for a long time. It is a big step up along Metronet. The Treasurer has the data and I would like to know how much the estimated total land sales are expected to be across government in 2021–22.

[3.40 pm]

Mr B.S. WYATT: I get the Leader of the Opposition's question. That is obviously a subset of that. As everyone is fossicking around here, I will try to get it for the Leader of the Opposition before the day is done. If not, I will have to give it to him later.

Dr M.D. NAHAN: Table 2, "Metronet", does not include the new Metronet projects, which are Ellenbrook and Byford. That will be 50 per cent or thereabouts funded by the commonwealth—more if the government gets its way. The total capital expenditure is $3.621 billion.

Mr B.S. WYATT: It includes $750 million for Ellenbrook and Byford.

Dr M.D. NAHAN: It includes the commonwealth money, of which $1.5 billion is funded by the commonwealth. The government is getting a very high percentage of total funding for Metronet—about 40 per cent commonwealth funding for the whole Metronet project.

Mr B.S. WYATT: There is a large commonwealth contribution, yes.

Dr M.D. NAHAN: That includes not only the rail lines, but also all the rolling stock; I am just confirming that. This is largely a commonwealth project now.

Mr B.S. WYATT: It does not include the rolling stock; it is the lines.

Dr M.D. NAHAN: The table has "Railcar Acquisition", "Level Crossing Removal Program" —

Mr B.S. WYATT: Sorry; the commonwealth contribution of rolling stock.

Dr M.D. NAHAN: I am saying that the total cost of the package there is $3.621 billion —

Mr B.S. WYATT: Sorry; I might have misled the Leader of the Opposition. That table includes rolling stock, but the commonwealth contribution is not to rolling stock—no.

Dr M.D. NAHAN: The whole Metronet project is, to a very great extent, funded by the commonwealth.

Mr B.S. WYATT: There is a large commonwealth contribution, yes, which is great.

Dr M.D. NAHAN: How much does the Treasurer expect to borrow? How much of the total capital cost from the state does the Treasurer expect to borrow now for Metronet?

Mr B.S. WYATT: I will wait until we have the final business case before I give that figure.

Dr M.D. NAHAN: I am referring to table 2. In that table, under "Capital Funding", there is "Commonwealth", "Land Sales" and "Metropolitan Region Improvement Fund". There is then a thing called "State Capital Appropriation". Some of that is actually from the Forrestfield–Airport Link project redirections. There is also "Public Transport Authority Borrowings". Are they the only borrowings that the government has? Are all the borrowings for this going through the PTA?

Mr B.S. WYATT: The answer is yes.

Dr M.D. NAHAN: These are the government's capital projects and I am trying to understand that.

Mr B.S. WYATT: Yes is the answer to that question about the PTA borrowings.

Dr M.D. NAHAN: So, is it about $1.2 billion?

Mr B.S. WYATT: Yes, but that is all the airport line.

Dr M.D. NAHAN: But there will be more on top of that.

Mr B.S. WYATT: Is the Leader of the Opposition saying once the state contribution comes in for Metronet?

Dr M.D. NAHAN: Yes.

Mr B.S. WYATT: Yes. By way of clarification, business cases for the Yanchep and Thornlie–Cockburn lines were approved prior to the 2017–18 budget. That is why they were effectively included in the 2017–18 budget.

Mr D.T. REDMAN: I refer the Treasurer to page 150 of the *Economic and Fiscal Outlook*. Under "Election Commitments", the Treasurer will see "METRONET Social and Affordable Housing and Jobs Package".

Mr B.S. WYATT: If the question is specific in detail, I will send the member off to Peter Tinley, but that is all right.

Mr D.T. REDMAN: It refers to a couple of things, including a breakdown of the total government investment from 2018–19 to 2021–22. Of $184 million, $41 million is in capital expenditure and $143 million is in operating expenditure. I am interested in the Treasurer's explanation of that split. Also, previous pages refer to private sector investment of $209 million. On top of the split between capital and operating expenditure from government, can the Treasurer give me an understanding of how much risk sits in that, firstly, of uplifting values, which has been the commentary of the Minister for Transport and, secondly, of the private sector coming to the party to meet these commitments of so many houses, social and otherwise?

Mr B.S. WYATT: I might get the Under Treasurer to make some comments so I am not simply whispering back to the member.

Mr M.A. Barnes: I can provide only high-level comments. There might be some more detail that the relevant minister and agency can provide. I can say that a business case was presented to the Expenditure Review Committee and cabinet on this entire package, which Treasury scrutinised. We asked precisely those sorts of questions. The key risk that we had identified was around not so much participation from a joint venture partner, but more the land sales assumptions that underpin this package. This package, as presented in the budget, is net debt neutral by the end of the forward estimates period. In fact, it is marginally net debt beneficial—about $7 million or $8 million worth. That is based on assumptions that by the fourth year of the forward estimates period the land sales will be complete. That was the key risk that we identified in going through the business case. Cutting to the chase, we got sufficient evidence and answers to justify that.

Mr B.S. WYATT: All these things have risk. It is just a matter of how much, and how much we can ameliorate the risk.

Mr D.T. REDMAN: I notice that in the "Statement of Risks" in the *Economic and Fiscal Outlook* there is no mention of Metronet other than the contamination issue on the Forrestfield line. Given there is some concern from Treasury about the business case and the notion of uplifting values, which is always a very predictive model, and given a very soft market, is there a reason it was not included in the statement of risks?

Mr B.S. WYATT: I suspect once it is all brought to book—some of the more complicated lines are being done now—the member will probably start seeing statements of risk around it.

Mr D.T. REDMAN: I guess I am not so much thinking of the line costs as distinct from the assumptions in uplifting value and, hence, in trying to meet targets.

Mr B.S. WYATT: Effectively, the business case dealt with them. The Expenditure Review Committee spent quite a lot of time on this. Suffice to say that in all these assumptions in any budget there are risks somewhere. The statement of risk can be long; hopefully it is relevant. I get the member's point. It was an issue of concern for Treasury and me, and other ministers as well. The business case dealt with them.

Mr D.T. REDMAN: It would appear that there are a number of other statements of risk there that I would have thought are considerably less volatile than this, yet this one is absent.

Dr M.D. NAHAN: On land sales, the Treasurer may want to take this on notice and provide me with an estimate of total land sales across the public sector for the period from 2018–19 through to 2021–22—that is listed in table 2 on page 138—and, of course, the one for housing.

Mr B.S. WYATT: I draw the Leader of the Opposition's attention to page 197 of budget paper No 3 and the item "Sales of non-financial assets". Basically, this is largely land. The Leader of the Opposition will see across the forward estimates the assumptions around sales of non-financial assets, which is basically land. We could probably strip out anything else in there. There is not much other than land. Apparently, there are vehicles and some buildings, but basically it is land.

Dr M.D. NAHAN: Which table was that—table 1.15?

Mr B.S. WYATT: Yes. In about the middle of the table is "Cash Flows From Investing Activities" and under that is "Sales of non-financial assets".

Dr M.D. NAHAN: The Treasurer says that all the land sales proceeds will be in this budget.

Mr B.S. WYATT: In that line item, yes.

The CHAIR: The member for Bateman has the next question, but I was thinking that we need to take a break until 4.00 pm.

Meeting suspended from 3.48 pm to 3.59 pm

The CHAIR: The member for Bateman.

Mr D.C. NALDER: Still on the Metronet theme, I refer to page 136 of budget paper No 3 and the paragraph headed "Railcar Program Creating Local Jobs". Has Treasury undertaken any modelling on what increase in cost per car the state can tolerate to justify the 50 per cent local content requirement?

Mr B.S. WYATT: No, but it is probably more of a political question, is it not—what the state can "tolerate"? That is not really a Treasury decision; it is probably a political decision.

Mr D.C. NALDER: Sorry; I will clarify that. Getting 50 per cent local content is a good thing; we all agree in principle on that. In 2016 the former government announced 300 additional railcars—that was later pulled—and that worked out at $4 million per railcar. The cost is now modelling at $6.5 million per railcar. I assume the modelling suggests that the 50 per cent local content requirement will cost an additional $2.5 million per railcar. The Treasurer can make it political, but if we can increase the local content, it is a positive for the economy because there is a flow-through effect. So the question is: has Treasury done any economic modelling on the benefit derived from local content that would substantiate an increase in the total cost per railcar?

Mr B.S. WYATT: No, not yet, but that is likely to happen once the tender results come back. Obviously, it is still a live tender.

Mr D.C. NALDER: Some of this is in the 2017–18 budget for a certain number of railcars. Based on the Treasurer's previous example, there must have already been a business case to substantiate it being booked as an expense in the 2017–18 budget. The estimated total cost for 246 railcars is $1.6 billion, which works out to $6.5 million per railcar. In 2016, when the previous government was looking at 300 railcars, the figure was $1.2 billion, which works out to $4 million per railcar. That was stopped —

Mr B.S. WYATT: That is if we are also factoring in the assembly line—the infrastructure and assembly facility, I think it is called.

Mr D.C. NALDER: Sorry?

Mr B.S. WYATT: The member is also incorporating into that figure the assembly facility and associated infrastructure that will be built. The member is factoring all that in; he is not incorporating in his figures only the cost of the railcars.

Mr D.C. NALDER: So the state government is paying the capital costs of setting up the assembly line for local people to undertake 50 per cent of the jobs—is that what the Treasurer is saying?

Mr B.S. WYATT: Yes.

Mr D.C. NALDER: So the state is funding it?

Mr B.S. WYATT: At $1.6 billion over the period 2017–18 to 2027–28, this significant investment will deliver 246 railcars, and the assembly facility and associated infrastructure. Overall, this will result in a 45.5 per cent increase in the number of railcars servicing Perth's rail network. The cost of any local component will be part of the price, and we will see that when the tenders come back.

Mr D.C. NALDER: Based on previous advice from the Department of Transport back in 2016 of a cost of $4 million per railcar, this additional infrastructure will cost around $2.5 million per railcar.

Mr B.S. WYATT: I do not know what previous advice the member got, but clearly he will be able to see —

Mr D.C. NALDER: It was announced at a cost of $1.2 billion for 300 railcars. It was later pulled and an extension of the B-series railcars was announced, at a cost of $4 million per railcar. This works out, with the cost of the appropriate infrastructure to support it, at about $6.5 million per railcar. I acknowledge that a positive contribution results from doing things locally, but I am saying that there is a potential cost of an additional $2.5 million per railcar. I am wondering what modelling is being undertaken by Treasury to show that this will be a beneficial thing for the state. We acknowledge that it is great to do it locally, but it cannot be at any cost. There must be a certain point at which the economic benefits do not justify the increased cost. I assume, given that it is announced in this budget and also in the 2017–18 budget that Treasury has undertaken that modelling to substantiate the additional cost associated with having 50 per cent of the railcars built here, that Treasury would have to have seen a business case and substantiated it.

[4.00 pm]

The CHAIR: What is your question?

Mr B.S. WYATT: He is imagining it!

Mr D.C. NALDER: No.

Mr B.S. WYATT: I want to clarify one thing here. The advice I am given—which is why this might be an argument the member needs to have tomorrow with the transport minister—is that apparently the airport line railcars that were ordered after cancelling the C-series cost $6 million per car, —

Mr D.C. NALDER: Correct.

Mr B.S. WYATT: — which was paid for as part of the Forrestfield–Airport Link railcars. That is $6.5 million. If we can get local content up from two per cent to 50 per cent, that is not a bad outcome. If the member wants to get into the detail of railcars, I am sorry; he is going to have to refer to the transport minister, because it is just not my area of specialty.

Mr D.C. NALDER: An amount is sitting in the budget for 2017–18, which the Treasurer has said is $508 million, and I know a lot of it has been pushed beyond the forward estimates.

Mr B.S. WYATT: Yes, it is a 10-year program.

Mr D.C. NALDER: The additional cars would have cost $6 million each because there was only a small number of them. The reason the Department of Transport was pushing for a larger order of 300 railcars and taking procurement overseas—the original B-series railcars were being ordered from Queensland—was that it would drop the unit cost to $4 million a car. The Treasurer is doing a big purchase order here for the large C-series railcars, which has a 60 per cent higher cost than what was submitted through the cabinet process and then announced publicly. That is a 60 per cent increase. I am trying to understand, given the Treasurer has booked it in the budget, what modelling work has been undertaken to look at the increased cost per railcar and the economic benefit it brings back to the state to ensure that 50 per cent of that work is done here. I would have thought it would be just a standard operating procedure for that to be done.

Mr D.T. REDMAN: I refer to page 32 of the *Economic and Fiscal Outlook* and the table “Operating Statement”, in particular the line item “Racing Bets Levy revenue”. The Treasurer has given commitments in the other parts of the budget to a point-of-consumption tax to raise revenue. I think the suggestion is that the Treasurer is looking at a model of a 15 per cent point-of-consumption tax to raise some $40 million a year. During the estimates this morning, just before lunch, the Minister for Racing and Gaming said that the Victorian point-of-consumption tax is eight per cent. He has suggested that might force Western Australia to take a drop in its point-of-consumption tax, which presumably would be a $20 million hit on the predicted revenue of $40 million a year. The minister made the point that it was the Treasurer’s decision. Can the Treasurer enlighten us on his likely position on that?

Mr B.S. WYATT: It is the Expenditure Review Committee’s decision. When we committed prior to the election to a point-of-consumption tax and brought it to book in last year’s budget, it was modelled at 15 per cent simply because the only other point-of-consumption tax in play was that of South Australia at 15 per cent. A range of states have moved, not just Victoria. I think New South Wales is talking 10 per cent, so there is clearly a move more towards that 10 per cent level in other states. I think, from memory, without knowing the detail, that Victoria has lower tax rates for the racing industry in any event than we do, if we all stood still. I think that is why Victoria came in at eight per cent. Ultimately, this is a conversation that ERC needs to have. I accept a couple of things. Firstly, it is better to have a standard tax rate across the nation in these areas that are the states’ responsibility, not the commonwealth’s. This has been part of conversations I have had with other state Treasurers, so it is a live issue. Secondly, there might be an opportunity, bearing in mind we are in conversation with industry about the future of the TAB, that a dialogue about a point-of-consumption tax becomes an issue as well.

[4.10 pm]

Mr D.T. REDMAN: Was the intent of the revenue raised from that point-of-consumption tax to go back to industry or be a budget repair measure?

Mr B.S. WYATT: It is not so much a budget repair measure. There is a little bit of revenue to the state, so I suppose that is a budget repair measure, but we are not talking huge dollars here. To be frank, it is more about ensuring that people who should pay tax do pay tax, which is why the Northern Territory Treasurer is delighted by where all the states are moving on here. I think it probably equalises our industry with others. I think that is a fair outcome and that is why the conversations I have had with industry and the minister around this have been pretty good, because they see it as an opportunity to also perhaps clean up a range of other taxes that we have in Western Australia to replace it.

Dr M.D. NAHAN: I return to page 197 of budget paper No 3 and the sale of non-financial assets. I am trying to clarify the land sales. The sale of non-financial assets will include asset sales. This is the total public sector so it includes Synergy and others. The year 2017–18 has a figure of $827 million. I assume that would include the Albany wind farm and Greenough River solar farm that the government transferred to the fund.

Mr B.S. WYATT: I have been told that it should do.

Dr M.D. NAHAN: How much would they be sold for?

Mr B.S. WYATT: Synergy is here a little later. Can the Leader of the Opposition wait until then?

Dr M.D. NAHAN: Yes. Related to that is table 1.3, "General Government Cash Flow Statement", on page 185. This is the general government equivalent to that. The flow of the sale of non-financial assets is not that high. It tops out at $310 million in 2021–22. Most of the non-financial assets disposal is coming from the general government sector. If the government sold land for Metronet to fund it, which sector of the accounts would it come from? Would it largely come from the general government or the PTE sector?

Mr B.S. WYATT: The member is right; it is predominantly general government. There is some Main Roads and Western Australian Treasury Corporation land and a bit of Public Transport Authority land. It looks as though it is predominantly general government. Those figures suggest that that is correct.

Dr M.D. NAHAN: Except for the 2021–22 year when the non-financial asset disposal goes up to $310 million, which almost doubles, there is not a huge uplift in non-financial asset disposal expected from the general government. The high level comes from the PTE sector?

Mr B.S. WYATT: That is right.

Dr M.D. NAHAN: Will the funding from land sales for Metronet come from the general government sector?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: My concern is that when we were in government, almost all land sales in the general government sector were disposed of through the housing corporation, which absorbed it all and that is how the Department of Housing was kept largely off the balance sheet, or outside the cash flow without drains on the cash flow—in other words, self-funded. The concern the member for Warren–Blackwood and I have is that if the government is going to use a large number of land sales to fund Metronet, is that going to eat into the available land for housing?

Mr B.S. WYATT: I do not expect so.

Dr M.D. NAHAN: Unless the government reduces the stock of land for housing, and I did not see any diminution in the demand for Homeswest housing.

Mr B.S. WYATT: I think that is one of the reasons there has been a fair bit of activity in housing, whether it be in my electorate, not far from the Leader of the Opposition's electorate—estates such as Brownlie Towers and the Bentley redevelopment—but also with the social housing package we announced. There has been a bit of activity going on elsewhere.

Dr M.D. NAHAN: Those are just a continuation of longstanding policies. If the government is going to fund Metronet to a large extent out of the uplift of land sales, which does not look like it will be in the general government sector, that additional land sale money going to Metronet might come at the expense of the Department of Housing.

Mr B.S. WYATT: I do not think so, but it is a point that I will have to pursue. I suspect the Minister for Housing might be better placed to deal with that.

Dr M.D. NAHAN: The minister will notice from table 1.3 that this set of accounts is a little different from ours. If the government uses the 2018–19 figure, which is its budget, it has a deficit forecast of $2 billion.

Mr B.S. WYATT: In the cash balance, yes. It is flying the same glide path, if you like, back to surplus.

Mr D.T. REDMAN: Under the heading "State Finances" on page 132 of budget paper No 2 reference is made to the focus of government being on responsible financial management, among other things. What is the government's policy on completing business cases for cabinet decisions?

Mr B.S. WYATT: How does the member mean?

Mr D.T. REDMAN: Does the government complete business cases for all cabinet decisions? If it does not complete business cases, which ones does it not complete business cases for?

Mr B.S. WYATT: It is as per the strategic asset management framework, which obviously has a range of different business cases depending on the size of the investment.

Mr D.T. REDMAN: I note that for the Albany wave farm proposal, a government election commitment, a business case was not provided for in cabinet.

Mr B.S. WYATT: The member is quite correct; that was an election commitment. It is being done now.

Mr D.T. REDMAN: It is being done now? The project has been through cabinet and $16.5 million has been committed to Carnegie Clean Energy to complete a project that has not yet got a business case done; in fact, the business case is being done now.

Mr B.S. WYATT: That is right. We did the reallocation as per our election commitment. We moved on that fairly quickly, as the member is well aware. Work is ongoing with the Minister for Regional Development around that. Suffice to say, issues like network connection—matters the member has raised with me in the past—are being resolved, or have been resolved, basically.

Mr D.T. REDMAN: My point was not about network connection. It is a $16.5 million royalties for regions program. The proponent of that, Carnegie Clean Energy, has been issued the contract. As I understand it, there was not a business case that accompanied the cabinet decision. The minister is saying that the business case is now being done post a commitment of taxpayer funds to an initiative that is fundamentally being done by a private company.

Mr B.S. WYATT: The business case would not have dictated whether we did it. It identifies the risks as per the SAMF: what are the risks to a particular project? We committed to that prior to the election. We were always going to do it. It is being done. We went through the tender process and Carnegie won that tender. There was not any preconceived position regardless of what Carnegie may have told the stock exchange. It won the tender and work will continue with that.

Mr D.T. REDMAN: Would the Treasurer agree that both he and the Premier in particular have been quite strong in their positions around the Langoulant report outcomes on the previous government's projects and in relation to businesses cases and identifying risks and that what has been done with this project is in breach of the very standard they are citing to be the standard to be met?

[4.20 pm]

Mr B.S. WYATT: No, simply because the work was done prior to government, effectively, in respect of a commitment. We have now honoured that commitment.

Mr D.T. REDMAN: The business case work was done prior to government?

Mr B.S. WYATT: No, the work that we could do was done prior to coming to government. Now we are in government, we are committed to it. Indeed, we could not do a business case, and this is where members opposite might have tied themselves up. It is impossible to do a business case in opposition. Going to an election, an opposition will be making election commitments, as we did around the Albany wave farm. We have made it crystal clear what it is. The Minister for Regional Development is doing a range of work now to ensure that the risks are identified and that we can deal with them. I think they are by and large dealt with. The work is still ongoing, but, by and large, the risks around it have been dealt with.

Mr D.T. REDMAN: Does the Treasurer find it most unusual that a commitment has been made to a private company, and there were tenders through the public tendering process, which were commitments on the part of both the government and the company to carry out a project that, in my view, will end up as a stranded asset? I cannot look at it any other way, from a lay side, than suggesting that it is a massively high risk project, and now the business case is being done post that commitment. Does the Treasurer not find that unusual?

Mr B.S. WYATT: I get that the member finds the project unusual. He has made that clear in the Parliament, but it is a research and development project; we have never made any bones about that. We think it is an interesting project and that there are benefits to be gained from it, and that is why we have the partnership with the University of Western Australia in particular. In respect of the commitment to the private sector, that was our commitment, but we ran a rigorous process around who would then be awarded that project. There is no suggestion that one organisation was favoured over another but, I guess, unsurprisingly in Western Australia, Carnegie ended up getting it.

Mr D.T. REDMAN: Would the Treasurer therefore concur that, under the previous government, there was no question of impropriety in putting out proposals to the public to get tenders, and therefore he is suggesting that that is a sound enough project to make commitments? That has been his criticism of previous investments as per the Langoulant report, and now this appears to be significantly in breach of that path.

