

Chairman; Mr Mark McGowan; Mr Brendon Grylls; Mr Vincent Catania; Mr John Bowler; Mrs Carol Martin;
Mr Tony Simpson; Mr Mick Murray; Mr David Templeman

Division 13: Regional Development and Lands, \$23 259 000 —

Ms A.R. Mitchell, Chairman.

Mr B.J. Grylls, Minister for Regional Development.

Mr P.B. Rosair, Director General.

Mr D. Morgan, Director, Lands.

Mr C. Slattery, Director, Regional Investment.

Mr M. Rowe, Director, Strategic Policy.

Mr C. Adams, General Manager, Pilbara Cities.

Mr A. Mann, Manager, Regional Investment—Infrastructure.

Mr A.D. Kerr, Manager, Financial Services.

Ms A. Dann, Principal Policy Adviser, Office of the Minister for Regional Development.

Mrs J. Sounness, Principal Policy Adviser, Office of the Minister for Regional Development.

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

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. This is the prime focus of the committee. Although there is scope for members to examine many matters, questions need to be clearly related to a page number, item, program, or amount within the volumes. For example, members are free to pursue performance indicators that are included in the *Budget Statements* while there remains a clear link between the questions and the estimates.

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 or she 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 committee clerk by Friday, 10 June 2011, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers, and accordingly I ask the minister to cooperate with those requirements. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 10 June 2011.

It will greatly assist Hansard if, when referring to the program statements volumes or the consolidated account estimates, members give the page number, items, program and amount in preface to their question.

[Witnesses introduced.]

The CHAIRMAN: The member for Rockingham has a question.

Mr M. McGOWAN: I refer to page 206 of the *Budget Statements* and the \$531 million line item "Net Cost of Service" for regional investment. The alternative reference is page 204 and the line item "Total Cost of Services" of \$559 million. My question relates to the total allocation to royalties for regions and in particular the Treasurer's budget speech in which he stated —

It is envisaged that the additional revenue from this measure —

That is the additional revenue from the new royalty on fines —

— over the forward estimates period, estimated at \$1.9 billion, will be quarantined for debt reduction purposes. This includes the *Royalties for Regions* component of 25 per cent.

I then refer the minister to section 6(2) of the *Royalties for Regions Act 2009*, which states —

In each financial year the Treasurer is to cause to be credited to the Fund an amount equal to 25% of the forecast royalty income for the financial year.

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Reading those together, it appears, by quarantining the increase in iron ore royalties from the royalties for regions component, that the government is breaching section 6(2) of the Royalties for Regions Act because it will no longer put 25 per cent of royalties into that fund. I therefore ask: firstly, is that true; and, secondly, when and how will the government amend the Royalties for Regions Act to ensure that it no longer requires 25 per cent of forecast royalty income be deposited into that fund?

Mr B.J. GRYLLS: I thank the member for the question. He is quite right: the Treasurer announced in his budget speech that the government intends to use the increase in the percentage of royalties paid on iron ore fines to pay down state debt. Obviously the royalties for regions program, in its current guise, requires the appropriation of 25 per cent of royalties to the royalties for regions fund. However, the member missed a couple of things when referring to the act; namely, that this government has always committed that royalties for regions would be a sustainable program for government only if it allowed for the sound financial management of the state, and that it is committed to maintaining the state's AAA credit rating.

We believe—that is, I believe and the government believes—the quarantining of the increase in fines royalty to pay down debt is a prudent way to manage the state's finances. That being said, the fines royalty increase is not expected to come into play until the two final budget out years. The budget estimates that we are talking about today do not include new revenue from iron ore fines. I have indicated to the member for Rockingham, during the parliamentary session, that there are a couple of ways in which that could be accommodated. Given that royalties for regions has, this year, had appropriated to it \$1.2 billion and that there is, as a result of the legislation proposed by me and supported by the government and the opposition, a \$1 billion cap in place on the moneys appropriated to the royalties for regions fund, I believe that cap will be in operation by the time the iron ore fines rate has increased in the two final out years of the budget. That will mean there will be no need to make any changes, member for Rockingham, to deliver those funds to net debt because the act will require the fund to have a cap of \$1 billion. If that were the case, it would achieve the outcome sought by the Treasurer and me; namely, to use the extra increase in royalties to pay down net debt. If it looks as though there is a better way to do that, I have flagged the potential to amend the Royalties for Regions Act, remembering that in the first year of royalties for regions, the appropriation was—Paul?

Mr P.B. Rosair: It was \$334 million.

Mr B.J. GRYLLS: And in the second year?

Mr P.B. Rosair: In the second year it was \$644 million.

Mr B.J. GRYLLS: In the first full year of royalties for regions it was \$644 million, and we are now talking about doubling that appropriation to \$1.2 billion. I will take advice from the Regional Development Trust, headed up by Andrew Murray, on the best way for us to deliver on our commitment to manage the state's finances well. The opposition has made a lot of comments about the state's net debt level rising above \$20 billion. I am a part of the state government. Royalties for regions is a state government program. We are looking to ensure the prudent management of the state's finances and intend to do that. Whether the cap delivers the outcome the Treasurer and I have agreed to or whether we need to amend the legislation is a matter to be seen over the next two years; remembering that the question the member for Rockingham asked was based on what will happen in the 2013–14 budget. I believe we have the necessary time, given that royalties cannot be increased without the Parliament passing legislation to allow that to happen. Given that we need legislation to define the royalty increase, it is only fair that we have time to look at the Royalties for Regions Act to make a decision on the best way to accommodate that.

I bring the debate back to the member's original claim that the government is somehow breaking a promise on this matter. The \$1 billion cap on the fund was a clear election commitment and something we have not shied away from; nor have we shied away from responsibly managing the state's finances. Managing the state's net debt is an important priority for the government and we will do just that.

[2.10 pm]

Mr M. McGOWAN: With all due respect, in the lead-up to forming government the coalition was quite explicit that 25 per cent of royalties would go to the royalties for regions fund without caveat. I have two questions: first, the Treasurer in his budget speech said that the amount produced by the increase in iron ore fines will be \$1.9 billion over the forward estimates period—he did not say over two years. My understanding is that the increase in fines kicks in in the very near future; I assumed on 30 June this year. The minister saying that the increase in fines does not kick in on 30 June is new information to me and I would like clarification on that. Second, the minister indicates that section 8 of the Royalties for Region Act states that the problem can be managed—if we want to call it a problem—by ensuring that the amount standing at the credit of the fund does not exceed \$1 billion at any time. The minister therefore says that he would allow an excess amount of money to sit to the credit of the fund unspent, allowing him to escape the commitment to spend 25 per cent of royalty

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income in regional areas. That is the only way I can see the cap arrangement being used to avoid this commitment. Is the minister suggesting to the house that he will allow that excess money to sit in the fund unspent and unallocated for projects in order to allow the arrangement announced by the Treasurer to operate?