Mr B.S. WYATT: I have never suggested impropriety. I have been very critical about the breakdown of processes. Impropriety suggests some form of criminal or corrupt behaviour. I do not think that I have ever suggested that. I have not suggested that either way, but I have been critical of the processes.

Mr D.T. REDMAN: The Minister for Regional Development has had historical links to the groups involved with this project. I would have thought that would significantly dial up the risks. In fact, many of the freedom of information documents I have from the government suggest that there has been commentary in and around those risks. I thought that one of the strategies to de-risk it would have been to have a business case consistent with what the government is proposing for projects of that nature—indeed, a $16 million project is not insignificant. That should have been more than reasonable.

Mr B.S. WYATT: The fact that the member has picked up commentary in FOIs highlights that, I guess, we were aware of the risks, because the Minister for Regional Development has been very clear about her prior connection.

To place it on the record, the Minister for Regional Development had shares in a company that Carnegie purchased, Energy Made Clean, and then she divested those prior to becoming a minister—for free; she gave them away, unsurprisingly and quite rightly. The risk was around the tender process, and that is why the process around the tender was rigorous and clear. It landed with Carnegie, but that was very much an arms-length process.

Mr D.T. REDMAN: What does the Treasurer expect will be the action once the business case has been completed, should that business case identify risks of the project?

Mr B.S. WYATT: Most of the risks, as I said, I think have been identified now.

Mr D.T. REDMAN: So there is no point in doing the business case?

Mr B.S. WYATT: No, but if there are any more risks, that is the point of them, as per the strategic asset management framework—to react to them.

Mr D.T. REDMAN: Is it fair to say that the business case simply gets done and put on a shelf?

Mr B.S. WYATT: That is not the intent.

Mr D.T. REDMAN: If it is not the intent, what is the intent to use it for?

Mr B.S. WYATT: The business case is there to guide us on the risks around a project and how to ameliorate them.

Dr M.D. NAHAN: I want some clarity on the government's business case policy on election commitments. The Ellenbrook line was an election commitment, just like the Albany wave farm. The government is not committing any money to the Ellenbrook line until it has finished the business case. However, the government committed money to the Albany wave farm; indeed, it went to tender prior to building a business case. Could the Treasurer explain the policy? There is a significant inconsistency.

Mr B.S. WYATT: It seems fairly apparent to me. We went through a tender process and that landed our election commitment. With Ellenbrook, we do not yet have the scope of the job. Then we will get to the point of a project definition plan, when the issues about a subsidy that the member for Bateman worries about will be worked out as well. The process around building rail is actually fairly well known within the Public Transport Authority, and we will follow that process.

Dr M.D. NAHAN: The scope of the job for the Albany wave farm, which is the business case, is not just doing the cost–benefit analysis; it is actually scoping the definition of the project, what its dimensions are, and arguing a share of equity, in this case with Carnegie. That is part of the business case. In the case of the Ellenbrook line, which was a core commitment for the new government, the government is committed to it, but is not committing any money, except for capital money, until it does a business case. With the Albany wave farm, the government committed to it before it had a business case and a scoping document.

Mr B.S. WYATT: I will say two things. Firstly, the SAMF allows for a fast-tracked business case for election commitments. That has been around for a long time. We are not going to do that for the Ellenbrook line because of the size of the project and the scale of the risk. With that project, we are going through, as the member would expect with a not insignificant spend, a much more rigorous process. That is just the reality.

Dr M.D. NAHAN: Further on this issue, the Yanchep and Thornlie lines were committed to, again, in the government's election campaign, and they were committed to in last year's budget without a business case.

Mr B.S. WYATT: There were business cases.

Dr M.D. NAHAN: Have the business cases been submitted to Infrastructure Australia? Did the Treasurer have a completed business case before the 2017–18 budget for the Thornlie and Yanchep lines?

Mr B.S. WYATT: Yes, and it was submitted to Infrastructure Australia in August last year. Remember, the budget was in September.

Mr D.C. NALDER: I refer to page 259 of the *Economic and Fiscal Outlook,* which shows the estimated impact on a representative household. It shows 4.8 per cent across the whole lot, but if I look specifically at electricity and water—this is in relation to the broader economic impacts, given that we currently have the highest unemployment rate in Australia, and real wage growth has just come out in the last week as now falling to 1.1 per cent—has Treasury undertaken any assessment and provided any advice to the Treasurer about whether an increased number of people would need to seek financial assistance from the government to help pay their bills?

Mr B.S. WYATT: Treasury provided exactly the same information to me, as it did to the Leader of the Opposition and previous Treasurers, as it has always provided about the household model. We funded the hardship utility grant scheme with another $3.5 million for 2018–19, which brings the total approved budget to $17.5 million for 2018–19. Going on the HUGS trajectory, and likely impacts, we provided increased funding for not only HUGS, but also financial counselling.

[4.30 pm]

Dr M.D. NAHAN: I would like to go to page 143 of the budget papers and go through some of the trends in the detailed transactions, including those for government business enterprises, particularly the Water Corporation. In the Economic Regulation Authority study that was released not too long ago, it estimated that in 2018 the Water Corporation will collect 14-plus per cent above cost overall for metropolitan water services under the existing policies. The pricing regime has now been altered somewhat. How much above the ERA estimated cost does the Treasurer believe the Water Corporation's payments to the state will be in 2018?

Mr B.S. WYATT: The Leader of the Opposition will have to be a bit clearer. Is that in terms of the dividends paid?

Dr M.D. NAHAN: It is dividends and income—net accrual.

Mr D.T. REDMAN: The net accrual to government.

Mr B.S. WYATT: That is in there.

Dr M.D. NAHAN: I know what the figure is, but by how much is it above cost?

Mr B.S. WYATT: Based on the outcomes of the economic model, the Water Corporation is expected to achieve cost reflectivity of 97 per cent in 2018–19 across its combined metropolitan and country services.

Dr M.D. NAHAN: No. According to the ERA, for metropolitan wastewater, drainage and potable water services, the above recovery rate is 14-plus per cent.

Mr B.S. WYATT: For how long has it been that way?

Dr M.D. NAHAN: No. The latest ERA study indicated that. The Treasurer has altered the pricing regime somewhat from the ERA's estimate. A new tier has been added and it has been increased by less—5.5 per cent. The policies that the ERA uses have been changed.

Mr B.S. WYATT: But we have reduced it from what was in the previous government's budget; that is right.

Dr M.D. NAHAN: I am just trying to find out where the Treasurer thinks we are in terms of cost recovery in 2018 now that he has changed the policies.

Mr B.S. WYATT: In the metropolitan area in 2018–19, as we have been for quite a number of years, we are over-recovering at 124 per cent, and in country areas it is 60 per cent.

Dr M.D. NAHAN: The Treasurer expects that in 2018–19, based on his policies, the total metropolitan area will be 124 per cent above —

Mr B.S. WYATT: Metro is 124 per cent and country is 60 per cent, which brings the total recovery rate to 97 per cent. Based on the forward estimates that are currently in the budget, we expect to get to 100 per cent cost recovery on the economic model by 2021–22.

Dr M.D. NAHAN: So 124 per cent compares with 14 per cent in the ERA study. In 2021–22, what will be the metro recovery rate?

Mr B.S. WYATT: At the moment, the assumption is that it will go from 124 to 127 per cent.

Dr M.D. NAHAN: In 2021–22, it will go to 127 per cent?

Mr B.S. WYATT: Yes, and country barely moves. It goes from 60 to 62 per cent by 2021–22. The significant under-recovery in regional WA is not entirely but is largely offset by the over-recovery in the metropolitan area.

Dr M.D. NAHAN: It is estimated that last year the government raised just shy of $1.2 billion in both dividends and income from the Water Corporation. What is the estimated profit rate of the Water Corporation at that time? The government collected dividends and income equivalent to just shy of $1.2 billion. What kind of rate of return is the Water Corporation expected to earn at that time, noting the rate of 127 per cent?

Mr B.S. WYATT: I do not have that to hand.

Dr M.D. NAHAN: Could the Treasurer explain two things about regional water during that period: is he increasingly funding the regional rural water subsidy from royalties for regions and is he increasing the recovery rate from prices on regional water? There are two factors that are increasingly funding regional water.

Mr B.S. WYATT: We are barely increasing the recovery rate in regional WA; that is why I made that point. In 2018–19, the recovery rate is 60 per cent. By 2021–22, it will rise to 62 per cent. That will barely change at all.

Dr M.D. NAHAN: In 2021–22, what proportion of the rural water subsidy will be borne by royalties for regions?

Mr B.S. WYATT: The Leader of the Opposition can see that in the budget. That is outlined in the budget.

Dr M.D. NAHAN: Is that it—all of it?

Mr B.S. WYATT: Is that what the budget says?

Dr M.D. NAHAN: So it is not out of the Water Corp. The moneys that are being collected from the metropolitan area, which is 127 per cent above cost, are being used not to fund rural water—that is being funded by royalties for regions—but to fund the consolidated account.

Mr B.S. WYATT: I can see why the Leader of the Opposition would say that on the accounting treatment of it, but in respect of the operations of the Water Corporation as a utility, as he knows, that is simply not the case. The Water Corporation operates by providing services across Western Australia and it has that differential impact; that is, in the metro area, we subsidise regional WA to a significant extent. In terms of accounting treatment, sure, royalties for regions comes in there, but the Leader of the Opposition has to be careful in how he considers royalties for regions. I keep making this point in this place —

Dr M.D. NAHAN: It is the government's policy. It is saving RforR.

Mr B.S. WYATT: It is, but do not think for a minute that the Water Corporation is somehow no longer providing a subsidised water service to regional WA because royalties for regions is picking up the tab.

Dr M.D. NAHAN: As I understand it, in 2021–22 the metropolitan recovery will go in full into consolidated revenue. It is a 127 per cent return on costs, or nearly $1.2 billion in dividends and income tax equivalents. In the past, the Water Corporation would have received a community service obligation payment for rural water. Now that CSO is coming from royalties for regions, which I think is equivalent to 25 per cent of royalties for regions funds.

Mr B.S. WYATT: There is still a CSO in the budget. That is why the view that royalties for regions somehow sits outside the budget is simply incorrect. A CSO for regional water is still being paid to the Water Corporation for the services it delivers.

Dr M.D. NAHAN: I am confused about the Treasurer's treatment of royalties for regions.

Mr B.S. WYATT: Clearly.

Dr M.D. NAHAN: He has stated that he is maintaining royalties for regions at $1 billion a year for the four years of the forward estimates. That is separate from the consolidated account. Therefore, a CSO from royalties for regions is fundamentally different from a CSO from the consolidated account. The Treasurer cannot have it both ways; he cannot have it as separate and as part of it. Firstly, I am trying to understand how the rural subsidy is being funded—whether it is coming from the consolidated account or from royalties for regions and whether there is a difference between the two. If there is no difference, RforR has gone as a policy. Secondly, if it is not, the net proceeds of 127 per cent of the return on the costs of Water Corporation are going into the consolidated account. It is a very large uplift.

Mr B.S. WYATT: There is still a large subsidy that we pay the Water Corporation.

Dr M.D. NAHAN: From RforR.

Mr B.S. WYATT: The Leader of the Opposition is correct. It has done all the time that the Leader of the Opposition was the Treasurer. The entire time of his treasurership, the Water Corporation over-recovered in the metropolitan area and subsidised regional WA.

Dr M.D. NAHAN: Never to this extent.

Mr B.S. WYATT: That has not changed.

Dr M.D. NAHAN: Yes, it has.

Mr B.S. WYATT: The rate may have, but that has always been the reality.

Mr D.T. REDMAN: Can the Treasurer confirm that the effect of the decision to use royalties for regions to pay the CSO payment to the Water Corporation, which is now about one-third of the royalties for regions fund, will be to free up consolidated funds to spend anywhere in the state as distinct from royalties for regions, which was limited to regional areas?

Mr B.S. WYATT: It has the equivalent offsetting effect into the consolidated account, yes.

[4.40 pm]

Mr D.T. REDMAN: By extension, the other substitution initiatives now include the Orange Busline service, albeit in part, as it is in the last of the out years, and the TAFE subsidy—I will leave out essential services because it did not have a previous funding commitment—but there were one or two others —

Mr B.S. WYATT: It has a similar impact on the consolidated account.

Mr D.T. REDMAN: It has effectively freed up nearly half the royalties for regions fund to the consolidated account for spending anywhere in the state. That is the effect of that outcome.

Mr B.S. WYATT: It has the effect of reducing the impact on the consolidated account by that equivalent amount, yes.

Mr D.T. REDMAN: Which, in effect, frees it up to be spent anywhere in the state.

Mr B.S. WYATT: Or not spending it—reducing debt.

Mr D.T. REDMAN: Or savings, yes.

Dr M.D. NAHAN: Would the Treasurer agree that the government's treatment of royalties for regions in effect consolidates royalties for regions and the consolidated fund? If projects are being switched between the two, it seems to me that royalties for regions has basically been subsumed into the consolidated fund.

Mr B.S. WYATT: No, because we have not abolished the Royalties for Regions Act, which is the only way that can be done. The Leader of the Opposition has committed to doing that, but we are not committed to doing that.

Dr M.D. NAHAN: Is the Treasurer not doing the same thing by taking those funds? Up until now, royalties for regions was used primarily for new projects in rural and regional areas and ongoing commitments that had been funded historically by the consolidated fund—through community service obligations and through the Water Corporation for water. Reward subsidies were quarantined for royalties for regions. The government has changed that policy; it has been put in there.

The CHAIR: What is your question?

Dr M.D. NAHAN: Again, is the royalties for regions fund not being significantly denuded and made equivalent to a subset of the consolidated account?

The CHAIR: I should think that is inference and imputation.

Mr B.S. WYATT: Again, I will confirm that the royalties for regions fund is part of the overall budget. We are committed to keeping the RforR act in place with 25 per cent of the royalty flow, unlike the Liberal Party, which has committed to repealing it.

Dr M.D. NAHAN: Can I ask the Treasurer for an estimate of the metropolitan water cost recovery going back 10 years from 2018 to 2008? To be specific, what was the total annual recovery of metropolitan wastewater, drainage and potable water over the last 10 years?

Mr B.S. WYATT: The Leader of the Opposition will have to put that on notice.

Dr M.D. NAHAN: Yes, I will put it on notice.

Mr B.S. WYATT: It is not supplementary information; it will be on notice because it will take some time.

Dr M.D. NAHAN: Okay.

Mr D.T. REDMAN: Treasurer, I will go back to some global numbers on the budget aggregates.

Mr B.S. WYATT: What page are you at, mate?

Mr D.T. REDMAN: I refer to page 5 of the *Economic and Fiscal Outlook*. There is obviously a significant improvement in the 2018–19 net operating balance from what was predicted in the last budget. Is the Treasurer able to provide all the elements that have contributed to the changes since the 2017–18 budget?

Mr B.S. WYATT: Is that on the operating account?

Mr D.T. REDMAN: It is of the net operating balance in 2018–19.

Mr B.S. WYATT: That will all be set out in the budget.

Mr D.T. REDMAN: I am struggling; I am looking at the share of the parameter changes, federal government contributions, and other transactional taxes as a product of —

Mr B.S. WYATT: Can the member go to page 32? Is that what he is looking for? Admittedly, it is for the midyear review, but it is the update for all parameters et cetera since the midyear review. Is that what the member is looking for?

Mr D.T. REDMAN: Does it have all the parameter changes?

Mr B.S. WYATT: Yes, it is all there—like the royalty income et cetera.

Mr D.T. REDMAN: That will work for me, Treasurer; thank you.

Dr M.D. NAHAN: I will go back to page 143 of the *Budget Statements*. We are done with water; the Treasurer will be relieved there. I refer to trends in both the dividends and income for Western Power. AA4 access for Western Power has been put in place and I wonder whether the Treasurer can talk about how AA4 has come on. The government was not ready last time and I understand the issue. Can the Treasurer explain how —

Mr B.S. WYATT: Can I suggest, just because if I have the CEO of Western Power with me, he might be able to provide a bit more information on that —

Dr M.D. NAHAN: Okay, I will do it then; that is fair enough.

Mr B.S. WYATT: I can make some general comments, but if the Leader of the Opposition is after specifics, it is probably best if he waits.

Dr M.D. NAHAN: Yes, okay.

Mr D.T. REDMAN: Treasurer, we talked a little while ago about those substitutions in royalties for regions. A lot of projects now seem to be co-funded by royalties for regions and out of the consolidated account, so it is a little bit blurry for some of those projects. We can see some of the main ones but is the Treasurer able to provide us with a breakdown, hopefully by supplementary information, which shows the projects that were previously funded out of the consolidated account and are now funded by royalties for regions?

Mr B.S. WYATT: That is all in the budget already. It is just a matter of pulling it all out, member!

Mr D.T. REDMAN: The Treasurer has a big team of people sitting behind him!

Mr B.S. WYATT: They are all very busy. It is all set out in the budget documents.

Mr D.T. REDMAN: Some are not quite so clear.

Mr B.S. WYATT: If the member has any specific questions, he can put them on notice, but it is all set out in chapter 7 and the previous budget can be compared with the current budget.

Mr D.C. NALDER: I want to move to some of the underlying assumptions. I will focus on page 85 of budget paper No 3 and "Royalty Income and Key Assumptions." I note that the gold royalty income drops 25 per cent over the forward estimates.

Mr B.S. WYATT: In volume, yes.

Mr D.C. NALDER: When I looked into it further, one of the underlying key assumptions is that the gold price will go up over the forward estimates, which then infers that production is dropping. Is the Treasurer able to provide any explanation of what is driving the 25 per cent reduction in gold royalties over the forward estimates?

Mr B.S. WYATT: I will defer to Mr Barnes.

Mr M.A. Barnes: It is entirely volume driven. As the member pointed out, the price forecasts are steadily increasing over the forward estimates, which is based on the futures price for gold at the time of the budget cut-off. The exchange rate assumption is quite flat across the whole forward estimates period—so the only remaining factor is the volume assumptions. That reflects our fairly conservative approach to royalty forecasting when it comes to volumes, which is that we will reflect in the forward estimates only projects that have final investment approval. We know that as time goes on, additional gold projects will be incentivised by the current gold price and they will come onstream in increased volumes relative to what is in here, but we have not brought them to book yet because they do not yet have final investment approval.

Mr D.C. NALDER: The 25 per cent reduction from a volume perspective will be greater than 25 per cent because it reflects higher gold prices. I assume from existing production that the department assumes some mines will close, reach end of life or whatever. Can any specifics be provided on what is being considered in that space, which drove assumptions for such a large reduction in current production?

Mr M.A. Barnes: I cannot really provide that information, member. It is provided as part of the survey conducted by the Department of Mines, Industry Regulation and Safety of the producers, and the producers supply that information on the basis that it is commercial-in-confidence.

Mr B.S. WYATT: I am not sure when the Minister for Mines and Petroleum is on, but he might have a better articulation around it.

Dr M.D. NAHAN: I refer to Landgate on page 143 of the *Budget Statements*. Landgate is an important business for Western Australia. Its expected dividends and income tax equivalents expand quite dramatically from $8.7 million in 2017–18 to $44 million over the forward estimates. Could the Treasurer explain what is driving that?

Mr B.S. WYATT: I assume it is volume of activity. I have just been told that it is moving to a higher dividend payout ratio across the forward estimates as it moves to increase commercialisation. We are shuffling around to find out what the dividend payout ratio will be.

Dr M.D. NAHAN: The previous government implemented a process of commercialisation of the business. It is a pretty efficient business.

[4.50 pm]

Mr B.S. WYATT: It has been very successful.

Dr M.D. NAHAN: Yes, but its income is very volatile indeed, and that is a function of the level of transactions. It is actually a second derivative of the land transactions. I think that is a problem—change is change. Is the Treasurer assuming a significant improvement in land transactions on this basis or a greater profitability or increases in prices, or something? The government is a getting a fivefold increase in profit. I know that is from a low base, but I am trying to find out what is driving that.

Mr B.S. WYATT: The advice I am receiving is that what is driving it is that the percentage of profit returned to the government is increasing, as opposed to the profit dramatically increasing. I do not have the numbers on that, but I will probably come back with some supplementary information on that as opposed to putting it on notice. That is what is driving, apparently, an increase in dividend.

Dr M.D. NAHAN: The dividend payout ratio.

Mr B.S. WYATT: The payout ratio, sorry. Yes.

Dr M.D. NAHAN: So the dividend payout ratio is increasing.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: Do you know what it is going to?

Mr B.S. WYATT: I will give that in the supplementary information.

Dr M.D. NAHAN: It is not listed in the dividend payout ratio for the business.

Mr B.S. WYATT: This is something that has obviously been in train for a while, but I can get that by way of supplementary.

The CHAIR: Can the Treasurer explain that for Hansard?

Mr B.S. WYATT: I will provide to the Leader of the Opposition by way of supplementary information what is driving the increase in dividends and tax equivalents from Landgate across the forward estimates and to what level the dividend payout ratio reaches.

[*Supplementary Information No A16.*]

Mr D.T. REDMAN: I refer to page 108 of the *Economic and Fiscal Outlook*. It refers to the Forest Products Commission and a haulage subsidy paid to the commission for a fixed period. This is in respect of what historically has been a harvest from the Gnangara pine plantation, which is interesting because there is a big stack of interested parties involved in this—the Water Corporation, people with environmental arguments and the Forest Products Commission itself. I assume that the subsidy is to source timbers from the south, given that they cannot harvest in that area for a range of reasons.

Mr B.S. WYATT: To meet our contractual obligations.

Mr D.T. REDMAN: It is only for a period from 2017–18 to 2018–19 to meet the additional costs, given that, I assume, the Carnaby's cockatoo issue is not going to disappear anytime soon.

Mr B.S. WYATT: It appears not.

Mr D.T. REDMAN: Why is there a limit to that as distinct from something that goes further?

Mr B.S. WYATT: That is to allow us to get from the commonwealth government clarity under the Environmental Protection Act on the use of that land. That gives us time to get that clarity.

Mr D.T. REDMAN: Whose decision was that—the Treasurer, the Minister for Environment or Treasury? What was the lead agency for this decision?

Mr B.S. WYATT: The Minister for Forestry, but it came to the Expenditure Review Committee, in fact, a couple of times.

Mr D.T. REDMAN: I wonder whether the Treasurer is aware other mills in the south west are having lack of supply issues.

Mr B.S. WYATT: That is what has been exacerbated by this.

Mr D.T. REDMAN: Presumably meeting this supply compromises supplies further south; is there any visibility on that?

Mr B.S. WYATT: I will have to refer the member to the Minister for Forestry. I do not have visibility on that.

Dr M.D. NAHAN: Further to Landgate, page 143, we read in the paper that a contract has been let to give permission to explore the privatisation of Landgate. A firm called Investec was mentioned in the paper. Can the Treasurer enlighten us? Has that contract been let? Is the government proceeding with the sale of Landgate? Is the government seeking external advice on the sale of Landgate?

Mr B.S. WYATT: All that has been considered is the report that Investec has done.

Dr M.D. NAHAN: It has submitted a report?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: And the government is looking at it?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: That was not clear. What is the rate of return on valuing Landgate, especially in 2021–22 when it increases to $44 million with dividends and income tax? What is the expected rate of return from that business? Can that be provided to me?

Mr B.S. WYATT: Why do I not include that in that supplementary information?

Dr M.D. NAHAN: Okay.

The CHAIR: We will make it a new supplementary question so we do not confuse anyone.

Mr B.S. WYATT: The rate of return for Landgate—is that what the member wants?

Dr M.D. NAHAN: It is a standalone business. I wanted to get some indication that in 2021–22 the government expects to have a business that is earning profits and dividend of $44 million. I would like some indication of the rate of return on the invested assets.

Mr B.S. WYATT: The rate of return on Landgate by 2021–22.

[*Supplementary Information No A17.*]

Mr D.T. REDMAN: I refer to page 229 of the *Economic and Fiscal Outlook*, special purpose accounts. There is a special purpose account for the royalties for regions regional reform fund, which the previous government committed to have at $150 million. In fact, it states in the first line that it was previously a part of the 2015–16 budget. It has had only $100 million put into it, and I think it has been predicted in this budget that there will be another $16 million. I cannot remember the amount. Can the Treasurer confirm that it is his intention to keep this as a fund?

Mr B.S. WYATT: I read in *Hansard* the discussion the member for Warren–Blackwood had with the Premier on this. This is really about timing. Timing the spend is what is driving this, but it is our intention to keep that fund.

Mr D.T. REDMAN: But the forward estimates do not show any additional funds going in there for royalties for regions—I think it is shy of about $34 million.

Mr B.S. WYATT: Effectively, once the projects are identified, the money will flow.

Mr D.T. REDMAN: It is simply a trading account.

Mr B.S. WYATT: Yes. There is no intention to walk away from that, no.

Dr M.D. NAHAN: I would like to go through some of the economic estimates. I want to explore a range of the government's economic forecasts. I refer to page 13 of budget paper No 3. The government forecasts a sharp recovery in the economy across the board, particularly household consumption. There are two implications from that: first, it supports growth in own-source revenue and also supports growth in a range of other incomes, particularly in the housing market. One is wage growth. Wage growth is expected to go to 2.25 per cent and, in 2017–18, to 1.5 per cent. The latest data we saw for 2017–18, which is not annualised, came in last week at 1.1 per cent. Maybe I got that wrong. The wage price index is 1.5 per cent; the latest one in, I think, March was 1.1 per cent. There is an unemployment rate of 5.75 per cent, but last month it was 6.5 per cent. I recognise that there is a difference between monthly and annualised, so could the Treasurer explain that? The consumer price index is about housing. Going forward, the budget papers predict a very sharp upward growth. A couple of the major indicators are employment growth, employment levels, labour demand, population growth and CPI. Can the Treasurer kindly explain why he is expecting a rapid take-off in improvement in the economy?

Mr B.S. WYATT: I will make some general comments. It is always useful to have the Under Treasurer to make comments around this. The figures on page 13 are not terribly out of sync with Deloitte and the Chamber of Commerce and Industry of Western Australia et cetera. Indeed, the Leader of the Opposition may notice that we are being considerably more conservative in respect of wage price–growth than the commonwealth government is in what it is expecting for wages.

Dr M.D. NAHAN: It is national.

Mr B.S. WYATT: That is a good point. A combination of broad economic growth and population growth is probably a big part in driving this. However, I will, because Treasury ultimately provides us advice on these things, ask the Under Treasurer to make some comments.

[5.00 pm]

Mr M.A. Barnes: I might start on household consumption first, which was the first thing the member mentioned. Consumption has been a little stronger in recent quarters than we had previously forecast, so we have revised up estimated growth in the current year—2017–18—from 0.75 per cent in the *Government Mid-year Financial Projections Statement* to 1.75 per cent in this budget. That comes on top of actual growth in household consumption of 1.1 per cent in 2016–17, which ticked up a little to 1.3 per cent over the 2017 calendar year. It is starting to tick up a little. We are forecasting that household consumption growth will lift slightly in 2018–19 to 2.25 per cent, with a more significant lift to 3.25 per cent in 2019–20. There are a few key factors for those forecast rates of growth. The first one is improving labour market conditions. Over the year to April 2018, we have seen employment growth strengthening to 2.3 per cent. That compares with a 1.3 per cent fall in employment growth a year earlier. We have seen quite a marked turnaround in the labour market in the last 12 months or so. We have also seen a significant improvement in consumer sentiment. That has just reached its highest level in more than four years—in March. In the September quarter of last year, which is the most recent data, we have also seen a bottoming out of the state's population growth, particularly from overseas migration, which, as the member would know, has come off very sharply since 2012. The most recent data shows that it has quite clearly bottomed and there are signs that it is gradually starting to pick up again.

They are the key factors behind our forecast for household consumption. On the face of it, there does appear to be a sharp rebound from recent softness. However, the rates of growth that we are forecasting in this budget remain below the long-run average rate of growth in household consumption, which is about four per cent over the last 27 years. It reflects that we are coming off such a weak base that the rates of growth from that weak base look like a sharp rebound, but, in reality, when we compare it to history, we are not projecting particularly aggressive rates of growth in household consumption. As the Treasurer mentioned earlier, our forecast of household consumption growth averages about 3.1 per cent over the forward estimates, which is pretty close to the 2.8 per cent per annum that Deloitte Access Economics is forecasting as well.

Having said all that, the budget papers acknowledge that there are some risks around household consumption. One of those risks that is noted on page 20 of budget paper No 3 is the elevated levels of household debt and potential future rises in interest rates. That is clearly a downside risk. Another downside risk is if overseas migration to WA does not continue to pick up, as we are projecting across the forward estimates, which will dampen household consumption growth. We accept that there are risks but we think that the forecasts are based on what has happened in the labour market with consumer confidence and population growth having bottomed.

The other key factor is the return to business investment growth, which we are projecting for 2019–20. We are forecasting one more year of a decline in business investment in 2018–19 as construction work on those large LNG projects finally wraps up. Then from 2019–20 we are projecting a return to growth in business investment. There are a number of pretty significant—primarily resource sector—projects on the books to replace depleted mines essentially. One example is the BHP South Flank development—a $4.5 billion, 80 million tonne per annum replacement project. But Rio Tinto and Fortescue Metals Group have similar projects on their books. We have a lot of projects in the lithium space at the moment—about 15 projects worth $4.7 billion. We are starting to see nothing like what we saw in 2012, but in the next 12 to 18 months we will start to see that pipeline of business investment that will come through. That will generate demand for labour. That should, in turn, bring labour in from overseas, and slow down the rate of net interstate migration out of WA and hopefully get that back to a positive state. We think all those factors are contributing to the economic forecasts that are reflected in this budget.

Dr M.D. NAHAN: There are two areas that I personally think we are concerned about. I accept that the mining sector is going very well. It is not going back to the boom times, thankfully. However, the household balance sheets appear to be in a pretty desolate position, from all the indicators—mortgage stress, negative equity, insolvency; a whole of range of factors are still pretty low. That means growth from zero is quite high, but nonetheless, I just comment on that. Also, population growth is exceedingly low and it has been for a while. It is booming over east. Please explain how we go from a very low population growth—below one to two per cent over two years—mainly on the basis of overseas migration and a reduction in the interest rate. I do not see that it will drive overseas migration to the levels that Treasury has forecast, and I think that is a major underpinning of household sector growth.

Mr B.S. WYATT: I will refer to Mr Barnes but ultimately all these will move around. I can guarantee that in four years, we will look back at this budget and see which ones we landed and which ones came close. A range of them will move around. With respect to that specific question, I will ask Mr Barnes to make some comments.

Mr M.A. Barnes: A key assumption of the economic forecasts is around net overseas migration to WA. As the member would be aware, the population boom in 2012–13 was predominantly driven by overseas migration. The latest data, which is for the September quarter of 2017, shows that WA's share of net overseas migration was just 5.5 per cent. Our long-run average share of net overseas migration is 13.5 per cent. The forecasts in this budget are predicated on an assumption that we will return to that long-run average share of net overseas migration of 13.5 per cent by 2021–22. I guess the rationale for that is that we expect that after the last four or five years, when there has been a significant disconnect between the WA economy and the national economy, over the next few years the WA economy will normalise and conditions will approximate the national mean, if you like. On that basis, we think it is not unreasonable to assume that our share of net overseas migration will return to that long-run average share by 2021–22 as our economy normalises and it approaches the national mean. Even with that, the prediction of the long-run average share of net overseas migration, in absolute number terms, we are forecasting about 33 000 people from overseas by 2021–22. To put that in comparison, in 2011–12 overseas migration to WA peaked at 53 000 people, so we are still a long way short of those boom periods. Again, it looks like a sharp rebound across a lot of these indicators but that is because we are coming off such a low base that is so far short of our long-run average. We are basically forecasting a return to a more normal set of economic conditions in the state. We are certainly not forecasting anything like a return to the boom period that we had a few years ago.

Dr M.D. NAHAN: Did Treasury factor into its population forecasts the government's new position on immigration both in the categories of state-based immigration and the decision to change Perth from a region to a capital city? The government reduced the number of categories that receive state top-up for points from migrants from 178 to 17 and shifted Perth, where most migrants come, from a capital city to a regional. This was meant to have a slowing effect on international migration; that was the purpose of it, I assume. Did Treasury factor that policy change into its forecast?

Mr B.S. WYATT: Generally, all policies of government will be factored into the various parameters.

Dr M.D. NAHAN: As I understood from the Under Treasurer, the assumption is that we will go back to a norm. The policy position is not the norm. The policy position of the government has changed with respect to immigration, substantially reducing the relative incentive for people from other states to migrate to WA. There still might be demand that overwhelms that in the mining sector, but my problem is that I am trying to see how the government changes the policy and reduces immigration yet assumes that immigration numbers will go back to the long-term norm.

Mr B.S. WYATT: By the end of the forwards.

Dr M.D. NAHAN: Yes, unless the government is assuming a change of policy along the way, which I encourage the government to do.

Mr B.S. WYATT: I have noted the Leader of the Opposition's encouragement.

Dr M.D. NAHAN: I do not understand how the government gets to those forecasts.

[5.10 pm]

Mr B.S. WYATT: Suffice to say—I think it was on page 13—all those factor in the full breadth of government policy, whether it be employment data or state final demand et cetera, including state government policy on those particular visa categories. All of those can change over time as well. Policies come and go. That certainly factors into this dataset.

Mr D.C. NALDER: I specifically refer to "Dwelling Investment" on page 13 of the *Economic and Fiscal Outlook*. The Treasurer is forecasting a pretty strong rebound from contraction of $6.25 million estimated in 2017–18 to growth of $4.75 million in 2018–19. Cross-referencing that with the first home owner scheme referred to on page 167, I want to understand why the first home owner grant falls between 2018–19 and 2019–20, given the rebound shown in dwelling investments.

Mr B.S. WYATT: The member is cross-referencing it with what page?

Mr D.C. NALDER: It is on page 167 of volume 1 of budget paper No 2. There are pretty flat to, at times, slightly negative first home owner grants, yet there is this really strong rebound in dwelling investments. I am surprised that the Treasurer is assuming it is all non–first home owners but I want to clarify that. It seems like an anomaly to me.

Mr B.S. WYATT: First home buyers are, I suspect, a reasonably small subset of the total. They are roughly 20 per cent of total buyers–investors—whatever—that drive the dwelling investment.

Mr D.C. NALDER: I want to understand the logic behind a contraction in the number of first home owners over the forward estimates.

Mr B.S. WYATT: In terms of why it is sitting at $72 million?

Mr D.C. NALDER: It is coming off a little. It is pretty flat; it is just coming off. We are talking about a rebound in the market. I would have thought there would be a commensurate rebound.

Mr B.S. WYATT: The member is quite correct to think that there would be some rebound in the first home buyers' market.

Mr D.C. NALDER: I would have thought so. I am happy for it to be provided by way of supplementary information.

Mr B.S. WYATT: I suspect it will be one of those dataset-driven answers. Hang on; I might be able to answer it for the member. First home buyer activity is expected to be further curtailed in 2018–19, with a forecast decline in the population of 25 to 34-year-olds over this period.

Dr M.D. NAHAN: They are going to Melbourne!

Mr B.S. WYATT: They are going elsewhere. With the clients in this cohort also projected across the three years to 2020–21, activity in this market sector is unlikely to return to levels experienced in recent years. Now the member is going to ask me why 25 to 34-year-olds are leaving. I do not have an answer to that, but I am curious myself.

Dr M.D. NAHAN: Does the Treasurer want an answer?

The CHAIR: It is not for you to answer!

Mr B.S. WYATT: Apparently it is a combination of demographic shifts—more people staying at home with mum and dad, and bright lights—travel.

Dr M.D. NAHAN: I have a topic change. I would like to shift to the GST section on page 74 of budget paper No 3. There has been a slight improvement in the share of GST relativities from 45 per cent to 47 per cent. That has generated a bit of extra cash. The GST relativities go from 34.4 per cent in 2017–18 to a forecast 64.9 per cent. Where does the Treasurer think it is going over the longer term? Can the Treasurer look beyond the forward estimates? Where does the GST go when the status quo is kept and the state is in a stable situation?

Mr B.S. WYATT: The Leader of the Opposition knows the volatility out more than most people in this state. It was in the *Pre-election Financial Projections Statement*. I think the last year of the forward estimates was 2019–20 and it had the relativity at 66.1 per cent. We are now looking at a 0.57 per cent shift in 15 months. Beyond 2021–22, the Leader of the Opposition's guess is as good as mine regardless, because so many factors drive that.

Dr M.D. NAHAN: Treasury used to do a 10-year forecast and it was published in the budget.

Mr B.S. WYATT: On the relativity?

Dr M.D. NAHAN: On overall revenue flows. Everything was lumped together.

Mr B.S. WYATT: The only time I saw one of those was —

Dr M.D. NAHAN: And debt too.

Mr B.S. WYATT: I saw one of those only once and that was when Troy gave it to me. It was not in the budget, though, was it?

Dr M.D. NAHAN: Yes, it was.

Mr B.S. WYATT: I got it once when I sat on that side —

Dr M.D. NAHAN: The member asked for it every year but we did not give it to him.

Mr B.S. WYATT: — and I never got it again!

Dr M.D. NAHAN: Yes; no wonder! I am asking the Treasurer for it.

Mr B.S. WYATT: I am reluctant to give it to the Leader of the Opposition simply because it is so wildly speculative.

Dr M.D. NAHAN: What is good in opposition is good in government!

Mr B.S. WYATT: I never got it again, and I now know why Troy never gave it back to me!

Dr M.D. NAHAN: The member got it one year so I am asking for it for one year.

It is interesting for the debate about reforming the GST. This is a crucial factor. Iron ore is driving this whole thing. Long-term assumptions are made about iron ore. Prices and volume are predicted so many years out. What would stabilise that? I worked through the perturbations of the collapse of iron ore three or four years ago. Does it go above $70 a tonne?

Mr B.S. WYATT: Clearly not yet.

Dr M.D. NAHAN: No; but it is growing by about three per cent a year.

Mr B.S. WYATT: I think we still have two more years of the higher level of iron ore to wash out of the five years.

Dr M.D. NAHAN: Really?

Mr B.S. WYATT: I suspect it will continue.

Dr M.D. NAHAN: That will be wiped out of the system by 2021–22.

Mr B.S. WYATT: The big year was 2013–14. That has now dropped out of the calculation.

Dr M.D. NAHAN: I remember that.

Mr B.S. WYATT: This is probably the most dramatic increase in the relativity that will be seen in any forward estimates.

Dr M.D. NAHAN: Yes, it is levelling off. It is increasing at a decreasing rate.

Mr B.S. WYATT: It went from $34 to $64.

Dr M.D. NAHAN: Does Treasury think it will get in a steady state above $70?

Mr B.S. WYATT: Treasury would be reluctant to give any certainty around that. Do not get me wrong; I would like to think so. Who knows? As I said, our guesses are as good as each other's.

Mr D.C. NALDER: I refer to page 68 of budget paper No 3. What was the modelling and the underlying assumptions for the $25.2 million over four years for the changes to the Building and Construction Industry Training Fund to include the mining sector and why are those numbers so volatile? There is $6 million, $9 million and $7 million and then it drops to $3 million in year four.

Mr B.S. WYATT: It is based on the value of construction. In the mining sector, that moves around dramatically. I have just been given something that might provide some assistance. This has been really difficult to land. A broad range of views have been put around what the revenue may be. The indicative investment was based on forecast resource sector engineering construction projects continuing or planned to commence post–1 July 2018 assessed at having a high probability of proceeding. I assume that a lot of that information comes from the department of mines and petroleum.

Mr M.A. Barnes: It was a joint effort.

Mr D.T. REDMAN: It is currently about $25 million a year, is it not?

Mr B.S. WYATT: We have assumed $25 million across the forward estimates.

These forecasts were sourced from publicly available information. There is still a lot of work to go. Do not be surprised if that number moves around a little bit, but I think we have taken a conservative view on it. That levy rate of 0.2 per cent was then applied to total project construction value by financial year to derive that estimated, so as the member can see, there is still a bit of work to go around that.

[5.20 pm]

Mr D.C. NALDER: Further to that, I would imagine the Treasurer would want to try to smooth it out to give some sort of consistency. Is that going to impact on training fund actuals, and will smoothing that over the forward estimates give a greater degree of certainty?

Mr B.S. WYATT: Industry has been very good on this in terms of consultation, but no doubt that is still to be resolved with industry. The member raises a good point, because the nature of construction work in that sector is such that it may very well be volatile, as the member points out. We will therefore have to be very careful how we go about allocating it.

Dr M.D. NAHAN: On the same table the member for Bateman referred to—table 2 on page 68—there is another line, "Foreign Buyers Surcharge rate increase". Is it the Treasurer's view that this will not impact on demand for and purchase of taxed properties by foreigners in Western Australia?

Mr B.S. WYATT: That is our view. We have already seen a lot of very large-scale developments by foreign companies since we announced this, both in terms of last year's budget and in respect of the increase by less than two per cent of buyers effectively impacted, so we are not expecting it to have a dramatic impact.

Dr M.D. NAHAN: Could the Treasurer describe how the taxes apply? Are foreign buyers of a certain type and scale and whatnot exempted from it?

Mr B.S. WYATT: It only applies to residential and not greater than 10. Somebody building a large apartment block with 100 apartments in it will not pay it. Clearly, if a foreign national buys one of those apartments, it will then apply to them, but the purpose is not to discourage large-scale developments, which are often done by foreign companies.

Dr M.D. NAHAN: If a foreign entity builds an apartment complex and then foreign purchasers buy individual apartments in that complex, the developer will not be taxed but the individuals will be?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: Okay. Foreigners can only buy new properties—is that still the case under commonwealth law?

Mr B.S. WYATT: Pretty much, I have been told. There are obviously some restrictions.

Dr M.D. NAHAN: The Treasurer is saying that the four per cent has led to no diminution of foreigners buying individual properties.

Mr B.S. WYATT: Sorry; the point was in respect of the large-scale constructions.

Dr M.D. NAHAN: They are not taxed?

Mr B.S. WYATT: Is the Leader of the Opposition asking whether there has been any change in individual foreign nationals buying new properties?

Dr M.D. NAHAN: I understand that there has been a continued commitment to large-scale developments by foreign entities in apartments and other developments, but are they taxed?

Mr B.S. WYATT: No.

Dr M.D. NAHAN: So for individual purchasers it is less than 10 and they are new properties.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: I wonder whether the Treasurer has seen any impact of those on foreign buyers.

Mr B.S. WYATT: No, we have not seen that, as Mr Barnes has just whispered in my ear. I get what the Leader of the Opposition's response will be and I will articulate that, too. All other treasuries that have one of these levies, which is most of them now, have been heavily consulted. They did not notice any impact at all, but I accept that the Leader of the Opposition's counter would be that a lot of those areas have had booming property markets —

Dr M.D. NAHAN: Overheated.

Mr B.S. WYATT: Overheated property markets. We have a very small amount, for whatever reason; less than two per cent.

Dr M.D. NAHAN: Another issue: do we even have the data to measure this? Joe Hockey pushed us to —

Mr B.S. WYATT: Foreign Investment Review Board data.