Mr B.J. GRYLLS: It is my intention that the increase in fines royalties go towards paying down state debt, and that it is the government's intention to responsibly manage the state's finances. We, as a government, will define the best way to do that. As I said, I believe—again this is a prediction, because we do not know what will happen in those future budgets—that the cap could deliver that outcome without the need to make any changes. I will take advice from the trust, which we have set up to deliver that information, on the best way to make that commitment.

Mr M. McGOWAN: That does not answer my question. First, I asked whether the minister will allow over \$1 billion to sit in the fund in order to escape the 25 per cent commitment of royalties for regions money being spent on projects in rural and regional Western Australia. Second, can the minister advise the house whether he has received legal advice that the method he proposes is a way to escape the commitment contained in section 6(2) of the Royalties for Regions Act?

Mr B.J. GRYLLS: Again, I make clear that royalties are set to increase to 6.5 per cent from 1 July 2012 and to 7.5 per cent from 1 July 2013. My commitment to the state and to the taxpayers is our belief that prudent financial management of the state requires that the royalty increase be used to pay down net debt, and we will investigate the best way to achieve that when that royalty increase starts, which is 1 July 2012. Again, I make no apologies for ensuring that royalties for regions is part of the prudent financial management of the Western Australian state government's finances, and we believe that most Western Australians would understand our need to ensure that that occurs.

Mr M. McGOWAN: Has the minister had legal advice?

Mr B.J. GRYLLS: I have not taken legal advice on this matter.

Mr V.A. CATANIA: I refer to budget paper No 2, page 203. Under the heading "Major Spending Changes" there appears the line item "Royalties for Regions—Mid West Investment Plan". Can the minister outline that investment plan and how it will benefit the Mid West?

Mr B.J. GRYLLS: I thank the member for North West. The Mid West area, off the back of the iron ore province, will experience substantial growth in the not-too-distant future. The previous government looked to the development of the Mid West as an important part of the state to develop. With the Mid West investment plan, we hope to ensure that the communities that will benefit from that growth are ready to benefit from it. We have the great challenge in the Pilbara of trying to invest in the community well and truly after that growth. In the member's part of the world, particularly in Karratha, that caused enormous problems. It is now very difficult to unscramble the egg of challenges caused by rapid resource sector development. The Mid West investment plan is a key way for the state government to invest in those communities to ensure that they can take advantage of that economic growth.

The Mid West Development Commission should be congratulated for the leadership it has shown on this initiative. Members will have the opportunity to put questions about the initiative to me and the commission later in this budget process. The most important thing is to invest in communities so that they are capable of taking advantage of the massive private sector investment. In this financial year, 2011–12, \$40 million is allocated to the Mid West investment plan, which was tabled in Parliament during question time last week. The priorities put forward are infrastructure, service delivery, community development, town centre revitalisation and tourism.

Tourism is a really interesting point. The tourism sector in the Pilbara has essentially been wiped out because there is not a hotel room available, there is not a caravan bay available, and the small business sector is constrained to the degree that providing any of the amenities the tourism sector might like is somewhat inhibited. Therefore, the Mid West investment plan ensures we have the ability to take advantage of the expansion in the iron ore province.

The Oakajee project is obviously a key part of that plan. The state and commonwealth governments have committed to fund the common user infrastructure around the Oakajee port development, which is critical for the expansion of iron ore exports. Currently, iron ore goes through the Geraldton port, and although that is sustainable at small levels, it is not sustainable at the proposed levels. The Mid West investment plan provides us with the unique opportunity to learn from the challenges of the Pilbara and to invest in community and social infrastructure up-front, ensuring that we stay ahead of the demand curve on house and land affordability, ahead of the demand curve on community services and infrastructure, and ensuring that other parts of the Mid West economy—small business, tourism and the non-government sector—do not find themselves squeezed out by the expansion of the iron ore province.

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Ensuring the Mid West does not face the same challenges is a unique response to what we have learnt from the Pilbara. Certainly, through the Kimberley Land Council's recent decision to support the Browse gas hub project north of Broome, the government makes it very clear that we should invest up-front to ensure that those communities can maintain liveability and amenity, and that the non-resource sector parts of the economy do not get squeezed out. I look forward to the Mid West investment plan rolling out. I thank the Mid West Development Commission and local governments of the Mid West for the work that they have done. Our job is to now get on with that \$40 million investment in this financial year, to match that investment to priorities defined in the Mid West investment plan, and to ensure that community can benefit from opportunities presented by mining expansion. Another important thing to add is that with a project like that, we are very determined to get the governance right. On the back of our governance structure in the Pilbara revitalisation and our governance structure around the Gascoyne revitalisation, we have a good framework to ensure that that investment is spent wisely in consultation and partnership with the local community. We look forward to doing just that.

[2.20 pm]

Mr M. McGOWAN: I have two questions relating to my earlier questions. At the bottom of page 203, \$60 million is pulled out of the forward estimates for the BushChange housing grant, which I note was an election commitment in a range of documents released by the minister prior to the election. I also refer to the budget speech, which states that the increase in iron ore revenue will be quarantined from royalties for regions. I have two questions about that. On page 13 of the budget speech, the Treasurer indicates that there will be \$300 million in savings from the general government sector, including royalties for regions programs. Firstly, where in royalties for regions programs will those savings come from? Is the BushChange housing grant that was promised before the election one of those? Where in the program will the minister be withdrawing money from? Is this a further reduction in the amount of money allocated to the program below 25 per cent, following the earlier reduction in the royalties for regions program? My third question relates to the operation of the fund; that is, the \$1 billion sitting in the fund. I do not think the minister has answered this properly. The minister is suggesting to the house that he will have more than \$1 billion sitting in the fund into the future, from 2012 onwards, to avoid the 25 per cent commitment. There are three questions there. Perhaps the minister could start with the last one.

Mr B.J. GRYLLS: As I have said about the fines royalties, the legislation as it stands means that Treasury appropriates 25 per cent of the estimated royalties to the fund, unless the fund has \$1 billion sitting in it, in which case that money is not appropriated. If there was \$1 billion in the fund, Treasury would not be forced to appropriate —

Mr M. McGOWAN: Is that \$1 billion unspent?

Mr B.J. GRYLLS: If that was the case; but it must be remembered that the money is appropriated every quarter, so the estimated royalties are appropriated in quarters. It depends on the spending profile as to whether that cap will be in place. More work needs to be done on whether that cap would essentially rule out that money being appropriated to the royalties for regions fund under the existing legislation. However, I make it clear that I have expressed a willingness to look at changing the act to allow for that increase in fines royalties not to be appropriated to the funds. That is very clear.