Dr M.D. NAHAN: FIRB data. But if a foreigner buys an individual property under a certain amount, they do not have to declare it. The problem was that wealthy people were buying expensive properties in Sydney and Joe wanted us to alter our Landgate processes to identify domesticity of transactions. We did not do it. I am not sure how we could even measure this.

Mr B.S. WYATT: It may be proxies; I do not know. The Leader of the Opposition is quite correct. Our transfer data does not highlight that, so it has been a combination of FIRB data and work that has been done with the commonwealth because apparently along the way there was a proposal for a national levy, and that created a database of work that WA Treasury was able to use to gain some knowledge of this space. But the Leader of the Opposition is right; it is not going to be —

Dr M.D. NAHAN: Is the Treasurer aware that a range of people have, for a long time, been getting around these restrictions on foreign ownership? This is going to encourage them to go down those routes even faster and further.

Mr B.S. WYATT: Yes. Many levies and taxes create avoidance behaviour, and we have to be careful and vigilant. Just so the Leader of the Opposition knows—this is interesting and I had forgotten about it—there is also in this budget some more money for the Office of State Revenue to manage this as well.

Dr M.D. NAHAN: Is the Treasurer assuming an upturn or growth in the number of foreign properties that are taxed?

Mr B.S. WYATT: No, we are not expecting any change from what it currently is. I have just been told that it is about 1 000 a year.

The CHAIR: Members, it is 25 past and we still have the Office of the Auditor General, Finance and the Economic Regulation Authority. Do members want to keep going on Treasury?

Dr M.D. NAHAN: Just one more, on payroll tax. We had over the last 15 years a phenomenal growth in payroll tax.

The CHAIR: You need to find a page and a line item.

Mr D.C. NALDER: Budget paper No 3, appendix 10.

Dr M.D. NAHAN: As Treasurer that was one thing I looked at that I was absolutely shocked about. For 10 years we had 12.2 per cent annual average growth in payroll tax, driven by the mining boom. That has gone. That was a structural change to our upward growth and it is a structural change I am worried about going forward. If I had to do it over again, I would have been a bit more persistent with downscaling our payroll tax expectations. Is the Treasurer concerned that his forecasts are based on his experience in boom times, or has Treasury re-based its assessments of payroll tax forecasts to take away the construction workforce that paid payroll tax at a very high level and rate?

Mr B.S. WYATT: With regard to payroll tax, if we compare the changes since the midyear review, there were no changes in the midyear review. Page 70 highlights the fact that we are still expecting across the forward estimates payroll tax to remain quite reasonably below the long-run average. The long-run average includes the boom time that the Leader of the Opposition just referred to, but also includes from 1996. We are still expecting to be well below the long-run average across the forward estimates.

Dr M.D. NAHAN: That is my point. The long run is based on that boom.

Mr B.S. WYATT: But it also captures a fair bit of the decline. It captures a huge decline, actually—a period of five, six, seven per cent decline. Hopefully it is not overambitious, but I think that looks pretty reasonable.

Mr D.C. NALDER: I refer to page 62 of budget paper No 3, with regard to the disposal of contaminated soil for the Forrestfield–Airport Link. I have questions around this. I know the Treasurer might point me to the Minister for Transport, but from a budgeting perspective I am a little concerned because the budgeted contract for the Forrestfield–Airport Link was around $1 billion, yet the budget is still left at $1.86 billion and has been left there for some time. In the budget papers there is reference to $85 million going into upgrading the Bayswater station. There is also an amount of money for Claremont; why FAL is paying for that, I am not sure. It talks about this contaminated soil, which may cause the budget to blow out. I am trying to get an understanding whether Treasury or the Treasurer are aware of what the estimated costs associated with this potential blowout are, given that there is a spare few hundred million dollars sitting in the budget in the Forrestfield–Airport Link, unless it has been allocated out and we are not aware.

[5.30 pm]

Mr B.S. WYATT: The member is right. The compounds, otherwise known as per and poly-fluoroalkyl substances, and I will not go through trying to say what they all are, are an emerging issue. We are confident and hopeful that the contingency still within FAL will cover it, but we still need to get a landing on what that is likely to be.

Mr D.C. NALDER: Given this is due to the foam from training firefighters at the airport and it is commonwealth land, has Treasury considered whether it is a commonwealth responsibility?

Mr B.S. WYATT: Yes, and there has been ongoing liaison with the commonwealth government about this because of that very issue.

Mr D.C. NALDER: So, there is the potential that it could be.

Mr B.S. WYATT: I dare say that the commonwealth government is not racing to participate, but the member has raised the exact point that needs to be raised about whose land this actually is.

Mr D.C. NALDER: Commonwealth land through to the centre of the earth!

Mr B.S. WYATT: Yes.

The appropriation was recommended.

Division 13: Office of the Auditor General, $8 011 000 —

The appropriation was recommended.

Division 20: Economic Regulation Authority, $2 056 000 —

The appropriation was recommended.

Western Australian Treasury Corporation—

Ms J.M. Freeman, Chair.

Mr B.S. Wyatt, Treasurer.

Mr J. Collins, Chief Executive Officer.

[Witness introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: What are the trends and costs of capital for the state—that is, the cost of borrowings? There are also a couple of other things the Treasurer could talk about.

The CHAIR: We will do just one question at a time; that would be good.

Dr M.D. NAHAN: It is a multilayered question!

Mr B.S. WYATT: I have no doubt there will be. This has been going for a long period of time. For quite a few years now there has been a trend to move a lot of our borrowings to longer term and that has effectively happened. I think it probably happened when the Leader of the Opposition was Treasurer. I will pass to Mr Collins for more specific details.

Mr J. Collins: After a period of declining interest rates, they stabilised for a time and in the last six months longer-term rates have started to lift as a result of pressure from the US. The cash rate in Australia was last reduced from 1.75 per cent to 1.5 per cent in August 2016. There have been periods of time when the market thought there would be further decreases and increases, and at the moment most of them are, but it is not expecting an increase until the end of 2019. That is not true of the US. The US is still expecting quite a few increases over a period of time, which has produced an interesting situation in that at the moment 10-year government rates in the US are 20 basis points above Australian government rates, and that has not happened on a sustained basis for a long time. That is a trend. Another trend that has emerged in probably the last nine months is that our margins to the other states have been contracting. That has been a benefit for us. Relative to Queensland, at one stage we were almost 20 basis points over it in the 10-year period of time and we are now in a position in which we are now closer to five basis points, so those margins have contracted, which has been really good. A couple of years ago we were the highest yielding of all the states in Australia and in some maturities our rates are now under Tasmania, South Australia and very close to Queensland. We have returned back to the pack in terms of the AA+-rated states. Turning to borrowing rates themselves, our longest dated issue, which we issued about a month ago at 10 and half years to 2028, yielded 3.38 per cent when we issued it and at the moment, when I last looked at it, it was about 3.37 per cent, so it is not really doing very much.

Dr M.D. NAHAN: The longer-term forecast, especially with the rising interest rates in the United States, will pull everybody else up, we would expect, especially with a 20 basis points differential. Where do we think the longer-term trends are going to be?

Mr J. Collins: Basically, the trends are probably rising, but not as fast as they will be in the US, because with the continued housing situation in Australia, and also wages being very, very soft, there is reason for the Reserve Bank of Australia not to lift the cash rate, so that will anchor short rates pretty close to where they are at the moment and longer-term rates, as the member is suggesting, will probably be influenced to some extent by US rates.

Mr D.C. NALDER: Have we got some of the book maturing over the next year or two actually on higher rates that will provide a benefit? Are there not some large facilities out there at the moment of higher yields?

Mr B.S. WYATT: Yes, there are. I will ask Mr Collins for the detail. It was something I was asking the other day for that very reason. There are some reasonable maturities in the next two years.

Mr D.C. NALDER: I saw that. Where did I see that?

Mr B.S. WYATT: Somewhere! I asked for that information the other day because of the contraction of the yield. I was keen to know what was coming up. Mr Collins will no doubt have those for the member in just a second.

Mr D.C. NALDER: I think there is a $5 billion one in the next 12 or 18 months at about five per cent.

Mr J. Collins: As at the end of February, we had a $4.7 billion maturity scheduled in October 2018. On Monday we had a $1 billion floating-rate note maturity, which we have managed fairly well. We have some larger maturities. We had a $6 billion maturity in July 2020.

[5.40 pm]

Mr D.C. NALDER: What is the current yield on that? They are high pieces of paper.

Mr J. Collins: The coupon on it is 2.5 per cent, but the yield is closer to the market rate.

Mr D.C. NALDER: I thought there were a couple that were higher that we would benefit from on maturity.

Mr J. Collins: I will get those back to the member. I have them here somewhere, but I have too many papers and I want to read out the right rates.

Mr D.C. NALDER: There was a recent report that showed them.

Mr B.S. WYATT: Does the member want that by way of supplementary information? I can get that to him if he wants it.

Mr D.C. NALDER: Yes.

Mr B.S. WYATT: Is it the maturities over the next two years and the rates they are paying?

Mr D.C. NALDER: Yes, the rates they are paying and what the market looks like it is going to be. I think there is a net benefit to the state.

The CHAIR: Can the minister outline that?

Mr B.S. WYATT: We will provide the member with the amount of maturities and when over the next two years.

[*Supplementary Information No A18.*]

Dr M.D. NAHAN: Is there any softening of the international market for debt? I refer to page 145, which deals with the investment program. Are there any changes in the trends for the overall foreign versus domestic cost of capital and access to capital? The government has been working on trying to get China in for a long time. Has it had any success?

Mr B.S. WYATT: I will ask Mr Collins to make comments about China in particular, but there is an effort within Treasury Corporation to get more interest in Europe and America for our debt. For the Leader of the Opposition's interest, that will be the effort of a trip that I will take in July. I will ask Mr Collins to make some comments about China.

Mr J. Collins: I think there are several aspects to the member's question. With regard to China, we are continuing to talk with North Asian entities and we have had success. A month ago we issued a new 2028 10-year bond and we had about 38 per cent offshore interest in that bond. It came from 11 different countries outside of Australia. A large percentage came from North Asia, where, as the member would be aware, we have had some efforts over the last few years and we have had some successes. We said before that 20 to 25 per cent of our paper was held offshore. That is probably still about the same, but prior to this issue we were not seeing the same offshore participation as that average would suggest. I think we are on our way back. We had $3 billion worth of bids for $1.3 billion worth of paper, so it was very well received.

The CHAIR: That completes the examination of the Western Australian Treasury Corporation.

Division 14: Finance, $417 196 000 —

Ms J.M. Freeman, Chair.

Mr B.S. Wyatt, Minister for Finance.

Mr R.D. Mann, Acting Director General.

Ms N. Suchenia, Commissioner of State Revenue.

Mr A.J. Wood, Executive Director, Corporate Services.

Mr D.J. Geraghty, Director, Finance and Business Services and Chief Finance Officer.

Mr P. Helberg, Acting Deputy Director General, Building Management and Works.

Mr S. Whitmarsh, Executive Director, Strategy and Coordination.

Mrs S. Black, Executive Director, Government Procurement.

Mr J. Parravacini, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. The rest is taken as read.

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

Mr D.T. REDMAN: I refer to "Significant Issues Impacting the Agency" on page 154 of volume 1 of budget paper No 2. The first dot point refers to the department having a significant role in implementing the recommendations of the government's service priority review. Can the minister confirm that that includes work to co-locate government offices in regional Western Australia?

Mr B.S. WYATT: I believe it does. That is happening separately from this, if that makes sense, but it is happening. The Department of the Premier and Cabinet is also quite involved in that. To be frank, it is probably being led more by DPC.

Mr D.T. REDMAN: I am just chasing further information. Can the minister provide a breakdown of which agencies will be co-located and in which towns, how many government-leased premises will be vacated as a result, and the number of government employees who might be made redundant as a result?

Mr B.S. WYATT: I will commit to give the information to the member by way of supplementary information but with the caveat that I might have to ask him to put it on notice if we cannot get it in time. I commit to chasing that up by way of supplementary information.

Mr D.T. REDMAN: To clarify that, Chair, I am chasing a breakdown of which agencies will be co-located and in which towns, how many government-leased premises will be vacated as a result, and, if possible, how many government employees will be made redundant as a result.

The CHAIR: Did the member say that he is seeking a freedom of information request on that?

Mr D.T. REDMAN: No.

Mr B.S. WYATT: The first two matters are more Department of Finance based. The third matter about employees is agency-level stuff. We will deal with the first two matters; otherwise, the third will take forever. I am very relaxed about that. We will provide the towns in which agencies will be co-located and which towns will have buildings for which leases will not be renewed at the end of their contract.

[*Supplementary Information No A19.*]

Mr B.S. WYATT: As I said, if it takes too long, I will ask the member to put it on notice.

Dr M.D. NAHAN: I refer to the heading "Building Management and Works" on page 155 of the budget papers. In the spending changes table at the top of page 154, there is a substantial reduction in the amount for revised works turnover for Building Management and Works. In the 2019–20 and 2020–21 out years, there is a substantial reduction. I assume that that relates to the dot points on page 155. Can the Treasurer explain where those savings are coming from and how they will be achieved?

Mr B.S. WYATT: Those forecasts are based on the components of agency asset investment program projects that will be managed through Building Management and Works, which have been revised for 2018–19. The estimates and the previous forecast amounts are provided; the movements are set out there. I will ask Mr Mann whether he wants to add more to that, because it seems that he might be able to.

[5.50 pm]

Mr R.D. Mann: Those movements reflect the change in value of the overall forecast works program for Building Management and Works since the midyear review.

Dr M.D. NAHAN: I take it that there has been a substantial reduction in the proportion of the government's capital works program that goes through Building Management and Works.

Mr R.D. Mann: It is relative to the previous forecasts. If we look at 2019–20 through to 2021–22 in particular where we show a reduction, yes; we are looking at a reduction of 10 to 15 per cent on average in the value of the program for those years.

Mr B.S. WYATT: It is from $285 million to $248 million in 2019–20.

Dr M.D. NAHAN: Is that because of a reduction in the proportion of smaller projects? I assume that Strategic Projects still does over $100 million or something like that and anything less goes to Building Management and Works. Has there been a change in policy and therefore has this reduction largely been a reduction in capital works of small projects?

Mr B.S. WYATT: There has been no shift in Strategic Projects' numbers. It is effectively just a re-profile of that spend. There is nothing dramatic in it. I think the previous figures were $285 million in 2019–20, 2020–21, 2021–22 and it has come in at $240 million, $226 million and $226 million. I suspect with something like this, come midyear review time and the next budget, it will shift around again.

Dr M.D. NAHAN: Over the last three years of the forward estimates, there is a $150 million reduction in costs. That is quite substantial.

Mr B.S. WYATT: At the moment, that is right; in this budget.

Dr M.D. NAHAN: Is it due to changes in what the department is doing or a change in the number of things it is doing?

Mr B.S. WYATT: I suspect it is a change not so much in what we are doing, but the extent of it, because what it does has not changed.

Dr M.D. NAHAN: The second dot point under Building Management and Works indicates that the department has a whole bunch of reforms and efficiencies underway for office accommodation and other things. I am trying to come to grips with it because —

Mr B.S. WYATT: I am sorry to cut off the Leader of the Opposition, but an important point was just whispered in my ear. Two projects have been reallocated to Strategic Projects from Building Management and Works, which have had an impact. One is the work on Casuarina Prison and the other is the Inner City College.

Mr D.T. REDMAN: I refer to page 160 of budget paper No 2 and "Explanation of Significant Movements." The note states that five of the 10 major projects have been overseen by Strategic Projects and it outlines meeting particular targets. One of the points refers to "Western Australian Schools Public Private Partnership." I may have been sitting under a rock somewhere, but can the Treasurer give some clarification of what that partnership is?

Mr B.S. WYATT: I can. It is the WA schools public–private partnership that was done by Minister Collier. I am looking around for somebody here who will be able to provide more information. I think it is a strategic project.

Mr D.T. REDMAN: I thought it might have been one of the Treasurer's initiatives.

Mr B.S. WYATT: From memory, it is to build eight schools and a maintenance program over the life of the schools. From what I can gather, it seems to be going very well.

Mr D.T. REDMAN: I thought the Labor Party might have shifted ground, that is all!

Mr B.S. WYATT: I can confirm that project was —

Mr D.T. REDMAN: It might not look so colourful if —

Dr M.D. NAHAN: Is that the PPP for schools?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: Has it worked out well?

Mr B.S. WYATT: It seems to be going well. Mr Mann might make some comments, but from the briefings I have had, it seems to be progressing well.

Mr R.D. Mann: That is correct. Four primary schools opened at the start of 2017. Aveley Secondary College is the first of four secondary schools to be delivered under the public–private partnership. It opened in February this year. Another one—Lakelands Secondary School—is on track to open in February next year.

Dr M.D. NAHAN: That was taking on the empire.

Mr D.T. REDMAN: Has the Treasurer considered that as an option for construction projects such as those and maybe keeping some stuff off the balance sheet?

Mr B.S. WYATT: No. I will watch the WA schools public–private partnership program with some interest as it rolls out. There are still three more secondary schools, which are big builds.

Dr M.D. NAHAN: I refer to changes in the State Fleet on page 154 and the line item, "State Fleet Policy and Procurement Initiatives." There is a $25 million reduction in the fleet cost over the forward estimates. What is going on in the fleet?

Mr B.S. WYATT: Is the Leader of the Opposition referring to the line item for "Finance" and $127 000, the line item for "Whole-of-Government" or either/or?

Dr M.D. NAHAN: I refer to the whole-of-government line item.

Mr B.S. WYATT: Some good work has been done to generating savings not just across the departments, but also the government's fleet. This initiative is expected to generate about $55 million in savings, which was part of last year's budget. A combination of things around lease terms and other bits and pieces that come with cars have been reformed and have generated some reasonable savings.

Dr M.D. NAHAN: Is the Treasurer extending the length of the lease?

Mr B.S. WYATT: We are extending the terms from three to six years.

Dr M.D. NAHAN: Will the cost or quality of the cars be lowered?

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: Will everyone drive a Getz or an i20 now?

Mr B.S. WYATT: It is a policy idea I will pursue, member for Riverton. There is an opportunity with the fleet, which is large, to generate savings. That has been implemented quite successfully.

Mr D.T. REDMAN: I refer to page 158 of budget paper No 2 and reference to the department providing a whole-of-government approach to procurement. Does that position entail any regional loading to support regional businesses being able to pick up some of the more significant contracts?

Mr B.S. WYATT: What the member referred to does not capture his question but other areas of government are doing what the member asked. Mr Mann mentioned participation plans in particular, which the Department of Finance will implement through its contracts. We are also implementing other policies, such as the Aboriginal procurement policy, to try to increase local and regional content, which are not captured in that line item.

Dr M.D. NAHAN: Building Management and Works or its subsection of the Department of Finance has responsibility for maintenance. Can the Treasurer give me some indication of the maintenance spend over the forward estimates?

Mr B.S. WYATT: So I can try to guide an answer, is there a line item?

The CHAIR: What is the line item and page number, member?

Mr D.T. REDMAN: It is the fourth paragraph on page 159, "Leads the Planning, Delivery, Management and Maintenance of Government Buildings, Projects and Office Accommodation."

Dr M.D. NAHAN: Thank you.

Mr B.S. WYATT: It is going to be difficult to ascertain from these documents, but this is the total cost of service for that part of the agency. Is the Leader of the Opposition after information on a broader maintenance spend? I might be able to rustle something up by way of supplementary information. Is the member looking for the maintenance spend on Finance-owned buildings?

Dr M.D. NAHAN: Building Management and Works maintains government assets—buildings—and there is a "new" spend and a "maintenance" spend. What are the trends in maintenance? Treasuries tend to cut them quite a bit.

Mr B.S. WYATT: By way of supplementary information, I will get BMW's spend on maintenance.

[*Supplementary Information No A20.*]

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm

Insurance Commission of Western Australia —

Mr R.S. Love, Chair.

Mr B.S. Wyatt, Treasurer.

Mr R. Howe, Acting Chief Executive.

Mr D. de Nooyer, Chief Finance Officer.

Mr K. Blackman, Commission Secretary.

Ms J. O'Neill, Chief Investment Officer.

[Witnesses introduced.]

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I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: I note the dividends and income payment expectation over the forward estimates from the Insurance Commission of WA. Are there any noticeable trends? It looks like it is quite variable. Does that indicate that the profit is variable for the business?

Mr B.S. WYATT: I will ask Mr Howe to make some comments

Mr R. Howe: I will ask Mr de Nooyer to answer.

Mr D. de Nooyer: The profits are quite variable. We are dependent on a number of things, whether that is forecast investment returns or forecast actuarial results. Those forecast actuarial numbers are based on a number of economic factors such as future discount rates and future inflation. Small changes in those can have quite a large impact on our profit and loss. When it comes to the payment of dividends, the member will notice in 2017–18 a forecast of about $100 million. That includes a special dividend that was agreed and paid for in the 2016–17 financial year on the back of very good investment returns in that year. The dividend payments declined slightly over the forward estimates. Again, that is essentially because, as those forward estimates go out, there is more volatility or more risk for margin of error when it comes to those numbers and a higher-risk margin is applied to those outward years. A higher-risk margin creates slightly lower profits and slightly lower dividends.

Dr M.D. NAHAN: Is the commission planning to sell any more assets?

Mr D. de Nooyer: No, we have sold all our property assets.

Dr M.D. NAHAN: What has that money been reinvested into?

Mr B.S. WYATT: I might pass over to the Chief Investments Officer.

Ms J. O'Neill: That money has been reinvested into some other property investments, both trust investments and some listed property securities.

Dr M.D. NAHAN: In Australia?

Ms J. O'Neill: No. The listed property securities are in a global mandate, so they are global securities, and the trust investment is in Australia.

Dr M.D. NAHAN: How is the no-fault catastrophic injury scheme going?

Mr B.S. WYATT: I will pass again to Mr Howe.

Mr R. Howe: The new catastrophic injury scheme, effective from 1 July 2016, is approaching its second anniversary. The scheme is running well. We are very happy with the performance from a financial perspective. We have had different outcomes to some degree from those that were predicted, in that the volume or the frequency of the occurrences putting people into that scheme is a little lower than we expected, but at the same time, the severity of the people injured to date has been a little higher than we expected. Overall, that means financially we are sitting roughly where we expected to be. We are pleased with the performance of the care that we have organised, which was a new capability put into the Insurance Commission. The feedback from the participants in the scheme who have benefited from that is that they have appreciated its outcomes. We are happy overall that the thought that went into planning the scheme has been effective. We have been able to get through almost the first two years reasonably effectively.

Dr M.D. NAHAN: The plan was to use the first few years to accumulate a stock of capital to fund the variations in the demand over time. Have the accumulations been on forecast?

Mr R. Howe: The solvency of the fund is expected to grow over time. At this point, the volatility in the early years, particularly with the projections that come from actuaries on the future value of the claims that we have, is subject to substantial variation, and we have seen substantial variation month by month up until now. The current position of the fund is that it is marginally ahead of the original solvency position anticipated, but it is in a place that we are comfortable with. We expect over time that we will grow to have a reliable and hopefully very solvent fund to meet all the liabilities that go with that.

Dr M.D. NAHAN: Is the commission paying a dividend on those?

Mr B.S. WYATT: No.

The CHAIR: That completes the examination of the Insurance Commission of WA. Thank you very much.

[7.10 pm]

Horizon Power —

Mr R.S. Love, Chair.

Mr B.S. Wyatt, Minister for Energy.

Mr F.A. Tudor, Chief Executive Officer.

Mr D.J. Tovey, Company Secretary, General Manager, Corporate Services.

Mr M.A. Houlahan, General Manager, Commercial Services and Finance.

Ms K. McKenzie, Principal Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Bateman.

Mr D.C. NALDER: I refer to page 44 of budget paper No 3 and the reference to lower revenue as a result of economic conditions in the Pilbara. What was the reduction to Horizon Power's revenue in percentage terms for 2017–18 and 2018–19 and each year of the forward estimates?

Mr B.S. WYATT: That is in total revenue. I will hand that to the chief executive officer, Mr Tudor, in a minute, but obviously a range of economic factors are at play in the Pilbara, which everyone in this room would be familiar with, and there are changes also, no doubt, in how people are taking up their own energy options. I will ask Mr Tudor to make some comments about those percentages. If he cannot provide an answer, I will provide it to the member by way of supplementary information, but he might be able to.

Mr F.A. Tudor: I cannot provide the numbers, so we are going to have to take that on notice, but the trends pretty much continue. Residential has really bounced back a bit, but the business sector is still depressed across the Pilbara and other regional areas.

Mr B.S. WYATT: Did the member want the forecast revenue for 2018–19 and 2019–20?

Mr D.C. NALDER: Forecast revenue for 2017–18, 2018–19 and each year of the forward estimates.

Mr B.S. WYATT: I am happy to provide by way of supplementary information the expected revenue and forecast revenue for 2017–18 and across the forward estimates.

[*Supplementary Information No A21.*]

Mr D.C. NALDER: What factors will determine the forecast revenue changes? It is bouncing around a bit and Mr Tudor just said that the business sector is soft and residential is recovering a bit. Are they really the two drivers impacting revenue or is it other factors such as gas prices?

Mr B.S. WYATT: I suspect that there would be a large range, but, again, Mr Tudor is best placed to give the member more detail on that.

Mr F.A. Tudor: Gas prices will impact the cost side. I think the other factor on the revenue side is probably the beginning of distributed energy. Solar panels being deployed will impact on revenue. At the moment, with the current tariff structure, particularly now, not in our high-cost towns but in our lower-cost towns, like the Pilbara, solar panels being deployed means that we have less revenue coming back in. It is not such a big issue in the Pilbara because that is still to take off in any meaningful way, but in towns where we have reached hosting capacity—that would be Carnarvon, Broome and some of the bigger regional centres—we would have felt the impact of solar panels.

Mr D.C. NALDER: Is that around residential solar or is that commercial solar as well? Is Horizon Power seeing it across both or is it still a bit like Perth where we have had this massive influx of residential solar and we are starting to see some commercial solar?

Mr F.A. Tudor: I think the member has picked the trend; the residential has been first and for the small business sector, it is a significant investment that is becoming more attractive as prices are going up, if we are not moving the tariff structure, and the costs are coming down for the technology. I think businesses are starting to look at that, so that is taking off, but there is a lag between residential first and then the business sector coming after that.

Mr D.T. REDMAN: Could the minister update us on the access arrangements to the north west integrated system and in particular Alinta Energy's push and where that is at?

Mr B.S. WYATT: In respect of the NWIS, the member would have seen that we made a decision on a light-handed regulatory regime. The development of that is ongoing. Simultaneously, or around the same time, Alinta applied for coverage, which was granted by me in an interesting capacity that I have under the act. I must admit it is as close to a semi-judicial role as I will ever have, I suspect, but it is a funny role that I have. That final coverage decision was on 2 February this year. Effectively, coverage will apply from 1 January 2020, but obviously we have to go through two processes now to develop a regime that we think is a better regime than the bells-and-whistles coverage under the Electricity Networks Access Code, although there is quite a hefty process to get to the ENAC outcome before organisations can effectively connect.

Mr D.T. REDMAN: I assume that Horizon and/or the government has done some predictions on the likely impact, firstly, on Alinta's business and, secondly, on the tariff equalisation contribution.

Mr B.S. WYATT: It is very much high level—I obviously have quite a lot of time! If the member goes through the decision, he will see that it makes the point that there is a very broad spectrum of likely impacts. From memory, many of them were almost so uncertain that in making a decision it was almost something that I could not take into consideration under the act. But, as a result, clearly, there are policy considerations for government now that that coverage has been granted from that time. They are set out on page 47 of the decision and include the likely impact on the state's finances—we will get a better understanding of that over time—whether contestability thresholds might be appropriate; whether the current policy settings for the TEC remain appropriate in an environment in which Horizon Power were to face retail competition; eligibility thresholds for customers in being able to access subsidised tariffs under the ETP if they were able to choose a competitive market retailer; ensuring that appropriate default retailer arrangements are in place for continued electricity supply to customers when competitive retailers enter or exit the market, which is similar to the issue we talked about with respect to Synergy; whether there should be a light-handed regulatory regime for the NWIS to facilitate third party access, rather than the code's current regulatory requirements; and whether to establish an independent system operator to oversee network operations in the region.

Although the decision around coverage has been made, there are a lot of policy implications as a result of that that the Public Utilities Office and Horizon are working through. The question the member raised is dealt with specifically in the decision.

Mr D.T. REDMAN: Is there a time line for when decisions in and around those variables will have to sharpen up?

Mr B.S. WYATT: Yes. Indeed, with respect to the light-handed regime, some key decisions will need to be made this year. There is a bit more time around the ENAC coverage, but coverage under that is a sledgehammer-to-crack-the-nut force for something the size of the NWIS. That is why I think there is more interest in it and a better outcome would be the light-handed regime.

Dr M.D. NAHAN: The real issue is that since Alinta has the plant with surplus capacity in the Pilbara and a gas contract, it is expected that its cost of delivery will be lower than Horizon's and therefore will take market share away from Horizon. That was always the big issue. Exactly how much—who knows. It depends on that.

Mr B.S. WYATT: That is always a component of how much —

Dr M.D. NAHAN: It depends on how everybody responds. If there is a loss of market share, which there will be, one would assume, how will that work through on the TEC or those issues that need to be dealt with?

Mr B.S. WYATT: That is one of the key questions. I will ask Mr Tudor to make some comments. That is why one of the policy issues is whether the TEC is the appropriate mechanism post retail competition.

Mr D.T. REDMAN: Is there an alternative to the community service obligation?

Mr B.S. WYATT: There might be other alternatives. Hopefully, there will be. If there is competition, then, clearly, market share is lost by the current dominant player. How competitive Alinta wants to be, how aggressive it goes, are all the unknowns, but that is why those policy issues that I raised are key considerations. They will all be considered in one form or the other. I might ask Mr Tudor. He might want to make some comments on the first comments the Leader of the Opposition made about Alinta.

[7.20 pm]

Mr F.A. Tudor: There are two other factors. When people are considering who they might choose as their supplier in the Pilbara, there is cost, which is one factor, and there is security of supply. It is not just cost; it is security of supply and it is also the credibility of the counter party. We have seen that pay dividends with Roy Hill. It was always anticipated that it did not start at the beginning, but we competed for Roy Hill and won that piece of business. The decision around who supplies is much more than just a cost-based decision on behalf of customers. The other thing I would say is that the government has made the decision to put the open access start date to 1 January 2020. If we follow a process, which we will be obliged to follow-through on, we have to put together some access arrangements six months after that, deliver those to the Economic Regulation Authority, and the ERA has about six to nine months to consider that. The open access will start around mid-2021. By the time that occurs, the market could well have turned around and we can anticipate that there are some projects up there: replacing the mines, Balla Balla and indeed other big contracts will come off and again be contested. All of that taken into the mix is pretty difficult to predict, given the time frames.

Dr M.D. NAHAN: Is Alinta pleased with that time horizon?

Mr B.S. WYATT: Is it pleased? It has not expressed a view to me. I suspect it would have liked a tighter time frame. As I think the Leader of the Opposition is probably alluding to, they have not expressed a view to me personally.

Dr M.D. NAHAN: How is the TransAlta project going?

Mr B.S. WYATT: I will let Mr Tudor answer that.

Mr F.A. Tudor: From our perspective, it is going extremely well. We are blessed having two Canadian companies that are very credible independent power producers both at Karratha with ATCO and TransAlta in Port Hedland. From our perspective, the power station has performed very well. We have retired any of the temporary kit that we had there. We have had very few problems.

Dr M.D. NAHAN: Is the demand for Horizon's energy as expected? Does it still have a bit of surplus capacity in the plant?

Mr F.A. Tudor: We have talked about the sort of depressed demand; we would not have anticipated when we made the decisions that demand would have fallen the way that it has, but I think these are investments that are made over 25 to 30 years. Having the investment in place and having efficient generation there I think will pay dividends for the entire area. The one thing to remember is that the Alinta plant put in in 1996 is getting pretty old. We have already seen it start to replace its old frame 6 machines with new GE aeroderivative machines. That is going to be a progressive change out.

Dr M.D. NAHAN: With the declining demand, we started seeing the decline in business demand, medium-sized business, in 2016–17. Has it continued to decline in Karratha and Port Hedland since then?

Mr F.A. Tudor: I do not think it has picked up significantly, but I think it has bottomed. We have seen some of the things, particularly on the liquefied natural gas side. A number of LNG trains are being built and commissioned in the area. As we have discussed in the past, some people have come in who are being set up to do year in, year out maintenance going from one train to another. Although some of the small businesses have come down, there has been some take-up in demand as a result of some of these new businesses being set up to service the LNG industry, which has now got a critical mass in that part of the world.

Mr D.T. REDMAN: I refer to the expenses from the general government sector to public corporations on page 203 in the *Economic and Fiscal Outlook*. I notice that the tariff adjustment payments for both Horizon and Synergy are effectively coming to an end. Horizon has a little residual there. This is a bit of the dark arts about how this works, the minister can help me with this. I assume that the seven per cent increase in tariffs for electricity have soaked up most of that. Has much been soaked up by the business activities of Horizon, if I have got that right?

Mr B.S. WYATT: We made the decision in last year's budget to cease the TAP for the 2018–19 year. Synergy will be here in a minute. From memory, the difference between the efficient cost of supply, if you like, would have required a TAP of around $53 million. Ask me to confirm it again when I have the Synergy CEO sitting next to me.

Mr D.T. REDMAN: Sorry, $53 million? Just Synergy?

Mr B.S. WYATT: For Synergy. There is no question—I think I made this point—that we are asking Synergy to do a bit of work in 2018–19. I think the member's question around business and Horizon —

Mr D.T. REDMAN: In terms of how much the business is expected to soak up.

Mr B.S. WYATT: When I have Synergy here, I might have to deal with that if I can.

Mr D.T. REDMAN: The same principle applies to Horizon, does it not?

Mr F.A. Tudor: My view is that over the last four or five years we have driven efficiency pretty hard into the business. There is probably not a lot more that we can do. We have maintained that discipline as we have grown some capability in microgrids to look at a very different type of future. Our capacity to absorb that will be limited, but we will be driving efficiency, as we have been, where we can.

Mr D.C. NALDER: On page 44 of budget paper No 3 it outlines lower revenues. I want to get an understanding of the cost base, particularly around purchasing gas and whether there are long-term gas arrangements in place and how much flexibility is there, or whether there are inherent risks on the cost side for Horizon. I am trying to get an understanding of that.

Mr B.S. WYATT: The question is how much the cost base is fixed?

Mr D.C. NALDER: Yes.

Mr B.S. WYATT: Mr Tudor, do you want to make a comment about that?

Mr F.A. Tudor: The member has made a very good point. When we looked at our future—I think we probably locked in some supply with Synergy, I am guessing about two years ago—we were starting to look at a very uncertain future, particularly in the business sector, so we sought to underpin security of supply to the residential customer base that we have. We have locked that in with Synergy as a supplier, then over and above that we have taken the risk in the market that we thought was worth taking, and the prices in the short-term gas market are much lower than the longer-term secure prices from 20-year contracts, which Synergy signed up to and we have pretty much back-to-back arrangements with. We fixed gas related to our residential customer base, which we do not expect to move substantially, then in the business sector we have built-in flexibility based on going into the spot market. We have a portfolio of contracts that are giving us the flexibility to move with the market, both price and volume.

Mr D.C. NALDER: What percentage of Horizon's business is residential, versus business?

Mr F.A. Tudor: I will just defer to one of my colleagues. Mike, do you have the percentage split number?

Mr M.A. Houlahan: I do not have the exact percentage split, but it is around about 50–50, effectively.

Dr M.D. NAHAN: The tariff equalisation contribution is not in the books, of course. Could the minister provide us information on what he expects the TEC to be over, let us say, 2017–18 through 2021–22?

Mr B.S. WYATT: We probably do not have it but we can provide it, I suspect.

Dr M.D. NAHAN: Is it growing or shrinking?

[7.30 pm]

Mr F.A. Tudor: It flattens out to roughly $160 million. We had an exceptional year of $198 million when we were getting some back payment, but then in 2019–20 it flattens out to $160 million. I imagine that there will be reviews to look at competition and perhaps the mechanism of the tariff equalisation contribution overall in that period.

Dr M.D. NAHAN: It went up to $198 million and then it will level back off to $160 million.

Mr F.A. Tudor: The $198 million is artificial. It should be about $186 million; I think that is attributed to the peak year. Then we flatten out to roughly $168 million.

Dr M.D. NAHAN: What proportion of the TEC is due to the north west interconnected system?

Mr F.A. Tudor: I will have to take that on notice.

Mr M.A. Houlahan: Yes. About 40 per cent of the TEC is allocated to the NWIS and 60 per cent for the rest of the business.

Dr M.D. NAHAN: What percentage of the total sales are in the NWIS?

Mr M.A. Houlahan: That sits close to 50–50, so 50 per cent in the NWIS.

Dr M.D. NAHAN: The NWIS is one of the more profitable ventures. If we took out the NWIS and treated it differently, the residual TEC would be high.

Mr B.S. WYATT: It would be reasonable, yes.

Mr D.T. REDMAN: If we were to take out the competitive issues of the NWIS, what is predicted in the disruptive efforts of the distributed energy resources coming on board? What is the likely impact on TEC if we are predicting that in modelling?

Mr B.S. WYATT: It is a great question because everyone is grappling with this issue and Horizon has thought about it a lot. Mr Tudor might make some more comments. How long is a piece of string?

Mr F.A. Tudor: The Pilbara is a unique market, so we are not dealing with individual customers who will be making decisions based on their own circumstances. In many cases, the house is owned by Rio Tinto, Woodside or BHP, so we are dealing with a fleet. The employees are not directly exposed because their power is subsidised by the mining companies. It is a difficult equation to work through, but our estimate is that if anything occurs, it will probably occur at the end of the forward estimates and beyond. We have set up a trial whereby we are looking at making a solar offering in conjunction with a company called Energy Matters and local installers. We are building capability and certification for those local installers so that they can work with Energy Matters. The initial indication is that the take-up there without a deliberate effort is pretty slow. Our expectation is that it will start to impact, but not for the next two or three years.

Mr D.T. REDMAN: Did I hear Mr Tudor right when he said that a lot of household users do not have a price signal for power back to the energy provider because companies provide subsidies for their power?

Mr B.S. WYATT: That is what he is saying.

Mr F.A. Tudor: Yes.

Dr M.D. NAHAN: Especially in Karratha.

Mr B.S. WYATT: It is an interesting point.

Mr D.T. REDMAN: Are we supposed to try to model that?

Mr B.S. WYATT: That is right.

Dr M.D. NAHAN: If we go beyond Hedland and Karratha and the smaller towns that largely have diesel fleets, there was a very slow uptake of solar, even though solar was much cheaper than diesel units. Horizon Power did some modulisation of the diesel units to induce greater solar use and back off from diesel. How is the uptake of solar going in those high-cost centres such as Meekatharra and others?

Mr F.A. Tudor: It is still a work in progress. A lot of the communities in some of those towns are low income earners. In a lot of cases they are renters. It is not in the interest of the landlord to work through it, because the renter is exposed, but they are there for only a certain time, so they will not be able to do anything. It is a conundrum that we are working through with the landlord and the renter to make that proposition viable. We are doing quite a bit of work to see how we can increase that take-up and work with the community. We have not made big inroads yet, but as the member has identified, that is certainly an area within which we are completely aligned with the customer base. If we can put more solar on people's roofs, we win because we are offsetting losses and in turn the people would win.

Mr D.C. NALDER: I refer to the letter of intent signed by Horizon Power in December last year to undertake projects in Indonesia. Will the Treasurer provide details on the cost of this project, including the costs incurred to date and forecast future expenditure?

Mr B.S. WYATT: The cost incurred to date is the cost for Mr Tudor with Minister Johnston to travel to Indonesia recently, which is not a significant cost. The executives of Horizon travel and have travelled for a long time. All the utilities have staff who travel and continue to travel. The letter of intent is exactly that. It expires this year and has no legal impact, so I would not read too much into it.

Mr D.C. NALDER: Would the minister table that letter?

Mr B.S. WYATT: The member would have to ask Minister Johnston.

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

Mr B.S. WYATT: Horizon signed it, but it is up to Minister Johnston to table that letter of intent.

Mr D.C. NALDER: Why? Horizon signed it and you are the minister.

Mr B.S. WYATT: The member can make a freedom of information request of me and I will consider giving it to the member through the FOI process, but Minister Johnson was part of that, so I think as a matter of courtesy, I would prefer to leave that decision to him. If the member wants to FOI Horizon, he might rustle it up that way.

Dr M.D. NAHAN: What is the intent of the letter of intent? Is it to provide isolated grid services? There are a lot of islands in Indonesia.

Mr B.S. WYATT: The way I read it, it is a relationship builder, if you like, and an agreement to talk directly on a range of different issues, which is something that I am relaxed about. It is not a legal agreement to provide energy services here, there and everywhere. The way I read it, it is simply an agreement to talk directly about a range of issues.

Dr M.D. NAHAN: When I was the Minister for Energy, we discussed the idea that when we develop microgrid technologies and isolated systems technologies, of which Horizon probably has the largest fleet of any utility in the world, we could potentially sell those services in places such as India and Indonesia. Is that what Horizon is doing?

Mr B.S. WYATT: I think Indonesia is interested in that particular skill set of Horizon. The Leader of the Opposition knows more than I do about the make-up of Indonesia as a peninsula. There is a big need for distributed power systems. I think Horizon has particular expertise in that area, so that is where the focus of conversations would be. Certainly, with the question the member asked me in Parliament the other week around the conference that Minister Johnson and Mr Tudor went to, I suspect that is probably a big part of that conversation and conference. That is not unusual. I think Mr Tudor has also spoken at microgrid conferences in the United States, but that does not mean we are providing services to the United States.

Dr M.D. NAHAN: I refer to Horizon Power's off-grid technology, particularly in the Esperance area. Horizon went through and gave incentives or tried to give incentives to people, particularly after the fire down there, to replace lines with standalone facilities. Is Horizon progressing those incentives?

Mr F.A. Tudor: The only incentive we really gave was to assure people that when we put the off-grid systems in there, reliability of supply would be guaranteed. If they did not work, we were prepared to rebuild the lines. We have not had to do that. When we did the analysis, we started with about eight or nine customers who would have been ideal fits from our perspective. It would have been as cheap for us to replace the technology with an off-grid system as it would have been to rebuild the lines. We then worked with community members. I think, in the end, only about four or five were prepared to go with us and had the standalone power systems installed. Since then, we have installed additional off-grid systems across the state. We have installed one at Exmouth Golf Club and at Fitzgerald River National Park. As we have done so, we have begun to realise a couple things. One is that this is a utility product that the utility makes sense of. If we can retire long lines and derive the benefit of that plus the revenue the customer would normally provide, this is an economic proposition. Because of the nature of this state and its long feeders, we see enormous potential both in Horizon's patch and also the fringe-of-grid on the south west interconnected system.

Pretty much since 2013–14, with the fires in 2015, having deployed them, we have been building that skill set and building that capability. We see the systems themselves progressing from just crude units. I would not call the ones in Esperance crude, but they are the first generation. We see those being built potentially into being fleet-managed—integrated with utilities' back-office systems to provide a complete service. It becomes just another asset that the utilities manage in actually providing the service. The decision for the deployment is driven from the economics that the utility can run, rather than the customer. It is a utility product rather than a customer product.