The member is making the argument that that is a breach of the election promise. He is most welcome to make that argument. I am making the argument that we are very comfortable with the level of investment in royalties for regions and in maintaining the state's AAA credit rating. A manageable level of debt has been a key driver for the government through this budget process and will continue to be. We have made the point clearly that we would look to find the best way to express the willingness for that outcome, given that, as I said, the royalties are not slated to increase except from 1 July 2012.

Mr M. McGOWAN: How much sits in the fund now?

Mr B.J. GRYLLS: At the end of the calendar year, 31 December, \$334 million was sitting in the fund.

Mr M. McGOWAN: Is the minister suggesting that one way of managing this problem is to increase what sits in the fund by roughly three and a half times?

Mr B.J. GRYLLS: No, I am not suggesting that. I am suggesting that as I am —

Mr M. McGOWAN: That is the only conclusion one can draw.

Mr B.J. GRYLLS: No; as I said to the member in question time the other day, I am prepared to change the act to deliver that outcome. I am —

Mr M. McGOWAN: So, to reduce it below 25 per cent?

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Mr B.J. GRYLLS: As I said, I am prepared to change the act.

Mr M. McGOWAN: What per cent would the minister reduce it to?

Mr B.J. GRYLLS: Again, the member is asking me for something that has not yet happened, and to change the act it would have to come to the Parliament.

Mr M. McGOWAN: But we are in estimates; this is a good question.

Mr B.J. GRYLLS: I look forward in the Parliament, when I look to deliver the sound financial management of the state, the opposition opposing that change to the act, which would oppose a reduction in net debt and would support further spending in regional Western Australia. I look forward to the opposition getting to that stage. As I have said —

Mr M. McGOWAN: So the minister does not have an idea what he might reduce it to.

Mr B.J. GRYLLS: As I said —

Mr M. McGOWAN: Fifteen per cent?

Mr B.J. GRYLLS: I will seek advice from the trust on that. As of this budget, which the member is talking about today, \$1.2 billion has been appropriated to the royalties for regions fund. We very much look forward to rolling out the projects that are funded under that fund. From the moment the election was over, I was questioned for long periods about how royalties for regions would work. I said that it would work in the context of maintaining the state's AAA credit rating and maintaining the sound finances of the state. We will continue to do just that.

The CHAIRMAN: I advise the Member for Rockingham that I will give him an opportunity to ask further questions, but I will not allow continual questioning throughout the answer.

Mr M. McGOWAN: That is a fair point, Madam Chair.

Mr J.J.M. BOWLER: First of all, I apologise for being a bit late. I had to go through the world's worst airport to get here. Maybe we could get some royalties for regions spent on that airport.

Mr B.J. GRYLLS: Only the commonwealth agrees to spend regional money in the metropolitan area, supported by members opposite.

Mr J.J.M. BOWLER: We will skip forward to page 216, which is still in division 13. The sixth dot point refers to "improving services to achieve equality with metropolitan communities". In particular, health is a big issue in my electorate and, I know, in many other country electorates. Considering that dot point, how will this improve health in my part of the world?

Mr B.J. GRYLLS: I thank the member for Kalgoorlie for his question. He knows that, after many years of waiting, the government has finally funded a substantial upgrade to the Kalgoorlie hospital. I think that is something that the Goldfields has demanded for a long time. The first project we announced under royalties for regions was actually based around the Kalgoorlie hospital, so that is important.

In this budget we have made a substantial commitment to health in the country, which is not before time. The southern inland health initiative, in partnership with the WA Country Health Service and the Minister for Health, is a quantum shift in funding for regional health. It focuses on the southern inland area of WACHS. It includes localities to the north and east of the metropolitan area, stretching from Kalbarri and Meekatharra in the north to Laverton in the east, which is in the member for Kalgoorlie's electorate, down to Esperance in the south east. We were very concerned at the end of the previous government. Jim McGinty had been the minister. Christine O'Farrell had been the director of the WA Country Health Service. Speaking at a conference a few months after her retirement, she talked about ongoing, chronic, systemic neglect of country health. She talked about some health services being "blatantly bloody unsafe". It is one thing for the boss of the WA Country Health Service to say that on retirement. What she forgets is that young kids living in that area are subject to that; grandparents are subject to that. We do not think that in a state like Western Australia that is sustainable. The southern inland health initiative is our response to that. It has funding of \$565 million over the forward estimates. There are six streams of investment. The most important one is the district medical workforce investment program. It is 180 million reasons why doctors will want to spend more time in the southern inland health area of the state than not. It is making sure that we have a 24-hour emergency response in those areas, ensuring that the seven key hospitals in that area—Collie, Esperance, Katanning, Narrogin, Northam, Merredin and Manjimup—have 24-hour access to doctors. Many of the member for Kalgoorlie's constituents drive through that area on their way home. I think they would like to know that Merredin hospital has a doctor there. Unfortunately for the past 10 years we have never been able to guarantee that. There have been many arguments about the delivery of health services. The commonwealth has raised debate about taking over hospitals. It has never had to take over

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delivery of primary health services, as it has always been responsible for doctors. But when we cannot locate doctors into bigger hospitals in those regional centres, what hope do smaller communities such as Laverton and Bruce Rock have? The program of doctor provision is, therefore, very important. Should the health department deliver what it plans to deliver, it will certainly be one of my proudest moments as a minister to partner with the Minister for Health on solving that long-term, systemic problem.

[2.30 pm]

The CHAIRMAN: I ask the minister to wrap up his response.

Mr B.J. GRYLLS: Yes. It is really important that we understand that the commonwealth collects the Medicare levy through our taxes. That Medicare levy goes towards primary health services. If there is no doctor in a community, no Medicare levy goes to that community. The commonwealth needs to understand that the state is moving to fix a long-term problem that has never been properly addressed. I hope that Kim Hames and Nicola Roxon can sit down and come to some agreement on how the commonwealth should be involved in delivering primary health services to those areas, because Western Australian taxpayers should not have to do it when they are paying the Medicare levy at the same time.

Mr M. McGOWAN: I draw the minister back to a question I asked in the last segment. I refer once again to the BushChange housing grant, which has been withdrawn from the budget but which was one of the minister's promises in coming to office. On page 13 of budget paper No 1, the Treasurer says —

We are also targeting a further \$300million in savings ... including the *Royalties for Regions* program ...

My questions to the minister are: Firstly, which projects will be targeted as a consequence of this savings measure? Secondly, will that not further drive down the amount this year below the 25 per cent figure that the minister committed to at the election? Thirdly, the minister should be able to give the committee some sort of indication, considering that the government has forward estimates, of the percentage he would envisage amending the Royalties for Regions Act to bring it below 25 per cent? Is it 20 per cent, is it 15 per cent or is it 10 per cent? Can the minister give us an idea of the percentage by which an amendment to the Royalties for Regions Act would reduce the share to regional communities?

Mr B.J. GRYLLS: The Treasurer announced \$300 million worth of efficiency measures in this budget, which comes off the back of the success of the government in delivering the three per cent efficiency dividend in its first full budget. That is a very important way that government has maintained control over its recurrent expenditure and maintained control over its net debt level. Royalties for regions participated in the first round of three per cent efficiency dividends and has agreed to participate in this further round.

Mr M. McGOWAN: That is not a three per cent saving.

Mr B.J. GRYLLS: My understanding is that it is the equivalent of a one per cent dividend, and I will work with my agency to define from where that one per cent of savings will come. Bearing in mind, again, that this \$300 million of savings is across the whole-of-government forward estimates, we actually have time to define what that will be and to deliver on that outcome. Again, in an environment in which opposition members talk about their concern for net debt, I continue to say that royalties for regions is a part of government and that we are committed to continuing to deliver the prudent financial management of the state. Our program participates in that, and I am very happy to debate in the town halls of country communities and regional centres across the state whether we should do that. My commitment, therefore, is that royalties for regions will be a part of that \$300 million across the forward estimates.

The member for Rockingham asked also about the BushChange housing grant. We believe, on coming to government and on rolling out the initiatives that have been funded and appear as line items in the budget, that there is more value for money in pursuing projects other than the BushChange housing grant. I am looking forward to questions on our super-towns initiative. Essentially, rather than providing individual grants—bearing in mind that the BushChange housing initiative was conceived back in 2006 when the first home owner grant was being used to stimulate the economy—we saw an opportunity to boost that first home owner grant to include a reasonable component to attract people to move to the regions. BushChange has now been removed from the budget and replaced by another program because we now believe, with the other investments we are making in the regions, that we are already seeing natural attraction to move to those communities, and that all our initiatives are aimed at building community amenity, building livability, making land available and making housing more affordable. We believe, given that first home owner grants have essentially been phased out, that individual grants through BushChange should not proceed, but should proceed in another form to encourage people to move to communities.

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Mr M. McGOWAN: Further on that point, the minister indicated in his statement just a moment ago that BushChange was being phased out and replaced with another program. Can the minister clarify the other program? I think the minister will find that BushChange was one of the fundamental and central commitments in the National Party's policy documents before the election. However, the minister did not answer my principal question. Bearing in mind that this estimates hearing is for us to get to the bottom of the future, if the minister likes, if the minister amends the legislation, does the minister propose to amend the percentage to 20 per cent or 15 per cent or does the minister propose to remove the percentage figure from the legislation altogether? Can the minister give us an indication of his thinking in that regard?

Mr B.J. GRYLLS: I think I already have, member for Rockingham.

Mr M. McGOWAN: The minister has not.

Mr B.J. GRYLLS: I have said that royalties for regions has now increased from \$680 million, when we did our first budget, to \$1.2 billion a year. In an effort to deliver on the state's net debt for sustainability levels, I made a commitment that the increase in royalties will go to debt reduction. I have established an advisory body headed up by Andrew Murray, one of our foremost experts on legislation and governance in Australia. I have already had a brief chat to him since the budget about this aspect, and I look forward to asking him formally to provide me with advice on how best to meet the commitments that I have made and how to continue to deliver a very strong program for regional development. He will consider those matters and provide me with advice. If the advice includes legislative change, it will involve me drafting that legislative change, taking it to cabinet for approval, introducing it to Parliament and allowing it to be debated.

Mr M. McGOWAN: Finally, can I wrap up this matter on that point?

The CHAIRMAN: Very quickly.

Mr M. McGOWAN: I have a copy of the minister's policy document with me that was downloaded from the Nationals' website on 22 August 2008. It states that the equivalent of 25 per cent of all royalty payments to the state be set aside each day —

The CHAIRMAN: Member for Rockingham, we are talking about line items in the budget papers.

Mr M. McGOWAN: Yes, I am going back to the failure of commitment on BushChange, which is also in the policy documents. It says that the equivalent of 25 per cent of all royalty payments will be set aside each year for reinvestment in regional Western Australia; it repeats that numerous times throughout the document. The document does not refer to state debt or anything else but it does state that if the Nationals WA gain the balance of power at the next state election, they will use the leverage in Parliament to ensure that the equivalent of 25 per cent of all royalties revenue is reinvested in rural and regional WA. The minister is saying that that commitment no longer stands because he is looking at alternative ways to try to reduce the 25 per cent of royalties revenue to that fund; therefore, the commitment contained in this document issued by the minister a week before the last state election no longer stands.

Mr B.J. GRYLLS: As I said, member for Rockingham, my commitment in this budget, given the royalty amount that is now being appropriated to the fund, is that in delivering good government to the people of Western Australia we have made the commitment that the increase in royalty rates for iron ore fines will go to pay down net debt, and we will be taking advice from the trust on the best way to manage that. Again, if the member wishes to prosecute an argument about that in the public domain, he is most able to do that.

Mr M. McGOWAN: It is just a broken promise.

[2.40 pm]

Mr V.A. CATANIA: I refer to budget paper No 2, volume 1, part 5, page 208, and the line item "Pilbara Cities Strategic Infrastructure" under the heading "Asset Investment Program: Works in Progress". Building Karratha into a city is a fantastic initiative of the minister. The work that Pilbara Cities manager Chris Adams is doing, along with the Shire of Roebourne, means that we are finally seeing the initiative come to fruition. Can the minister explain the progress and intent of the Pilbara Cities program?

Mr B.J. GRYLLS: We are very excited about what is happening in the Pilbara after the opportunity to grow the Pilbara was bypassed during the last resource expansion prior to the GFC. We are now determined to ensure that the Pilbara can take advantage of the opportunities that present through the expansion of the iron ore and the natural gas industries, particularly with the Pluto project coming online.

In terms of housing and land availability, we are very determined to put downward pressure on rents, which is probably the most important part of delivering sustainability into the future. When we came to government, the former government was delivering around 300 units of land a year into the market in Karratha; we have

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increased that threefold, to about 1 000 units of land. Most important is attracting the private sector to invest its money into the Pilbara. If it is left to government to facilitate the growth of the Pilbara, we simply will not have enough money. We need to attract private sector investment. The private sector delivers land releases and builds apartments and housing projects in the southern part of the state and we must attract that same investment into the Pilbara. I think we are doing that. I am informed that the second storey is on the Finbar Group Limited apartment building at the end of Sharpe Avenue in Karratha. Pindan, Austcorp Australia, and the Alcock Brown-Neaves Group are all bringing projects to market. That land availability is really important.