[7.40 pm]

Dr M.D. NAHAN: Are the farmers or the people who participated in the four or five pleased with the outcome?

Mr F.A. Tudor: They are very pleased. Their only complaint is that they get too much media, too much press and too many people coming down to visit. Otherwise, they are very, very happy.

Dr M.D. NAHAN: Are you planning to expand the number of them?

Mr B.S. WYATT: Good question. Mr Tudor.

Mr F.A. Tudor: It is under active consideration at the moment. We see within our own patch lots of potential for deploying these. As I say, we also see it across the fringe-of-grid and probably across Australia as well. We do not see that there is a ready competitive market that can provide the kind of product we are talking about. We have a proposition in front of our board at the moment to consider how we bridge that gap and start to build a capability, particularly when we start to integrate a new utility back-office system so we can provide an integrated service. That is certainly something we are considering and that will be in front of our board in the next month or so.

Dr M.D. NAHAN: Are you starting to include more batteries as part of the package?

Mr F.A. Tudor: That is a good question. It is a combination. Certainly, in some cases we have had to deploy. When we had the fires at Esperance, we did not have the information on demand and spikes in demand, so we had to put systems in that we have gradually had to augment, so we have put more batteries in. We have it down to a point now where the diesel runs for about 200 hours a year, which is probably ideal. With all these systems, when we are not faced with a crisis, we need to put in watt watches and get information on the demand from the customer side. Once we have that, we can match the ideal system. As I say, we try to optimise the amount of diesel to a very bare minimum and that is done through solar and batteries.

Mr D.T. REDMAN: Mr Tudor commented on where technologies can be deployed. One is, obviously, on the isolated networks at Horizon. The other one is on the fringe-of-grid area. A big part of the operating arena there comes down to government policy settings and legislative change, potentially. This space is moving very, very fast. Horizon being virtually integrated has made a number of points about that being a huge advantage in delivering these sorts of services to those areas. Has the government got an agenda soon, or is it waiting for that very competent committee to report back before it takes a path?

Mr B.S. WYATT: With respect to Western Power, for example?

Mr D.T. REDMAN: Yes, in terms of Western Power's footprint and/or the respective operating arenas that both Western Power and Horizon have got, whereby in the middle there, they would both like to take that bit of turf.

Mr B.S. WYATT: Absolutely. It is good to see the CEO of Western Power is here; he will be able to give the member more detail. We announced, I think, a trial of 60 locations for this very thing. Ultimately, we still have to change the regulatory environment in which Western Power operates to do these things. But everyone—Horizon, Synergy and Western Power—sees where this is heading. A large percentage of Western Power's transmission lines service—I will say the figures properly when I have the CEO here—are a very small percentage of customers. There are better, more reliable ways to do it. As the member said in his question, we need to update the operating model.

Mr D.T. REDMAN: Does the minister have a time frame for looking at any legislative change, because that is really what holds back —

Mr B.S. WYATT: I would like to think next year.

Mr D.T. REDMAN: The minister would like it to be next year?

Mr B.S. WYATT: We are doing some work at the moment; I cannot commit to that, but I would like to think that.

Mr D.T. REDMAN: I assume business-case work is being done.

Mr B.S. WYATT: Work is being done. Mr Kahn of the Public Utilities Office, who was here with Treasury earlier, is sort of doing that work.

Mr D.T. REDMAN: Including flow-on budget impacts?

Mr B.S. WYATT: Yes. The Public Utilities Office is now, of course, within Treasury and all that work around financial impacts as well are part of that.

Mr D.T. REDMAN: Will there be a level of public consultation?

Mr B.S. WYATT: Yes, and it will absolutely be led by the PUO. There is a lot of interest in the energy system. The PUO is doing a lot of reviews at the moment across a lot of different areas. It is all being integrated with a very clear and ongoing public consultation process. On this in particular, the PUO will start pretty soon, from memory, because, ultimately, there has to be public support and input because it is a very complex area. Ultimately, we probably want to see opportunities for private sector investment as we go forward as well, so we want to get certainty and confidence in whatever we create.

Mr D.T. REDMAN: And there will be a big impact on the regions.

Mr B.S. WYATT: It will be very big. As Mr Tudor has articulated, it will be a positive impact.

Dr M.D. NAHAN: The key issue, I think, with Western Power—Horizon has a benefit—is that it is an integrated business—generation, transmission and distribution—whereas Western Power is, by definition and act, just distribution and transmission. Therefore, the essential problem is that, increasingly, the natural monopoly position of Western Power is being eroded by changes in technology that allow substitution in generation, transmission and distribution. That is the essence of the problem.

Mr B.S. WYATT: And with Synergy, around generation.

Dr M.D. NAHAN: Yes, there are those two. The real change has to be either to allow Western Power to get into generation, or to have some trade-off between them and have competition. Horizon does not need that; it can already do quite a bit altogether under its legislative powers. Is that where the focus of the legislative change will be?

Mr B.S. WYATT: I will not give it that sort of oomph at this point, Leader of the Opposition. I will simply say that we are aware of the inadequacies of the operating model in the environment we are in. We need to make the value that Western Power can create—this is more of a Western Power question, but that is all right—out of its own network, whatever that network may look like.

The CHAIR: There being no other questions, that completes the examination of Horizon Power.

Synergy —Estimates Committee

Mr R.S. Love, Chair.

Mr B.S. Wyatt, Minister for Energy.

Mr J. Waters, Chief Executive Officer.

Mr A. Kabra, Manager, Financial Planning and Analysis.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I caution advisers to wait until I call you before you start to talk. I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: I refer to dividend, income and tax equivalents of Synergy on page 143 of budget paper No 2. After very large payments in the previous two years, the payments in 2018–19 and 2019–20 go down very sharply. Can the Minister for Energy explain the apparent decline in Synergy's income and dividends, which means profit?

[7.50 pm]

Mr B.S. WYATT: I can, and I might get the CEO to make a comment in a minute. It is due to a number of factors. Firstly, margins were under pressure due to falling customer demand and increased competitor activity in both retail and generation segments, coupled with competitive contestable markets in electricity and gas. In addition, increasing competition in the gas market coupled with the decline in retail gas prices has significantly reduced the profitability of the gas trading book. Secondly, the government's decision to retire 380 megawatts of electricity generation capacity by September 2018 has impacted short-term profitability due to lower capacity payments revenue and higher depreciation costs. Mr Waters, do you have anything to add to that?

Mr J. Waters: In general, we have come off a period of high dividends relative to the go-forward view on the back of some delayed dividends from previous years and the dividend as a result of the sale of the Mumbida wind farm. These created a spike that inflated the dividends in a one-off sense in the 2017–18 period.

Dr M.D. NAHAN: Further to that, in the contestable electricity market, is Synergy's market share stabilising and are its margins decreasing?

Mr J. Waters: The share has stabilised. The Leader of the Opposition will know that we went through a period of intense competition and we saw a reduction in market share. At the moment, that market is a very balanced between all the major participants and there is a healthy level of customer churn. However, it is still very much a buyers' market and margins are skinny for all participants. That is reflected in the profitability of the segment.

Dr M.D. NAHAN: What market share has Synergy stabilised at?

Mr J. Waters: I would have to take that as supplementary unless Amit knows that.

Mr B.S. WYATT: Mr Kabra.

Mr A. Kabra: The market has stabilised, but we see that as only temporary. It depends on how the competitors react.

Mr J. Waters: The question was about the current share. Do we know what share we have? I think it is around 30 per cent. We will take that as supplementary.

Dr M.D. NAHAN: That is about what it was a couple of years ago.

Mr B.S. WYATT: We will provide that as supplementary. It will not take too long to get.

The CHAIR: What will you provide exactly?

Mr B.S. WYATT: We will provide to the Leader of the Opposition Synergy's current market share in the contestable market.

[*Supplementary Information No A22.*]

Dr M.D. NAHAN: In the contestable market there appears to be—please confirm this or otherwise—growth in business solar. That would be an additional source of competition beyond the traditional providers. Is large-scale solar growing in businesses in the contestable market?

Mr J. Waters: The Leader of the Opposition is quite correct. The pattern over the last decade has been a steadily growing uptake of photovoltaic generation in the residential segment. We saw the early moves of interest in that space spilling into the contestable sector emerge for the first time about two years ago. We are now seeing a fairly rapid uptake in that segment. Going forward, it probably presents among the largest areas of growth for further solar PV penetration into that business segment, given its size, the availability of roof space and what appears to be a growing interest in investing in solar among those customers. Whether it is for environmental reasons or risk mitigation varies from customer to customer. I certainly have a view that we will see continued growth and uptake of solar PV into the contestable segment.

Dr M.D. NAHAN: With that and other factors, does Synergy see the contestable market remaining very tight and competitive for the foreseeable future?

Mr J. Waters: I absolutely do. There is no question that it will remain a very good market for buyers. However, the pressure of competition is no longer coming purely from a front-of-meter position. It is now coming from a behind-the-meter position. In effect, the competition is on two fronts. It is now about the retention of customers in addition to the potential supply of solar PV and, longer term, other products such as batteries in that behind-the-meter space that are not in the contestable market area

Dr M.D. NAHAN: On radio and television I see that Synergy is increasingly entering into that market very aggressively. It was controversial when Synergy first decided to do it because people did not want the behemoth competing with them. Those complaints are still there. As a local member I get complaints all the time, mainly from Synergy's competitors, but not only them. A series of complaints has been put to me, that I would like Synergy to respond to, that because Synergy is a regulator in part and a competitor in part it has a conflict of interest. The rumours are that Synergy uses its regulatory process to promote its sales.

Mr B.S. WYATT: I think it is only fair that Mr Waters has the opportunity to respond to that accusation from the Leader of the Opposition.

Mr J. Waters: The Leader of the Opposition is quite right. It was controversial when the previous government approved it and it is controversial now. We expect it is going to be —

Mr B.S. WYATT: By way of interjection, I get similar complaints.

Dr M.D. NAHAN: Yes, I know.

Mr J. Waters: I would approach it from a couple of angles. We are about providing customers the products and services they need to best manage their energy demand. For some customers that is purely grid-based supply. For some customers that is a combination of grid and behind the meter. Down the track it may be completely off grid. My view is that to be a retailer that is interested in providing the full suite of services demanded by customers requires us to move with the times and be flexible to ultimately give customers what they want, which is choice of a range of competitive products including products from us. I also make the point that we are competing on that front-of-meter space with the big end of town. I am talking about Alinta, AGL, Origin and all those groups that have come into that market. Each one of those companies is unencumbered in its ability to offer those multiple product choices, be it grid-supplied energy only, with or without PV, and with or without batteries. If we are not able to move with the market and be competitive, there is a significantly greater risk to the value proposition of the organisation than the risk of the perception of us selling panels into a market with some question mark over our regulatory role. The bottom line is that we sell those products on a purely commercial standalone basis. They are not subsidised products. They are bought and sold to customers for a profit, as an adjunct to the range of additional services we provide, including traditional energy.

[8.00 pm]

Dr M.D. NAHAN: Why does Synergy still have a regulatory role in the approval of solar cells? I can understand that Western Power does; they have to attach to its grid. I guess the question is: does Synergy still have a regulatory role and is it necessary? That is where the conflict of interest lies, not so much with Synergy selling solar. I have no problem with Synergy selling solar, except for those arguments.

Mr B.S. WYATT: Mr Waters.

Mr J. Waters: Our role broadly in the space is still critical because we administer the Renewable Energy Buyback Scheme, which is non-dependent on the purchase of panels from Synergy. People are free to buy their panels—this is in the residential segment now—and avail themselves of those arrangements. Synergy then provides the revenue streams back to those customers based on the energy that they spill. The proposition that that service go elsewhere is not one that I have contemplated. It would be a question for the Public Utilities Office or other regulatory bodies about whether that would be better off somewhere else. Certainly, I would guess that the thinking that would have had it with Synergy already would simply have been that it is the organisation best placed to provide that service.

Dr M.D. NAHAN: Can Synergy give any assurances to me and others that its regulatory role is not being used to assist it in its commercial role in selling solar?

Mr J. Waters: Yes.

Dr M.D. NAHAN: Does Synergy have in place processes to make sure that it does not communicate and pre-warn—the Chinese Wall or whatever we want to call it, or some in-house regulatory system? The report I have heard is that someone calls up and has a customer and before they do the final purchase, they have to contact Synergy and Synergy gets the sale.

Mr J. Waters: I am not aware of those accusations. The way that it works is that we have a sales desk that is involved in selling the solar products that people ring about. We have an entirely separate function that is the administrative component that oversees the REBS application and management. They are separate functions. I would have to respond to a specific accusation to provide any further comment, but there is certainly nothing that I am aware of in that regard.

Dr M.D. NAHAN: Those two do not cross over.

The CHAIR: Leader of the Opposition, let him finish his answer and then I will give you another question.

Mr J. Waters: They do not cross over. They are separate and discrete functions.

Mr D.T. REDMAN: I am interested in where the sale is at with the Bright Energy investment. How is that going in meeting the government's Large-scale Renewable Energy Target commitments? Also, what is the nature of the deal for the offtake of energy and the pricing of it?

Mr B.S. WYATT: I will ask Mr Waters to make some comments, but it will meet our LRET obligations when Warradarge is operating. The Warradarge project is a very good project, and Mr Waters might make some comments around that as well. It is proceeding well.

Mr D.T. REDMAN: So the new entity has been formed and is in place?

Mr B.S. WYATT: Bright Energy has been, yes.

Mr J. Waters: The initial stage of financial close that led to the creation of Bright Energy has been completed. The Greenough River solar farm component has been brought in to Bright and the stage 2 development of that has now been triggered and construction must be commencing soon. I do not have the specifics; I can provide that. That is underway. We are now working hard on finalising the development of Warradarge, which will be the big step forward in renewable energy production. That will be 180 megawatts that will enter the system in 2020. As it stands today, we are still on track to deliver that within the 2020 time frame.

Mr D.T. REDMAN: In terms of how the offtake agreement is managed, I understand that Synergy is a 20 per cent shareholder in Bright. A deal has been done between Synergy as an entity and Bright as an organisation. How was that deal struck in terms of the price of energy? It supplies energy into the market.

Mr B.S. WYATT: I think I understand the member's question.

Mr D.T. REDMAN: Synergy is a retailer.

Mr J. Waters: The member is quite right; Synergy holds 19.9 per cent of the shares in Bright Energy. The two key projects relevant to this conversation are Greenough stage 2 and Warradarge. Both projects involve the sale of that energy back to Synergy under a power purchase agreement. The PPA is in place for Greenough stage 2, which is the project under construction. Warradarge is not yet. That PPA will be signed at the financial close of that project. Synergy will effectively buy the offtake longer term from those two facilities once both those projects are completed.

Mr D.T. REDMAN: Are there any processes that market test whether that is in fact the best renewable energy source against other options?

Mr B.S. WYATT: Yes. We went through a long process. I think there were half a dozen different options around buying certificates. Is that what the member is saying?

Mr D.T. REDMAN: That was prior to the Bright decision.

Mr B.S. WYATT: In terms of other renewable sources? I will let Mr Waters answer that. Is the member asking whether Synergy, as a 20 per cent owner of Bright, is testing other sources for the commercial supply of energy or for better rates?

Mr D.T. REDMAN: Yes.

Mr B.S. WYATT: Mr Waters.

Mr J. Waters: The answer is we are and we do. We are constantly receiving offers, both solicited and unsolicited, from the market. We are consistently looking at project developments nationally and getting price guidance on those and therefore ensuring that the arrangements that we are getting through the energy purchases back from Bright are indeed the best available.

Mr D.C. NALDER: For clarification on the assets that have been transferred in, the Greenough solar farm has been mentioned, but I understand it also includes the Albany wind farm. Does the minister have a valuation of those assets that have been transferred in, because I imagine that they are coming off balance sheet? I am really keen to understand the asset value of Warradarge, the Greenough solar farm and the Albany wind farm and any other assets that we are not aware of that have been transferred in.

Mr B.S. WYATT: We do. We cannot tell the member them unfortunately, because those values are confidential. It is just those two, plus Warradarge.

Mr D.C. NALDER: I am just trying to understand on what basis the asset values of state-owned assets that have been transferred into private equity hands are confidential.

Mr B.S. WYATT: It is because it is part of a commercial-in-confidence arrangement between Synergy and the other parties in Bright, presumably.

Mr D.C. NALDER: What does the value of the state-owned assets have to do with an operational agreement with them? We are trying to understand the value.

Mr B.S. WYATT: Everything. Mr Waters might want to make some comments, but I suspect that the percentage that Synergy holds in Bright and the value of Bright itself is what keeps that commercial-in-confidence. Mr Waters might want to make some more comments on that. I think I am right.

Mr J. Waters: That is correct. We can use the Albany wind farm as an example. In transferring its operation into Bright and effectively buying back its energy under a PPA, the value that is agreed under the PPA sets the value of the enterprise at the point that it is transferred. Therefore, there is a tight relationship between the value of the assets and the value of the energy that is produced from those assets and further purchased.

Mr D.C. NALDER: How do we determine that this is a good arrangement for Western Australian taxpayers?

[8.10 pm]

Mr B.S. WYATT: It is in terms of the private investment in what will hopefully be a very successful, large-scale wind farm. I will think further about the member's points about the value of Albany and Greenough and perhaps take some advice, but I cannot guarantee that I will provide that information. Having private investment, effectively, construct a 180-megawatt wind farm for what will be, in my view, one of the cheapest sources of wind power in Australia is a good outcome.

Dr M.D. NAHAN: Here we have Synergy, which is a state-owned entity, selling assets to another entity that is 80 per cent privately owned. It then buys back, but that is a separate transaction. The buyback arrangement should also be public. By structure, Bright Energy–Synergy is a minority asset holder in it—it had better be otherwise the minister will have trouble with debt on the books. It is in the budget papers as an estimated $853 million sale of non-financial assets that logically includes this transfer of assets from Synergy to Bright as an asset sale. A value will be struck for those three assets: Warradarge, Albany wind farm and the Greenough River Solar Farm. I cannot see why the transfer price is not disclosed. Its value entity will be made up of a number of things, including the purchase of the asset, the efficiency of the operations and, of course, the sale price. I cannot see why selling an asset to a primarily privately owned entity is commercially confidential.

Mr B.S. WYATT: We have articulated our position, but the point made by the Leader of the Opposition and the member for Bateman is well made and that is why I said I will seek further advice on it. I will not provide it to the Leader of the Opposition here, but I will seek further advice and write to him about it. I am not in a position to give it to the Leader of the Opposition now because I want to test it, and I think it is a reasonable expectation that I test the advice that it is commercial.

Dr M.D. NAHAN: I refer to the sale of energy from Bright. I take it from a previous response that Synergy is the sole purchaser of that.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN Why was it not structured so that Bright could compete with Synergy? The requirement of the Large-scale Renewable Energy Target is that Synergy underwrites the expansion of renewable energy. I do not believe necessarily that it has to buy that energy or be a responsible marketer. It has to facilitate, underwrite or ensure that capacity is built. Will the minister disclose the price arrangement, the power purchase arrangement, that Synergy is buying that on given that it is not necessarily an issue of competitiveness in the market because no-one else is going to do it?

Mr B.S. WYATT: The issue is a contestable market. Why is there a PPA? I imagine it is to get the private sector investment required.

Dr M.D. NAHAN: I understand that.

Mr B.S. WYATT: But there is a contestable market where there is commercial-in-confidence.

Dr M.D. NAHAN: I can see that if it is competing with a contestable market, such as Alinta or somebody else, that it would want to keep its fuel price confidential. I understand that. But this one is a project of which Synergy is a minority shareholder and there is no competition to buy its energy. It is monopoly relationship. All the energy goes to Synergy under a certain arrangement, which could be complex. Why is that confidential?

Mr B.S. WYATT: That is true, but Synergy is, of course, selling into the contestable market space as well, not just the residential space. That is where, I suspect, Mr Waters would have some problem in disclosing those figures.

Mr J. Waters: Correct. That is at one level. The other level is that from the perspective of our partners and their ongoing investments and interests in potential projects in Western Australia and nationally, these things are always closely guarded in terms of the offtake prices.

Dr M.D. NAHAN: We are interested in this major transaction in which a number of assets that the state invested in are being transferred to a private entity. We are being told that the sale value—they are in the books and not isolated—is confidential, but the minister has agreed to look at it.

Mr B.S. WYATT: I will test that.

Dr M.D. NAHAN: Okay. The purchase of the energy back from that entity is also confidential. There will be a rate of return that the joint venturer will require and the asset sale price and PPA will determine that. That is how it works, as I see it. I do not expect the minister to indicate the expected rate of return of that. I suspect that because of that, most of the risk is borne by Synergy in this entity—it has to be. What risk is the entity Bright Energy bearing? The government has sold Warradarge to it and put a lot of money into that in terms of the quality asset information and the government is guaranteeing a buyback. What is the risk borne by the entity?

Mr B.S. WYATT: The term of the PPA is shorter than the life of the project—it is considerably shorter—so that would be where the risk is being borne by the private sector. The PPA is not for the life of the project; it is shorter so the risk of the private sector investor is that once the PPA expires, it has an asset that it has to sell energy from.

Mr M.D. NAHAN: What is the life of the PPA?

Mr B.S. WYATT: Similar to the other issue, I am reluctant to disclose that at this point, but I will test that as well.

Mr D.C. NALDER: How was the 19.9 per cent share for Synergy determined? How did it come about?

Mr J. Waters: I think it was landed upon from a range of perspectives around tax and investment efficiencies. I would have to take the specific question as a supplementary, but it is a backworking from what was an efficient appropriate representation of, in effect, the state in the project.