The break-up of the funding available under the strategic Pilbara Cities initiative has been confirmed by cabinet. The funding was not in the budget figures, but I am happy to inform the committee that, of the \$398 million that is in that in globo funding under the Pilbara Cities program, cabinet has agreed to direct \$298 million to land and housing development, \$50 million to education, \$20 million to Indigenous communities and \$30 million to economic diversification. The South Hedland revitalisation phase 2 is a key project in land and housing developments. The partnership with the private sector for a town centre in Karratha and the Mulataga development down at the Mulataga Beach are also key projects. Putting further service workers accommodation projects and subsidised accommodation into the market is vital, as is using our dollars to leverage private sector investment in housing. Too many people leave the Pilbara because of education opportunities, and there is a commitment through Pilbara Cities to continue to invest in education at all levels. A lot of interest has been expressed by the tertiary sector in bringing tertiary education to the Pilbara. I am very keen on residential accommodation for kids who may be in the Pilbara but not living in Karratha or Port Hedland to have access to accommodation linked to both the brand-new senior high school being built in Karratha and the Hedland Senior High School, which is receiving a substantial upgrade. Those initiatives will be continued.

The CHAIRMAN: I ask the minister to bring his answer to a close.

Mr B.J. GRYLLS: Economic diversification is important. It is important to support the small business sector that has been squeezed intolerably during the resource boom. I know that the member for North West is keen on that. Our partnership with the Indigenous community with the Ngurrawaana and Yindjibarndi people and the Kariyarra Mugarinya property joint venture project in South Hedland are vital.

Mrs C.A. MARTIN: Can we have of a copy of the document? It is great. I would like to see it.

Mr B.J. GRYLLS: The member has a copy; it will be in *Hansard*.

Mr V.A. CATANIA: Can the minister also —

The CHAIRMAN: Member for North West, I have asked the minister to draw his question to a conclusion and then we are going to another question.

Mrs C.A. MARTIN: The minister said \$290 million is allocated to land and housing for super cities in the Pilbara, \$50 million to education, \$20 million to indigenous development and \$30 million to economic development. Considering that investors are not completely stupid, where is the water? What sort of funds has the minister put aside to guarantee water, considering that 17 million litres of water is taken from the Broome port every month for dust control in the Pilbara? The minister obviously has problems with water.

Mr B.J. GRYLLS: Does the member mean Dampier port, not Broome. The member said Broome port.

Mrs C.A. MARTIN: The water is being shipped from Broome to the Pilbara to damp down dust. It is called dust control—17 million litres a month.

The CHAIRMAN: I thought the member for Kimberley was asking a further question on the previous one.

Mrs C.A. MARTIN: Yes, it is a further question. I want to know where the water component comes in.

Mr B.J. GRYLLS: I am happy to answer this question. The member for Kimberley's question broadly refers to the desalination plant that was mooted for the Pilbara being pushed out into the out years. I fully support that decision, because industry—Rio Tinto in particular—is looking to facilitate its expansion of iron ore export and is looking to develop the Bungaroo Creek dewatering project. The Bungaroo dewatering project will provide 10 gegalitres of water. Last year that Harding Dam was heading towards empty and the Millstream aquifer had been pretty heavily pumped. We had a problem because there was a time frame gap between Rio Tinto bringing its water source online and the needs of the community and industry being met in the interim. As a result of the very substantial rainfall in the Millstream catchment, and Harding Dam being full, government probably has one or two extra years to see whether we can use the industry investment to provide the increased water source, remembering that all our indications for Pilbara Cities growth in Karratha would indicate the need for about one gegalitre extra of white water. Domestic growth—mums and dads in houses, and small businesses—needs about an extra gegalitre of water. Industry essentially takes up the rest of it. I am not exactly sure that Western Australian taxpayers should be investing their dollars in providing five gegalitres of water for industry when

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industry has a plan to deliver that water. That money can be diverted to the really critical aspects of housing, land availability, Indigenous engagement and the small business sector. I think it is hard to make an argument that we should be building a water source for the big end of town when the challenges are in Roebourne and rental costs. The challenges are for the non-government sector and the small business guy trying to afford premises and to pay his employees. Those challenges rank a bit higher. The extra rain in the Pilbara has given us the opportunity to not have a gap in that time frame. That rain was fortuitous, yes.

Mrs C.A. MARTIN: Very lucky.

Mr B.J. GRYLLS: In government we take that if we can get it. That gives us the opportunity to seek to use industry investment to deliver that water source for the future.

Mrs C.A. MARTIN: If the minister had a super city in Kununurra, he would not have to worry about water.

Mr B.J. GRYLLS: Member for Kimberley, on the Attorney General's first visit to Kununurra two weekends ago he was taken aback by the natural beauty and the opportunities for East Kimberley. I would love the member for Kimberley's support for the continued growth of Kununurra as a regional city. Kununurra ticks all the boxes. One of the things people do not realise is that, although Kununurra is remote from Perth, it is 45 minutes from Darwin and flights run two or three times a day. Kununurra is not remote from a major capital and it is the most beautiful part of Western Australia. I would hope that we see substantial investment and growth in Kununurra in the future.

[2.50 pm]

Mrs C.A. MARTIN: And a good rail line to get the food down to the rest of the nation!

Mr A.J. SIMPSON: At page 204 of the *Budget Statements* under the heading "Major spending changes" is listed the regional centres development, or super towns, project initiative for 2011–12. What will this program deliver for towns and surrounding communities in the southern part of Western Australia?

Mr B.J. GRYLLS: I thank the member for Darling Range for that question; and also the member for Rockingham, who asked about the BushChange housing grant, which is a new initiative we think is a better outcome for expenditure, rather than individual grants. The regional centres development plan for super towns is about investing in towns that show great promise for above-average growth and that have the economic drivers to deliver jobs and economic expansion that government support could progress into the future. We have a process by which the development commissions have been asked to identify potential communities that could benefit from this program. They are going through that process now. The Regional Development Council, which is composed of the chairs of the nine development commissions, will meet to decide on which communities should be candidates for investment under the super towns plan.

However, before we do any of that, the most important thing is to get the planning right. We have seen an enormous amount of effort go into the planning of Perth, our capital city, and Directions 2030 is a very important part of that. There have been substantial efforts in planning the Peel, and to a degree the South West, where we see that strong pressure for growth. However, in places like Collie and Esperance, the planning has never been done and the opportunities have never been progressed. The growth of industry in and around Collie is probably a classic example. There is a major expansion planned for the coal sector and the Perdaman Chemicals and Fertilisers' plant, which will require a big construction and operational workforce, and the shops and the industrial park that now exist will be presented with the opportunity to expand. I do not meet too many people who do not want Collie to grow and benefit from that expansion. I do not meet too many people from Collie who want everyone to live in Dalyellup and drive up the Coalfields Highway to work each day. Collie is a community primed for growth and for government investment in infrastructure and service delivery. The issue in Collie is a bit like that with the Mid West Investment Plan in and around the iron ore developments in the Mid West. How do we target specific communities with strong economic drivers? We put in the planning that defines where they can grow, the constraints to growth, the natural economic drivers and we make sure that there is livability and amenity, people can get a coffee in a nice main street —

Mr M.P. MURRAY: Coles is open 24 hours, you clown!