Mr D.T. REDMAN: Was it working back from commitments to get off-book strategies to meet the LRET requirements?

Mr B.S. WYATT: Not necessarily. It was a range of factors, some of which we have probably discussed already. It was not just that.

Mr J. Waters: The meeting of the LRET requirement is done through the PPA and, irrespective of who develops the projects, we would always be the core offtaker. The 19.9 per cent was a different consideration of the structure, operation and representation in the structure.

Dr M.D. NAHAN: Let us talk about the structure of Bright. As a former Minister for Energy, I used to have information about it but I will not disclose it, okay? Can the minister advise the equity that was put into it to the extent that he can describe the transaction? Three assets of undisclosed value have been put in —

Mr B.S. WYATT: Which is the equity, effectively.

Dr M.D. NAHAN: Can you guys please describe it? I think I know what it is.

Mr B.S. WYATT: I think the member knows what it is, by the sounds of it.

Dr M.D. NAHAN: I do!

Mr B.S. WYATT: Mr Waters, you describe it!

Dr M.D. NAHAN: If there is confidentiality around it, I do not want to, in a de facto sense, break it.

Mr J. Waters: Let me take as supplementary the value of the equity, because we may be able to disclose that but I would like to test that first. If I can take that as a supplementary question, I can do that.

[8.20 pm]

Mr B.S. WYATT: We will just deal with that now because that is an important part. By way of supplementary, we will provide the value of the equity in Bright Energy Investments.

[*Supplementary Information No A23*]

Mr J. Waters: If the member likes, I can describe the transaction in high level. We sold into Bright the existing operation of the Greenough River Solar Farm, the development of stage 2 of Greenough River and an offtake arrangement for stage 2. We have sold into Bright the Albany and Grasmere wind farms with an offtake arrangement, and we will sell, subject to its completed development, the Warradarge wind farm with an offtake arrangement. The returns that come from that are a combination of sale values and development fees that we earn. We use some of that as a reinvestment of our equity that we have carried in. The remainder will be paid as a dividend. That is the approximate outworkings at a high level of the structure. We have gone from having a greenfield development asset, two operating assets and one that could be called a brownfields development—being stage 2 of Greenough—and sold that into a fund to buy a share in a much larger operation inclusive of Warradarge that the state will carry an interest in, and for that we will buy energy back from Greenough stage 2 and Warradarge. That will enable the state to meet its renewable energy target obligations from 2020. We will have done that at least cost relative to all the other alternatives that we as a business could identify.

Mr D.T. REDMAN: I assume that the decision to secure the sale was a cabinet decision, and I assume that there was only one decision and all the parties that were party to Bright as an organisation were known in all cases. In other words Cbus was there. Were there always two other parties?

Mr B.S. WYATT: No. Actually, Cbus came in late. Mr Waters will correct me if I am wrong, but I think the initial view of the deal was to have two other parties—Dutch Infrastructure Fund and another party—and Synergy. Along the way there was another party that eventually fell away, and then Cbus came in quite late. Is that correct?

Mr J. Waters: That is correct.

Mr D.T. REDMAN: Was there anything in or around a cabinet decision to accept that or was that part of the commercial space of this entity?

Mr B.S. WYATT: It was both. Of course, cabinet made a decision around it, but that came as a package. I thought it was a good outcome.

Dr M.D. NAHAN: I would like to explore the structure a bit first and then ask another important question. Is Synergy going to build the Warradarge wind farm and then put it into Bright or does Bright build it or do you act as the builder within Bright?

Mr J. Waters: My understanding is that Synergy undertakes the development process and then at the point of development readiness—when it is ready for the establishment of an engineering, procurement and construction contract, network connection and everything else—it goes into Bright and gets delivered. But Synergy is then able to provide some services to then support Bright in that process in terms of asset management and development-type services. That is my understanding.

Dr M.D. NAHAN: Is the wind farm going to be put up on the land at Warradarge and then, when it is all finished, be transferred over to Bright?

Mr B.S. WYATT: That is not quite right, but Mr Waters will explain it.

Mr J. Waters: It is as the member described, but it is before the building starts. At the point that the development is closed, everything is ready to be signed and all the signatures go down, the asset and the package then transfers.

Dr M.D. NAHAN: The Warradarge is a very good resource—that is what Mr Waters told me and I think that is the case. Did Synergy look at selling that separately from the Bright joint venture? Was it priced separately?

Mr B.S. WYATT: In terms of what?—saying Synergy sells the right to Warradarge —

Dr M.D. NAHAN: Yes, and then to buy it back through the private sector. It is a very high-quality resource.

Mr B.S. WYATT: It is very much so, yes. I guess that was an option. I prefer this outcome in the end but I am not sure whether along the way something else was looked at—Mr Waters?

Mr J. Waters: It may have been looked at but the value in the asset was through the development for which Synergy had the expertise and the history of its ownership. I cannot recall that that option went far. Fundamentally, we were looking for a partner that was interested in developing the project as greenfields utilising our knowledge and experience in the ownership of the site and the wind data we had from there. I really could not provide a great deal more colour to that one.

Dr M.D. NAHAN: I think the real question has to be that the electricity network access code had to be met somehow—fair enough. Warradarge was the lowest cost option that could be found—fair enough. Those other ones are good add-ons but they could have been done in the government's book. The government would have had to borrow, but it could be done in its own book, and the borrowing cost for the government alone. The real question is: what is the value of Bright as opposed to doing all these things on borrowings on the government's own balance sheet?

Mr B.S. WYATT: The challenge we put to all areas of government now is how they go about doing things that they want to do without dramatically increasing debt. No doubt, when the Leader of the Opposition was in government, he put a similar challenge to Synergy, I suspect. This was a creative solution.

Dr M.D. NAHAN: Is the minister confident, and can he tell me now? When we looked at this, Treasury was adamant that it would come back on the balance sheet—adamant.

Mr B.S. WYATT: When we came into government, this was around, as the Leader of the Opposition has pointed out in here. He pointed out that Treasury opposed it. I said to Synergy and Treasury—the Public Utilities Office—"If you guys can go off and make it work and agree, then I'll look at it", and they did. I think the Leader of the Opposition asked if am I confidently off-balance sheet —

Dr M.D. NAHAN: The accounting changes in the wind.

Mr B.S. WYATT: That is right. One can never be 100 per cent certain at this point, but all the good advice we have from our advisers in terms of engaging with the Office of the Auditor General, is that there is no difference in the opinion that we have around being off balance sheet. We can never be 100 per cent certain because we do not know how it is going to land. But in any event, it is something that looks to be of value.

Dr M.D. NAHAN: To put it simply, this is not the lowest cost solution. The lowest cost but higher debt solution would be to use Synergy—the government's balance sheet. This is a higher cost solution but it has substantially lower debt implications.

Mr B.S. WYATT: Government debt is always cheaper than private sector debt.

Mr D.C. NALDER: Has there been any further advice around the changes to the accounting standards to suggest that it may be forced back on our balance sheet?

Mr B.S. WYATT: Beyond what I have said tonight—I was sort of just squizzing through—we have advice on the changes that are coming. I assume that is what the member meant. No account would give advice that it is nil, but it is very low. As I said, the accountants involved are also engaged with the Office of the Auditor General and there is no difference of opinion between those two.

Mr D.C. NALDER: So it is not clear.

Mr B.S. WYATT: There is no difference of opinion on it. The advice that it is staying off balance sheet under the new arrangements is still probable.

Mr D.C. NALDER: So the Australian Accounting Standards 2017–18, or whichever, feel it is fine.

Mr B.S. WYATT: Whatever it is, yes.

Mr D.C. NALDER: It is 2016–17 or 2017–18.

[8.30 pm]

Dr M.D. NAHAN: Into the future, is there an understanding that Bright Energy Investments will take on Synergy's additional Large-scale Renewable Energy Target or equivalent renewable commitments? This will get to the LRET requirements for 2020–23, but there might be something beyond that. Who knows? I do not know. Is there any understanding that the Bright project will be the developer or otherwise of the renewable energy requirements placed on Synergy into the future beyond this current deal?

Mr B.S. WYATT: There is no understanding, deal, arrangement or side deal about it. I guess there probably could be if they wanted to, but there is no arrangement around that.

Dr M.D. NAHAN: Does Bright have plans for developments beyond the ones that Synergy is involved with?

Mr B.S. WYATT: I doubt that with Synergy being in the state, but Mr Waters —

Dr M.D. NAHAN: But Synergy only has 19.9 per cent of voting rights.

Mr J. Waters: I guess personally I think it is an incentive for Synergy. Our total energy at the moment is going into getting the two projects built that we are currently committed to, and we are not getting ahead of ourselves anywhere beyond that. From a renewable energy perspective, that will see us through the life of the current scheme, and therefore that sees us through our current planning horizon.

Dr M.D. NAHAN: Because Synergy holds 19.9 per cent of the risk and assets, if Bright decides to go on and build some more, does Synergy have the ability to divest its share of that additional one?

Mr B.S. WYATT: We do—nothing would stop us from doing that if that is what we wanted to do.

Dr M.D. NAHAN: The commitments could be cauterised to the ones that are already committed to.

Mr D.C. NALDER: I want to change tack a little bit. I refer to page 653 of budget paper No 2, volume 2, and Muja stages C and D. What are the current retirement plans for Muja stages C and D? What assumptions underpin their life expectancy?

Mr B.S. WYATT: Mr Waters is probably best placed to make comment on that. Suffice to say, clearly these assets are under pressure by the uptake of solar, for example. Mr Waters might want to make some more comments while I fossick for my notes.

Mr J. Waters: At the moment, we see that Muja D has a life. We are talking about planning horizons. We go out five to 10 years, and anything beyond that tends to be that over-the-horizon view. For us, Muja stage D still has a life that probably extends beyond that. I would say that Muja stage C is within that horizon. I think our current planning assumption is around the mid-2020s, but these things, as we can imagine, are always under review. As things change—for example, LRET targets change and get amended, and carbon abatement targets enter—factors come along that are required to be reviewed. We review these things periodically, almost annually, but that is the current planning window.

Mr D.C. NALDER: I am really keen to understand whether any analysis has been undertaken of the coal supply agreement with Premier Coal. Is Synergy bound by a long-term contract or is there flexibility if those assets are retired early?

Mr B.S. WYATT: Mr Waters can make some comments on this. We have talked about this, Mr Waters.

Mr J. Waters: The current contract has flexibility, both in its terms through options, and in its offtake quantities, which are able to be varied within limits which are probably generous. If the member were to ask Premier Coal, it would say that it is overly generous from an intra-year and an inter-year perspective. We have a cap and a floor to work within, but they are well within the parameters of our fleet as we see it over that planning horizon. We are always talking to Premier Coal. We work very closely with them and we do a lot of planning and have a lot of conversations about coal in general and that long-term view, but, at the moment, that contract fits well within our operating window.

Mr D.C. NALDER: Do you have an idea of how much coal Synergy purchases on an annual basis?

Mr J. Waters: I would say it is of the order of three million to 3.5 million tonnes per annum. We can provide the specifics as supplementary information.

Mr B.S. WYATT: Does the member want that as supplementary information?

Mr D.C. NALDER: I would be keen to understand what it is and the expected trend over the next few years.

Mr B.S. WYATT: By way of supplementary information, I will provide for the member for Bateman coal purchases from Premier Coal in 2017–18 and the expected forecasts of coal purchases over the forward estimates.

[*Supplementary Information No A24.*]

Dr M.D. NAHAN: As Synergy's renewables increase, it will lead to the substitution of renewables for coal; therefore, the expectation is that the demand for coal will decline, putting further pressure on our already pressurised set of coalfields. If we go down to where the minister thinks we might be going, is Premier Coal, which is a marginal business at best, still in the red or is it in the black? Is it viable?

Mr B.S. WYATT: I will ask Mr Waters to make some comments, but of course his comments are from the fact that he is the CEO of Synergy and not Premier Coal.

Mr J. Waters: I really cannot comment on Premier Coal's viability or the economics of their business, but certainly what we are talking about and have discussions about is that longer term view and ensuring that we work together proactively on what is really a transition that is occurring in Collie so that we end up with the best results for everybody, which is secure, reliable and sustainable operations between them and us. That requires a lot of collaboration and a lot of work. I really cannot go into any specifics beyond that, because that is a question for Premier Coal.

Dr M.D. NAHAN: On the other side is Bluewaters power station. Its contract with Synergy will come up in the mid-2020s. Does the minister see any changes to that in terms of the supply of energy?

Mr B.S. WYATT: With the same caveat that I gave, I will pass to Mr Waters.

Mr J. Waters: That is a question that really requires a crystal ball. Again, I cannot recall the exact date that that power purchase agreement term ends, but I think it is towards the end of the 2020s. My view is that the question then will very much depend on, as I discussed earlier, a lot of the economic impacts that we have. For example, do we have a price on carbon? Do we have a renewable energy target? What advancements in technology have occurred, so therefore what is the size of the energy market? Has that energy market changed through the uptake of electric vehicles, which has the potential to reshape and almost transform the generation sector? Really, once you get out towards that 10-year window, there are a lot of things I would only be speculating on, at this stage, as to how I see it playing out.

Dr M.D. NAHAN: I have been lobbied by people who argue that with the growth of non-coal capacity, the demand for consumption of coal will get down to a point, in the not-too-distant future, at which the throughput—the production—makes both unviable. To some extent, there is nothing we can do about this, because renewables are coming on, but in terms of Collie and the stability and cost of our system, this is a really vital issue. Does the minister see that as a major medium-term policy issue for the state?

[8.40 pm]

Mr B.S. WYATT: I do, absolutely. We do not need to know much, a person can just follow the media to know that this is an issue that may well be a medium-term as opposed to a long-term issue for the state to confront. Suffice to say, it is something that Synergy and the Public Utilities Office gives a lot of thought to. It worries me, I must admit. Mr Waters might want to say more.

Mr J. Waters: To answer the Leader of the Opposition's question, it is one of the bigger issues that we have in front of us as a market. The national electricity market has been a good example of how the dynamics are played with the removal of coal. We had the situation in South Australia—I think I have probably had the same conversation in here over the last two years—and the retirement of Hazelwood. From a single lens of economics it may look like it was a sensible decision for the owner of that power station, I am sure it was, but its resulting impact on wholesale electricity prices has led to negative consequences for customers. We have some time up our sleeve to consider the south west interconnected system, given that we do not have the benefits of the interconnectivity of the east coast. For me, one of the big couple of challenges we have is how we make a series of decisions over the next 10 years or so to deliver the right outcome for customers as we make that transition, with our minds, around the transition in Collie as a town.

Mr B.S. WYATT: That crystal-ball thinking—I guess Mr Waters said that, or it might have been the Leader of the Opposition; I cannot remember now. But we have asked the PUO to do this work as well around its view of future generation mix: Where is it heading? What is the likely make-up of that? That is an important piece of work.

Dr M.D. NAHAN: On this coal issue, when Warradarge comes on board Synergy will have an increasing percentage of wind. Even the Merredin plant was putting huge pressure on the operations of Synergy's coal-powered fleet, and Warradarge would increase that. Will Synergy have to do some mitigating factors?

Mr J. Waters: They do; Warradarge has a better profile. However, the Leader of the Opposition's overall point holds in that any new generation that comes onto the system ultimately displaces something, and a part of what will be displaced when Warradarge comes on will be coal. That has been part of the analysis. But equally that was what part of the Large-scale Renewable Energy Target was designed to do. For us it is about doing it in the smartest way possible in the best way possible from the perspective of the state and customers. All our planning around Warradarge was largely with a strong view to the impacts on our power stations. There are some things we can do to mitigate the effects. We are also able to invest in technology in those plants to make them more flexible in their operation, give them better turndown overnight so that they can operate at slightly lower modes, and operate more flexibly. That is the journey that our coal fleet has been on for the best part of the last 10 years as we have seen the progressive construction and entry into renewables over that time frame.

Dr M.D. NAHAN: Synergy has reduced its overall capacity by 380 megawatts. Does the minister propose to reduce capacity anymore? Is there a need to reduce capacity over the next three to four years?

Mr B.S. WYATT: Not currently, no. Mr Waters?

Mr J. Waters: Not currently, but that is always the question around what is happening in the market, in the generated new entrance space, and in Canberra. What are the impacts of the different incentives that may be structured in that may change that? The market conditions are such for us that for the majority of my career, we have had a market in which demand has only ever gone up and planning was only ever about what we built. We have to do two things. We have to think more widely around that than we ever have—there are more factors at play in those decisions—but we also need to be almost more continuous in our approach and our thinking in regard to this future as well. I have laid out my view of the plans, but these things are constantly up for review because we are finding that things are changing at a rate that is quicker than it historically has.

Dr M.D. NAHAN: From the government's perspective, what is the minister's response to whatever the commonwealth government is proposing to replace the renewable energy target with?

Mr B.S. WYATT: We actually had a bit of luck with the recent Council of Australian Governments energy ministers' meeting, in that it is now looking at Western Australia. We are doing our own generation mix work that will inform policy and I suspect we will have our own work, most of the work in any event, so the Energy Security Board will now look at WA and what our emissions target might look like under its scheme, a national energy guarantee scheme, bearing mind the NEM issues. But I have to tell the Leader of the Opposition, for a while it has been, "Well, is WA being thought about in all this?" And WA and the Northern Territory were not being thought about at all, but at the last meeting it was agreed that this would happen. I have just confirmed that in a letter, this week or last week, to the security board. That work is now happening, but I have a certain sense of frustration in that we have started our own work in any event in this generation mix. I suspect that unless something dramatic happens, that might be more useful for us in any event. The generation mix modelling that is going on is going to be useful. I am obviously in this chair for a brief second, but hopefully that will help future governments around what this might look like. As Mr Waters says, and the Leader of the Opposition knows this better than most, the change is dramatic.

Mr D.C. NALDER: I refer to page 43 of budget paper No 3 and the increasing hardship utility grant scheme payments, and also page 253 of budget paper No 3 under "Other Subsidies" to Synergy, which shows a reduction.

Mr B.S. WYATT: Sorry, the member has caught me short there.

Mr D.C. NALDER: The minister will hear it as I explain it. It is more around Synergy.

The CHAIR: You might just have to let him find the page first.

Mr D.C. NALDER: I am more concerned about page 253 in budget paper No 3, which has the subsidies to Synergy and shows a reduction in the HUGS payments. I just want to know what changes will be made to HUGS that sees a reduction in payments from $19.8 million to $7.9 million.

Mr B.S. WYATT: I suspect they are the changes that we implemented in January and February this year around two things: firstly, having a minimum debt threshold of $300, but, secondly, requiring six months of basically putting it on the utilities to manage the shorter term debt by way of a payment plan. That will, and I suspect is, drive down the cost. Ultimately, we had a dramatic take-up. There was no assessment process or eligibility criteria around the scheme, to the point at which I got to see some of the interesting transcripts of people calling in and receiving HUGS payments. That is now being limited by those decisions, plus also the requirement around financial counsellors. That is what is driving that decline.

Mr D.C. NALDER: Has Synergy made any changes to its disconnection policy following these changes?

Mr B.S. WYATT: We have not made any changes while we have been in government, so November 2016 was the last change to disconnections policy.

Dr M.D. NAHAN: Has there been any change in trends to the late payments from Synergy's customers? In other words, have delinquent payments—put aside HUGS—changed over the last couple of years?

Mr B.S. WYATT: From memory, the amount of debt greater than 90 days has been declining over the last few years. Whether it has now ticked up again, I would have to look, but I do not think so.

Mr J. Waters: We can provide that.

[8.50 pm]

Mr B.S. WYATT: Can I provide the member with a category —

Dr M.D. NAHAN: That is for the non-contestable market.

Mr B.S. WYATT: Yes. I will provide the amount of debt that is greater than 90 days, because I know that that specific measurement has been taken internally over the last, say, three years.

The CHAIR: Could the minister repeat that?

Mr B.S. WYATT: I will provide by way of supplementary information to the Leader of the Opposition the amount of debt in the non-contestable market held by Synergy for greater than 90 days.

[*Supplementary Information No A25.*]

Dr M.D. NAHAN: I see that according to table 8.5 in appendix 8, the feed-in tariff phases out.

Mr B.S. WYATT: Contracts come up.

Dr M.D. NAHAN: I assume that when the period comes to an end, it will not be renewed.

Mr B.S. WYATT: Correct.

Dr M.D. NAHAN: Is that an illustration of the government's lack of support for renewable energy?

Mr B.S. WYATT: No, it is not. I assure the member of that. Suffice to say, my mother, who is on one of those very good contracts, will be delighted when those contracts come to an end.

Dr M.D. NAHAN: When all the people hear about this, is it fair for me to send them directly to the member for Victoria Park?

Mr B.S. WYATT: I am sure the Leader of the Opposition will.

Dr M.D. NAHAN: I have the third highest density of feed-in tariff people in Willetton.

Mr B.S. WYATT: In the member's electorate; is that right?

Dr M.D. NAHAN: Yes. Bloody engineers.

Mr B.S. WYATT: They would have been onto it quickly. My mum made terrible financial decisions in her life, but she nailed this one.

The CHAIR: I feel a bit sorry for the government members sitting there waiting for this examination to finish, so I will ask whether there are any more questions. No. In that case, that completes the examination of Synergy and I thank all those who have taken part.

Meeting suspended from 8.51 to 8.56 pm

Western Power —

Mr R.S. Love, Chair.

Mr B.S. Wyatt, Minister for Energy.

Mr G. Chalkley, Chief Executive Officer.

Dr S. McGoldrick, Executive Manager, Asset Management.

Mr M. Crevola, Chief Financial Officer.

[Witnesses introduced.]