Mr B.J. GRYLLS: — the small business sector can be supported, land is available and health and education are properly catered for. For the first time, under this plan we will see WAPC Chairman Gary Pratley and the Director General of the Department of Planning, Eric Lumsden, putting real effort into looking at those towns, which are the tier under the Bunburys and Mandurahs, and saying, "How do we look at your economic drivers and assist you to grow into the future?" There is a lot of lobbying going on at the moment.

The CHAIRMAN: Member for Collie–Preston, will you refrain, thank you.

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Mr M.P. MURRAY: If he stops waffling, I will stop waffling.

The CHAIRMAN: The member had the opportunity to ask questions. Thank you, minister, and I ask you to come to a conclusion.

Mr B.J. GRYLLS: There is a lot of lobbying going on at the moment to the development commissions about which communities should be included, and we look forward to getting that advice, to its going to cabinet and to funding it. I know that the member for Collie-Preston is a big supporter of the plan and that he sees Collie as a great opportunity for growth in the future. I look forward to working closely with the member to deliver that, if the development commission process prioritises Collie.

Mr M.P. MURRAY: If we get two coffee shops, will you be satisfied?

Mr M. McGOWAN: I refer to the line item “Total cost of services” on page 204 of the *Budget Statements*. The minister referred to the amount sitting to the credit of the royalties for regions fund, which he said was in the vicinity of \$300 million. I have a couple of follow-on questions also. Can the minister advise what that money is sitting there for, and which projects have not had that money spent on them? If the minister cannot provide that immediately, can he provide it by supplementary information?

Mr B.J. GRYLLS: I will let my director general answer some of the technicalities in that question. Obviously, when funding is allocated to individual projects, they come with a spending profile. Essentially, projects that are delayed have their spending profile delayed and, rather than the money being expended, it sits in the account until it is expended. The government is quite determined to ensure that we can appropriate money to projects and get those projects underway and acquitted at the end of it, be that through the development commission process, the local government fund or the agencies that are in charge of those projects. The notion that any money approved in one year will be completely expended in the next year fails the credibility test. Let us look at a project across the road, the Perth Arena, which has had money appropriated to it for many years and is well behind schedule. We hope that we can avoid projects like the Perth Arena that blow out in time and in budget. However, as the financial year ticks over each year, that problem arises. I will ask Paul Rosair, the Director General of the Department of Regional Development and Lands, to answer that question.

Mr P.B. Rosair: There is a number of initiatives that make up that \$334 million, and it is probably better that we table that as a separate item. Having said that, I draw the member’s attention to the royalties for regions progress report that we do annually. This report identifies all the projects, their allocation and expenditure across the state. We are working on a similar report for 2010–11 and that is due after 30 September when we have acquitted all the funds up to 30 June. This report will hold all the information necessary.

The CHAIRMAN: I will clarify whether we are getting the supplementary information provided.

Mr B.J. GRYLLS: By way of supplementary information, we will provide a breakdown of the \$334 million talked about by the member for Rockingham.

Mr M. McGOWAN: For clarity, I would like a list of the projects, their original cost and how much is unspent on each, and when they were originally scheduled to be completed, if that is okay. That will be helpful information so that we can work out if there is a Perth Arena in that list of projects.

Mr B.J. GRYLLS: I have agreed to provide a breakdown of the funding. The member for Rockingham has listed what he would like. Once that breakdown of the funding is provided, if the member for Rockingham believes that not enough information has been provided, he can put a question on notice on that.

Mr M. McGOWAN: So the minister is not going to tell us which ones might have been more expensive than the original allocation?

[*Supplementary Information No B8.*]

Mr M. McGOWAN: If it is not being provided as supplementary information, which projects have blown out in cost?

Mr B.J. GRYLLS: I have agreed to provide supplementary information for that \$334 million.

Mr M. McGOWAN: That is not my question.

Mr B.J. GRYLLS: The member will have the answer to that question on 10 June, which is when supplementary information needs to be provided.

Mr M. McGOWAN: I will get an answer to that question. That is on the record.

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Mr V.A. CATANIA: I refer to page 215 of budget paper 3, *Economic and Fiscal Outlook*, the line item called “Recreation Boating Facilities Scheme”. I am very glad that my electorate will be a recipient of that scheme with the Carnarvon boat ramp that is underway. Also, I was in Exmouth for the whale shark festival over the weekend and people were happy to hear that a new boat ramp for Tantabiddi has been planned. Anyone who has been to Exmouth or the Gascoyne will know that boating is a huge way of life, so I appreciate that funding. Can the minister advise me how royalties for regions continues to provide these funds and how it is benefiting regional Western Australia through the regional boating facilities scheme?

[3.00 pm]

Mr B.J. GRYLLS: I thank the member for North West. I think recreational boating facilities infrastructure is vital for the community. There is very strong boat ownership in WA, especially in the north west of the state. We cannot go anywhere without fishing and boating facilities being talked about. I remember when the framework agreement for the Browse was signed in Broome with Don Voelte, Martin Ferguson, Colin Barnett and Pat Dodson; it was knocked off the front page of the newspaper by concerns about the boat ramp in Broome. That highlighted to me how important those issues are. The recreational boating facilities scheme is a \$5 million-a-year boost to that scheme to allow communities to plan to improve their boating infrastructure. Many communities have benefited from that already and will into the future. The Tandabiddi boat ramp between Exmouth and Coral Bay, which the member talked about, is also in a beautiful part of the world and is visited and loved by many. It is important that the infrastructure we provide there is good.

The member will also know that Carnarvon’s boating facility is being upgraded. We are also putting the finishing touches on community consultation about Broome’s boating facility. Again, it is a very important part of the recreational pursuits of the people who decide to call the north west home. The state government is determined to ensure that more Western Australians want to call the north west home. The federal government, through its population strategy, seems to be determined to have more Australians call the north west of WA home. Boating facilities are a key part of that because the vast majority of people who move there end up with boating as their number one source of recreation. The recreational boating facilities scheme is an important part of that. Some bigger strategic projects are being funded under the Kimberley and Gascoyne revitalisations. I hope that at the end of this four-year term of government, our recreational boating facilities will have been substantially upgraded for the benefit of the communities they service.