The CHAIR: Welcome to this evening's examination of Western Power. This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system. I remind the advisers that they are expected to wait to be asked to speak by the minister and then introduced before they speak.

I give the call to the Leader of the Opposition.

Dr M.D. NAHAN: Can the minister explain the changes to Western Power's capital works program in this budget as opposed to the previous one, and explain how the minister is treating access arrangement 4?

Mr B.S. WYATT: As the member knows, the AA4 process has been going on and the Economic Regulation Authority has made a draft decision. I will ask the chief executive officer to make comments on that decision. If I were to be general, I think the ERA and Western Power are very close in where they both landed. Mr Chalkley will give the member a better outline of it.

[Ms L.L. Baker took the chair.]

Mr G. Chalkley: As the member is aware, the budget estimates file was prepared before we got a draft decision from the Economic Regulation Authority at the beginning of May. Overall, where the numbers in the forward estimates sit is pretty close to the draft decision. From our perspective, if we look at the history, we see that the headline numbers draft is sort of five per cent down on revenue. It is six per cent down on operating expenditure and about 13 per cent down on capital expenditure. History shows that generally a draft is about 30 per cent down, so we are pretty pleased with the outcome. I think we got about 91 queries. Clearly, it is a draft and the ERA can still come back before we get the final decision. We are pretty happy with 60 of the queries already. We will probably challenge about 20-odd decisions. An overall high level is a pretty good outcome. The ERA challenged us on some specific projects but not on big efficiency reductions. It pretty much looked at what we have done in transformation in the last few years and went with the numbers. The key ones the ERA challenged us on were the customer relationship management system and the dollars for that information technology system. Another big one is the IT to connect the advanced metering. Otherwise, we are pretty pleased.

[9.00 pm]

Dr M.D. NAHAN: Is the minister confident the capital outlays will come back as dividends to the state in the forward estimates? Is he confident that AA4—the fourth access arrangement proposal—will finally not be a huge deviation from the forward estimates in the budget?

Mr B.S. WYATT: Mr Chalkley.

Mr G. Chalkley: Yes. Looking from where it has landed for us, it is pretty much in line. It is not materially different from what the forward estimates show. There might be some challenges in some of the allocations but not really in overall amounts.

Mr B.S. WYATT: Mr Chalkley might want to interject: if all the extensions for responses take place, this might lead to 2019. Will it get that far before we get to a final decision? It potentially might, so either way, we now go through this process that, hopefully, will not go that long. Western Power will still get to make some further comments on it before a final, final decision.

Mr G. Chalkley: A draft appeared in the first week of May. We have until Monday next week if we want to apply for a 20-day extension to make sure we can close out all the queries. There is an opportunity to appeal in that period. As I say, I think it is pretty close already and then I think it involves just the mechanics of how we can roll it out. We are more likely looking at 1 January next year, but possibly a quarter earlier, but we expect it to commence somewhere around that window.

The CHAIR: Member for Warren–Blackwood, is this a further question?

Mr D.T. REDMAN: Yes, it is, but it is not on capital. Is the Leader of the Opposition sticking to capital?

Dr M.D. NAHAN: No; I will be asking about dividends.

Mr D.T. REDMAN: The other part of the AA4 submission was about the distribution headworks scheme and some changes applying to that. Can the minister give us an understanding of the likely impact that will have on rural areas in particular where, potentially, headworks charges could be significant if they are played straight back on recovery?

Mr G. Chalkley: Yes. One of our proposals was to see whether there were other ways to fairly and equitably allocate the dollars across the whole population. We do not see any material change at the moment from where we already are. Some of the challenges we put in for tariff structures have not been agreed to. I do not see much change at the moment. I think that will be an ongoing challenge to put to the regulator.

Mr D.T. REDMAN: I thought part of the submission was the contributions policy. Is Mr Chalkley saying that a decision might not be made at the same time as the Economic Regulation Authority approves AA4?

Mr G. Chalkley: Again, I think it has been made so I think it will stay pretty much as it is at the moment. The scheme at the moment is really well regarded. There are no material changes to the policy.

Dr M.D. NAHAN: I refer to dividends and income tax equivalent payments in budget paper No 2 and note that the dividend plus income tax payment goes down from about $467 million in 2017–18 to about $160 million in 2021–22. What is causing that large reduction in returns to the equity holder?

Mr B.S. WYATT: Before I hand over to Mr Chalkley, it might be a similar answer to the Synergy dividend, being a particularly unusually high year due to timing and bring-forwards. I will ask Mr Chalkley to deal with that specifically.

Mr G. Chalkley: There was a proposed change to the forward dividend policy so it will more align in paying 75 per cent of the dividend in the year the profit is incurred, and 25 per cent thereafter. In 2017–18, that did not happen, so there are, effectively, two dividends in one of the years and then it is back to normality. The biggest reduction is the fact that the early year has, effectively, two years' dividends sitting in it, because the policy did not get pushed through.

Dr M.D. NAHAN: Western Power's dividend goes down from $419 million to $153 million. It is a steady reduction. That is a very low rate of return. The last year, in 2021–22, there are no income tax payments and the state will still make equity injections. The net transfer to and from the state is very low for an asset of $9 billion. That is a very low rate of return on equity. Is it driven by AA4 or are there some other factors driving this?

Mr G. Chalkley: I would not say it was driven by AA4. There are a couple pushing through that in which we start paying income. That is one of the issues coming through. In the past with the capital program, there were full capital allowances in the year. Western Power will now be a net payer of tax. That is one that is paying out. There is probably also a slightly higher depreciation charge. I will hand that to Mr Crevola.

Mr M. Crevola: Fundamentally, as we would expect, for access arrangement 4, there are lower tariff charges over time. As Guy Chalkley and the minister have already pointed out, depreciation charges are increasing as we add more assets to the asset value. He correctly pointed out that there are $9 billion worth of assets, from which a reasonable amount of depreciation comes through every year. On top of that, interest rates are forecast to increase in line with Treasury's expectations and our interest bill, again, on about $8 billion worth of debt, is increasing, which is also chewing up some of those cash flows, hence lowering our overall dividend.

Dr M.D. NAHAN: That is not a very high rate of return. It is not a very large cash flow for a $9 billion business—would the Treasurer agree?

Mr B.S. WYATT: It is probably not what we would expect in other industries, no.

Dr M.D. NAHAN: The Treasurer would not call Western Power a cash cow, would he, if it is earning $154 million out of a $9 billion, probably pushing $10 billion business, around that time?

Mr B.S. WYATT: Like all Treasurers, I always enjoy a large dividend.

Mr D.T. REDMAN: I refer to the Kalbarri microgrid contract in the first dot point on page 657 of budget paper No 2. I am talking about some community concerns about this project, particularly the battery being located.

Mr B.S. WYATT: Which project?

Mr D.T. REDMAN: It is the Kalbarri microgrid project in the first dot point on page 657.

Mr B.S. WYATT: Sorry; I am just trying to catch up.

The CHAIR: It is the dot point at the top of the page, Treasurer.

Mr B.S. WYATT: Go on; I cannot find it, but I will work it out.

Mr D.T. REDMAN: It refers to the Kalbarri microgrid. I am interested in some community concerns that have been expressed to me via our local member up there about the battery for the project being located out at the wind farm, some 20 kilometres out of town. There is potential, I think, if it has not been done already, for a solar system in town. If the battery were located in town, it would be able to supply an offtake agreement to the Water Corporation, a project supported by the local community. Given it is not that far away from Western Power committing its final contract for this project, I understand there is only a small window of time to consider alternative arrangements about a microgrid arrangement whereby the community has a greater level of engagement.

[9.10 pm]

Mr B.S. WYATT: I suspect the local member needs to write to me, and that Mr Chalkley can provide a bit more detail than I can on that.

Mr D.T. REDMAN: I suspect his letter is in the system already!

Mr G. Chalkley: As a wider answer, trying to push a solution to improve reliability and security for Kalbarri was quite a long process for us. All the way through we had a lot of engagement with the community, even to the point of discussing what the solution would be. Certain parties might possibly be disinterested with the decision. I would not dispute that. But that would have been one of the solutions that came forward. It was quite a unique project because nobody had done that type of thing before; therefore, there was not a fixed scope for us to say, "This is what we want and you are all going to be the same." One of the challenges we had was deciding what the best solution was and what solution the community wanted. That is how we selected where we ended up. There are many other alternatives to do it, but that is the one we chose. It is interesting that that is one of the solutions that was in our AA4 submission, and in the draft that was one of the ones that the regulator approved. Even from a regulatory point of view, it went through a rigorous process. We could have used alternative solutions, but we went through a very rigorous commercial process to get the solution we ended up with. I take the member's point. There will still be disinterested parties from the decision that we made.

Mr D.C. NALDER: I refer to the state underground power program on page 253 of budget paper No 3. The subsidies to Western Power will decrease from $7.6 million in 2018–19 to only $800 000 in the last two years of the forward estimates. Will this mean a reduction in the work undertaken in the program? Are we scaling down the underground power program in communities? If not, why is it decreasing?

Mr B.S. WYATT: We are certainly not. I am not sure why it scales down like that. No doubt Mr Chalkley will be able to assist. A range of projects will be commencing all over the metropolitan region—Floreat east, Floreat west, Floreat north, Alfred Cove, Melville, Menora, Vic Park, Carlisle, South Perth, Kardinya, Maylands, Shelley, Trigg, South Lake, east Collie and Manning. There are 21 projects in total. I suspect that another round will be offered that will come in for the 2021–22 year. I suspect that is how it is accounted for.

Mr D.C. NALDER: I want to make sure that I have this right. This is funding for the current identified projects?

Mr B.S. WYATT: Yes, that is for the current identified projects.

Mr D.C. NALDER: Is it anticipated that over the next 12 to 18 months the government will be looking to add additional ones, so the funding will increase in the out years?

Mr B.S. WYATT: I am assuming that is the case. I am trying to work out from my notes how the next round process will start.

Mr D.C. NALDER: Does the minister agree that it looks a bit strange?

Mr B.S. WYATT: Yes, it does. Now that the member has asked, I will confirm that when the next round starts and the places are selected and the contributions are done, the $800 000 in 2020–21 will increase as new sites are selected.

Mr D.C. NALDER: Shall we do that as supplementary information?

Mr B.S. WYATT: Yes. I will provide the member for Bateman with an explanation of why the state underground power program funding declines to $800 000 in the 2020–21 year. Hang on! Just freeze for a second! I will do what I should have done in the beginning and give it straight to Mr Chalkley.

Mr G. Chalkley: Capital is much higher. What has changed is the contribution structure. Under the old structure, it was 25 per cent, 25 per cent and 50 per cent. Now it could be a 90 per cent contribution from the local government and a much lower contribution from the Public Utilities Office and Western Power. More money will be spent on the program but the contribution structure will change.

Mr D.C. NALDER: Can I seek confirmation in writing about what has changed in the policy? Obviously, there is a policy change here.

Dr M.D. NAHAN: No.

Mr D.C. NALDER: It sounds like a policy change. Is that what it is?

Mr B.S. WYATT: It does not seem to be.

Dr M.D. NAHAN: There is no policy change. We put out a bidding system. It went to the highest bidder—that is, the one who contributed the most. Cambridge decided to choose 90 per cent and Nedlands chose 90 per cent. Virtually all, except Melville, chose to do about 50 per cent. Therefore, we kept the same amount of money but it went much further.

Mr B.S. WYATT: I thank the Leader of the Opposition.

Mr D.C. NALDER: I am still confused. We kept the same money and it went further, but it still drops off in these last two years.

Dr M.D. NAHAN: My guess is that the ones that are being finished last have the largest contribution from the local authority.

The CHAIR: Thank you.

Mr B.S. WYATT: The total SUPP expenditure for 2020–21 still declines. In 2019–20, it is $35.4 million. It goes down to $9.2 million in 2020–21. It goes back up again to $20.6 million in 2021–22. That is the SUPP capital expenditure. Is that just a budget movement? The $800 000 must be a budget movement.

Mr D.C. NALDER: A budget movement?

The CHAIR: Minister, are you sending that to Mr Chalkley to comment on as well?

Mr B.S. WYATT: Yes.

Mr G. Chalkley: The table below shows the actual SUPP expenditure. The line that the member is talking about is the PUO contribution, which goes much lower. The SUPP expenditure fluctuates. That is just the nature of those projects that we have accepted—they happen in that three-year period. In 2019–20, the SUPP expenditure is $35 million; in 2020–21, it is $9.2 million; and in 2021–22, it goes back up to $20 million. That is just the nature of how we are delivering those projects from a resource and scheduling point of view.

Mr D.C. NALDER: Can I just confirm that there has not been a policy change?

Mr B.S. WYATT: No, there has not.

The CHAIR: I am glad we got that sorted.

Mr B.S. WYATT: Thanks to the Leader of the Opposition.

The CHAIR: He was very helpful. I made a note.

Mr D.T. REDMAN: He is only happy to be helpful.

I refer to "Works in Progress" on page 657, particularly the line item "Bushfire Mitigation" under "Safety". From some reasonable investments for bushfire mitigation, it tails off in the out years. Can the minister explain why that tails off?

Mr B.S. WYATT: It increases quite considerably from 2017–18 to 2018–19, before a decline. Is that just the nature of the work around high voltage lines?

Mr D.T. REDMAN: The year 2017–18 looks like an outlier.

Mr B.S. WYATT: Yes. Mr Chalkley, I suspect that is around the conductor clashing scheme, but go on.

Mr G. Chalkley: There are a few issues in there. In the safety category, the big one really is conductors, and the other big one is obviously poles that need to be replaced or reinforced. The mix changes. The mix has changed in how we are assessing our risk based on what we are seeing from our inspections. That is what we can see there. Yes, there is a decline, but that is not necessarily a decline in volumes. It is also due to getting benefits from pricing. We are actually more efficient for fewer dollars. The key in some respects is not the dollars but the volumes that we are driving out. Our volumes are steady or going up. In the conductor space, they are certainly going up. The dollars do not really give the true story of what is being delivered, but the mix will definitely change because that is where the risks are, and the volumes will change if we can be more efficient in how we deliver it.

[9.20 pm]

Dr M.D. NAHAN: I want to go to a really interesting topic and that is the constrained access model. The government has committed to it. When is it expected to be completed and what is the cost of doing that? Because it might impact on existing generators—it will—are there issues of compensation or otherwise entailed in this move?

Mr B.S. WYATT: That has obviously been one of the key issues in moving to a constrained model. That work is ongoing. In terms of the cost, it is too early to say at this point. Clearly, constraining existing generators and how that arrangement occurs is, as the Leader of the Opposition knows, one of the key issues around moving to that model, but it is a model that we need to move to. That work is continuing. Hopefully, I will bring something to Parliament late this year or perhaps next year.

Dr M.D. NAHAN: Will it impact on Western Power's expenditure, because it will potentially significantly change the pattern of the location of generating facilities? Who knows?

Mr B.S. WYATT: Yes, who knows? I do not want to say no; so who knows? I do not know.

Mr D.C. NALDER: I have a different but simple question. I refer to the table on page 130 of volume 1 of budget paper No 2. Why is the government making an equity contribution to Western Power and Western Power is paying a dividend to the government? Is the $109 million for line item 94 the equity contribution?

Mr B.S. WYATT: Yes, the equity contribution is $109.235 million.

Mr D.C. NALDER: The government is making an equity contribution to Western Power, yet Western Power is providing a dividend to the state. What is the double handling for?

Mr B.S. WYATT: I suspect it has been like this for quite a long period. I guess it is a capital contribution. Mr Chalkley.

Mr G. Chalkley: Yes, it is an equity contribution due to residential customers' contributions, because we obviously incur a tax on that. That is basically the way it comes back; otherwise, we receive this and we pay the tax on it. It is just a way of closing the circle. It has been around for a long time.

Mr D.C. NALDER: It gives this distorted view of what Western Power is generating for the state when we look at gross dividends and therefore profitability and the fact that money is coming in the back door through a contribution by the state.

Mr B.S. WYATT: Perhaps the member is right, but in a lot of these utilities—we had this conversation about economic versus accounting profit during the Water Corporation hearing earlier tonight—that is how it has been accounted for for a long time. I think it has been probably at least since disaggregation.

Mr D.T. REDMAN: I refer to the heading "Growth" on page 656 of the budget papers. The spend on distribution customer–driven works is $137 million in 2018–19, and it is pretty similar in the out years. Is that all of Western Power's resources or does that include customer contributions?

Mr B.S. WYATT: Can the member say that to me again?

Mr D.T. REDMAN: The fourth paragraph under the heading "Growth" on page 656 states —

> Distribution customer-driven works typically reflect a large number of small projects to facilitate customer requests for connection to the network. Western Power is forecasting to spend $137.2 million in 2018–19 …

Is that Western Power's total figure or is there customer money?

Mr B.S. WYATT: No. This is just specific customer requests. Distribution customer–initiated works are, to a large extent, non-discretionary and include many diverse activities ranging from small residential connections—pole to pillar—to small subdivisions of two to four lots and network extensions to cater for the connection of major distribution. It is connections, asset relocations and network extensions.

Mr D.T. REDMAN: So the $137 million could include customer contributions? Is there a regional breakdown of that number?

Mr G. Chalkley: Certainly, we have that data. All of it is customer funded.

Mr D.T. REDMAN: Is it all customer funded?

Mr G. Chalkley: Yes. Distribution and transmission are the two categories, but it is driven by the market—by the customer. Yes, we could provide the data on where it sits. It is quite hard to predict or forecast, but it seems to have been reasonably static in the last few years.

Mr B.S. WYATT: Is the member after that regional breakdown?

Mr D.T. REDMAN: Yes. The minister would need to provide that by way of additional information.

Mr B.S. WYATT: Yes, definitely. I will provide a regional versus metropolitan breakdown of the distribution customer–driven total cost of $137 million.

[*Supplementary Information No A26.*]

Mr D.T. REDMAN: Just by way of clarification, the total spend is what customers provide for distribution. I thought Western Power played a broader community service function and therefore had some of its own resources if it did not meet the input test, or whatever the test is called, to determine whether it is commercially viable for a connection.

Mr G. Chalkley: Just to clarify that, when the member says "customers provide", is he saying that the customer does the work?

Mr D.T. REDMAN: Pays.

Mr G. Chalkley: Yes, they pay but we would do the work. It is driven by the customer, but it is on a schedule of rates in terms of what gets charged.

Mr D.T. REDMAN: So it is a set rate. There is a standard charge, is there not, for a connection?

Mr G. Chalkley: There are standard charges but, equally, some things are quite unique, so some of them obviously get costed accordingly.

Mr D.T. REDMAN: It would be a powerline extension and so on. But it is all cost recovery for Western Power.

Mr G. Chalkley: Yes.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: I refer to page 656 of volume 2 of budget paper No 2 and the replacement of existing meters. Does Western Power have any plan to roll out smart meters?

Mr B.S. WYATT: Mr Chalkley would like to talk about this.

Mr G. Chalkley: Certainly. Effectively, a rollout of advanced meters is built into the forward estimates and into AA4. We have a population of 1.3 million and built into the five-year AA4 are about 331 000 advanced meters. That is probably one of the challenges we have with the regulator's draft decision at the moment. Volumes are pretty much approved, but one of the challenges is the cost of the information technology to make sure that we can get all the data we need. We definitely want to go there for any new or replacement meters. I think there will be 70 000 in the first year, but there will be about 330 000 over the regulator period.

[9.30 pm]

Mr B.S. WYATT: As the Leader of the Opposition would appreciate, it is important to have the information technology to go with it.

Dr M.D. NAHAN: Do "advance" and "smart" mean the same thing? I imagine that there are different bells and whistles.

Mr G. Chalkley: I think they are the same.

Dr M.D. NAHAN: But it is a change from the old meters. There were a series of meters of different degrees of intelligence, let us say, but this one will be able to be read remotely —

Mr G. Chalkley: Yes.

Dr M.D. NAHAN: — and monitored remotely.

Mr G. Chalkley: Yes. I think different terminology has been used through the process, whether it is advanced, smart or smart enabled. The key is that we can read them automatically. They can be read every 30 minutes; it is that type of functionality.

Dr M.D. NAHAN: Is this the same meter that Horizon Power used when it was rolled out?

Mr M. Crevola: We run a process through our suppliers and the meters that they provided to both Horizon and ourselves have very similar capabilities but are not quite the same model.

Dr M.D. NAHAN: Will you install the meters on the basis of new meters or replacement of existing meters if something happens to the existing meters? If people want to obtain a meter for their own purposes, can they buy it from and have it installed by Western Power, because some people might want this for a variety of reasons—different from Western Power's purposes—for their internal uses, will they not?

Mr B.S. WYATT: Mr Chalkley, could I do that?

Mr G. Chalkley: That is not part of the way it has been constructed. Clearly, we could go that way if we think it is a material option. At the moment, they are our assets and they are going in as our assets. We have looked at it from that point of view and that gets us quite good coverage. We feel that doing it that way gives us a reasonably good take-up of the population.

Dr M.D. NAHAN: One of the problems—this leads me to my last question—is that if Western Power owns the meters, if it goes to a competitive retail outlet it will have to allow different groups access to it for obvious reasons and Western Power will have to administer that process. Will Western Power's installing of the meters not inhibit competition amongst retailers using smart readers in the future?

Mr G. Chalkley: I do not believe it will. I think that any jurisdiction will need a meter coordinator, and who that becomes will be who that becomes. At the moment we have the meter. The key thing is the data, not the asset of the meter; it is the ability to ensure that we can provide the data that the competitor might want, which is why the IT is so important. The asset is not worth a lot of money; the real richness is in the data.

The CHAIR: Members, if there are no further questions, that completes the examination of Western Power. Committee A is adjourned until 9.00 am tomorrow morning.

Committee adjourned at 9.32 pm