Mrs C.A. MARTIN: I draw the minister’s attention to “Significant Issues Impacting the Agency” in the fourth dot point on page 205, which states —

The reconstruction of communities and infrastructure after recent natural disasters in the eastern states ...

I know that has an impact, but what about the natural disasters in the Kimberley? Can the minister give us an update on what is happening at Warmun, for example? Can the minister give me a breakdown of the \$75 million that has been put aside?

Mr B.J. GRYLLS: What happened at Warmun was tragic. The loss of the arts centre, which I think was one of the best attractions in Western Australia—it was iconic—is devastating. It does not look like insurance will cover it. I do not know whether there is an update on that. The last advice I had was that that was problematic. That flooding was tragic. I think we were fortunate to have the Garrjang village in Kununurra available to relocate the people.

Mrs C.A. MARTIN: Thank you for that.

Mr B.J. GRYLLS: A decision was made quickly to make sure those people were not displaced. A huge effort has been undertaken by Jeff Gooding from the Kimberley Development Commission and Chris Clare, the CEO of the Warmun community. They should be congratulated for what they have done. I think the fact that we have been able to manage that natural disaster in the way that we have is quite remarkable. Again, I think we may have been fortuitous. The village was empty for the wet season and we could quickly move people in without having to move people out. We are very proud that the East Kimberley development plan has been able to add value to the East Kimberley community by housing Warmun. The member for Kimberley is right. We are planning the rebuild after 30 June. My advice tells me that 17 new houses and seven refurbished houses will be ready. We are talking a month. A 200-person temporary village will be ready; temporary clinics, schools and an early learning centre and store will be ready. I want to welcome the cooperation across all levels of government and the commonwealth government—I give credit to Hon Gary Gray—which has been very quick to act. The commonwealth has provided partnership support to deliver that.

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It has highlighted the fragility of many of those remote Aboriginal communities. I remarked that a natural disaster in the southern part of the state would see the community dispersed to friends, relatives and family and so forth. The fact that was not seen as an option in the Warmun remote community is a bit of a wake-up call on how far we have got to go to, in a sense, normalise that community. As I said, I am grateful and proud we had that facility there. We have been able to manage that. I pay credit to the Kununurra community, which has had its fair share of challenges that have been created by the relocation of the Warmun mob to town. But in relatively good faith, people have understood that that was an emergency response. We have moved quickly to get those people back to Gija country. We want to get that community back on its feet. We have worked hard with Warmun. It wants to amalgamate four pastoral leases that it has an involvement in to get some economies of scale. We are progressing that. We have to find a way to bring that arts centre back on line as an important destination and important revenue source. I have two beautiful Warmun paintings hanging on my wall at home.

[Mr P.B. Watson took the chair.]

The CHAIRMAN: I hope you paid for them, minister.

Mrs C.A. MARTIN: He paid for them.

Mr B.J. GRYLLS: I look up there and think of the important part that plays in that community. I paid for them—they are small. This government has been really determined to do better in that space, as was the previous government. It is a constantly moving feast. The challenges are great. I hope we learn a bit from the Warmun natural disaster and use what we have learnt to better prepare for the next one.

Mrs C.A. MARTIN: If it had been at night time we would have lost all the children, there is no doubt.

Mr B.J. GRYLLS: I am aware of that. I give credit to all involved that it has turned out as it has. As I said, we believe we are on track to, essentially, get those people back to their community in the not-too-distant future?

Mrs C.A. MARTIN: Is Ri-con Contractors doing all the construction?

Mr B.J. GRYLLS: Is that the company building the village?

Mrs C.A. MARTIN: Yes; it was on site when it all happened.

Mr B.J. GRYLLS: That may be a question best put to the Kimberley Development Commission later. I am assuming the member for Kimberley is talking about the company that won the contract. I have seen pictures of its people up there working. Essentially, we know it is not a perfect scenario to have Gija people in —

Mrs C.A. MARTIN: They had demolished the first house when I was on site. I was really happy to see that.

Mr B.J. GRYLLS: I think we have acknowledged it is not a long-term, sustainable solution to have Gija people in the village in Miriuwung Gajerrong country. We want to return it to the workers as work on the agricultural expansion starts in earnest. Hopefully, by 30 June we will be down the track of returning those people to country.

Mrs C.A. MARTIN: Thank you.

The CHAIRMAN: Members, and minister, can I remind you to keep your answers a bit shorter because I notice a lot of people want to get through a lot of questions.

Mr J.J.M. BOWLER: I refer to the bottom of page 203, and the \$1 million for regional Buy Local initiatives. Last Thursday, the member for North West, the member for Albany, the member for Geraldton and I presented the minister with our findings of an inquiry we undertook into what we believe are the best ways to improve Buy Local, in not just regional Western Australia, but probably all of Australia. Can the minister tell me what that \$1 million will do and what plans there are?

Mr B.J. GRYLLS: I thank the member for Kalgoorlie and for his chairmanship of that committee that investigated Buy Local. I think Buy Local is something everyone supports. Seeing it in practice is a little difficult. There is a lot of concern from regional businesses about how governments' Buy Local policies are put into practice, whether they are followed and how they can take advantage of opportunities from government and government projects. The cross-party report from the inquiry undertaken by the member for Kalgoorlie, as an Independent; Vince Catania from our party; the honourable Chairman from the Labor Party —

The CHAIRMAN: Honourable!

[3.10 pm]

Mr B.J. GRYLLS: — and Ian Blayney from the Liberal Party looked at this issue.

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We are committed to not only having a report that discusses the fact that government could do better, but also actually doing something better. I look forward to taking the report to cabinet and discussing it. We have allocated \$1 million to act on some of the report's recommendations.

I am very keen to ensure that small businesses in regional areas know what the government policy is because being armed with the knowledge of that policy allows them to put more pressure on government agencies that may not be following the policy. I hope that in partnership with the Department of Commerce, the Small Business Development Corporation and the Department of Regional Development and Lands, the government can be proactive in driving the Buy Local policy. We should not rely on a busy small business that is already under the pump actually to ensure that government is following its policy; that should be something the government does, and I think there is a place for that. The government also thinks that there is an opportunity to support the small business sector in other areas, not just the Buy Local policy. I am concerned that mining expansion will result in small business sector employees being dragged out to higher paying jobs in the resources sector. The resources sector is pretty good at finding its employees. Although we talk a lot about the skills shortage, the major mining companies are pretty good at getting their workforce, a lot of which comes from the small business, agriculture and tourism sectors.

It is pretty important that we give some support to those small businesses. I think there is a bit more that we can provide in the way of small business support. We look at the Buy Local policy and ensure that small businesses take advantage of what the government sets out to achieve. We can look at utilising skilled migration and the 457 visa scheme. I know that the Department of Commerce and the Small Business Development Corporation are very keen to be involved in that. I hope that that \$1 million will be a start in building greater support for the small business sector, and with cabinet support we may be able to increase our focus on small business in the future.

The CHAIRMAN: I have a question, because the Chair can ask questions in these proceedings: is that \$1 million going towards training the staff who are in the small business area at the moment or is it for additional staff?

Mr B.J. GRYLLES: As I said, we are yet to define the project. We have already had initial meetings with the Department of Commerce and the SBDC. Again, we will take advice from them on where they see the gaps. The Buy Local working group provided the report on where it sees the gaps and we want the department to match that and define a project that puts more support around small business. My personal opinion is that we need more people on the ground supporting small business in regional communities, especially given that I know the mining sector loves to employ small business people and people from agriculture because they are, in essence, a lot more job-worthy than others. Mining companies target them, so I think there is an opportunity to give them extra support. Again, that \$1 million is allocated but we will need a cabinet submission to appropriate it to a project. The Buy Local working group will inform that process and we will work with the agency responsible, the Department of Commerce, to define that project, which I look forward to unveiling in the not-too-distant future.

Mr M.P. MURRAY: The problem with those sorts of developments previously has been that many of those small businesses are co-located on mining leases and therefore do not pay rates to the shires. I bring that to the minister's attention because it stifles the growth within those communities because the people who live there pay extra. I bring that matter to the minister's attention the need to ensure that businesses co-located on a mining lease pay the appropriate rates.

Mr B.J. GRYLLES: I am aware of that issue, which, again, provides an inbuilt disincentive of sorts because one business does not pay but another business doing the same thing does, thereby creating a disparity. The companies that control those mining leases need to have a role in that regard. I am also focused on communities such as those in the Wheatbelt, in that although they might not have an iron ore mine in the backyard, they have had a helluva lot of young people dragged out of agriculture and small business to go work in the mining sector. Although gaps in the mining sector are filled, gaps are left behind in the small business and agriculture sectors. Those small business people and farmers in the same place are essentially less capable and do not have the skills base, I suppose, but they have to start negotiating with the immigration department for skilled migrants and go about attracting 457 visa holders. Essentially, I think we had a first run at this during the previous mining expansion. A lot of people got a bit scared in the downturn when the mining sector shed many jobs and they went back to the small business sector and their communities. We need to ensure that if those people are dragged out again, we have good support for those communities. The small business sector is still the lifeblood of just about every community. I make the point that even in Karratha the ability to have a haircut, get a pizza delivered and to have someone man the retail shop is pretty important to the liveability of the community. Those challenges are great.

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Mr D.A. TEMPLEMAN: I refer to the preamble in the first dot point on page 204 of the *Budget Statements* under “Significant Issues Impacting the Agency”. Why is it that in the government’s snapshot of 2010–11, the Peel region received a paltry \$8.4 million from the royalties for regions program compared with the allocations to other regions in Western Australia? The Peel region is the third highest royalty contributor to the state, and, along with the South West, is the fastest growing region. The South West received the second lowest allocation of \$28.2 million. The South West and Peel have the biggest populations of the regions, but they receive the least funding from the royalties for regions program. I want to know why.

Mr B.J. GRYLLS: I thank the member for Mandurah for the question. I make no apology that the focus of royalties for regions is on the Kimberley and the Pilbara, and it will continue to be. I know that the member has travelled extensively across the state. I do not think that he would compare Mandurah with the East Kimberley, Karratha or Port Hedland. We are making investments where we believe they are most needed. I am aware of the member’s criticism, and that of others, about the funding allocation. We make those funding allocations and stand by them. I believe that is important. I raise that in terms of—

Mr D.A. TEMPLEMAN: What criteria does the government use? If the minister is making comparisons, I can give him a number of comparisons with the Kimberley—for example, education and tertiary entrance. The unemployment figures in the Peel continue to be the highest; the youth and general unemployment rates are always above the state and national averages. The Peel region’s income per household continues to be one of the lowest in the state. These statistics are real, yet the government’s policy delivers to places like the Gascoyne, the Wheatbelt and the Goldfields by five times or more in comparison. However, the regions of Peel and the South West are where the growth in population occurs. Not all people in Peel live along canals and earn \$50 000, \$60 000 or \$150 000 a year.

Mr B.J. GRYLLS: I am very much aware of the health provision and the doctor availability in the member’s community. I am very much aware of the private and public education facilities that are available. I am very much aware of the housing and land availability; there is massive private sector investment in the Peel and the South West, and the government welcomes that. Essentially, we take advice from the regional development trust, the regional development commissions and government agencies to help inform us. At the end of the day, we present a budget that prioritises funding. Again, the Grattan Institute released a report last week that was critical of the priorities of royalties for regions spending. I said that I do not agree.

The Grattan Institute has said, along similar lines to those of the member for Mandurah today, that the Peel and South West are strong growing areas and that all our investment should be in those regions and that there should be very limited investment in other parts of the state.

[3.20 pm]

Mr D.A. TEMPLEMAN: I am not arguing that it should all go there, minister. I am arguing that we should get our fair share.

Mr B.J. GRYLLS: We just do not agree with that.

Mr D.A. TEMPLEMAN: What is your point? If royalties for regions —

The CHAIRMAN: Member for Mandurah, you will go through the Chair.

Mr D.A. TEMPLEMAN: Shut up, member for North West; you wouldn’t know what you are talking about!

The CHAIRMAN: Member for Mandurah, you are not on this committee. I have given you the opportunity to ask a question: ask it properly or you will be out!

Mr D.A. TEMPLEMAN: I am happy to be sent out now, Mr Chairman. The fact is, the minister has not answered the question. He has not given me an answer as to why there is such a stark discrepancy despite the nature of my community. A large proportion of the people who live in the Peel are on fixed and low incomes, and that number will continue to grow. We have one of the highest populations of seniors and yet the minister will not give a significant proportion of those seniors the country fuel card; thereby discriminating against them even though they live in a country region as determined by the metropolitan region scheme. The minister has not answered my question. It is stark—\$8.4 million for the Peel region; \$146.6 million for the Kimberley; \$334.7 million for the Pilbara; and \$44.8 million for the Wheatbelt, which has the same population—actually it is a little less—as the city of Mandurah. This is a discriminatory policy. If the minister is saying this is about delivering outcomes to regions, he has to show the evidence of that—and he has not shown it. The fact is —

The CHAIRMAN: A point of order.

Mr J.J.M. BOWLER: Who is the minister? Is the member asking questions or giving answers?

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The CHAIRMAN: For a start, member for Kalgoorlie, you do not stand up to make a point of order during the estimates process. I am running the show and I am sure that the member for Mandurah will get to his point very quickly—or he will not be here for very long!

Mr D.A. TEMPLEMAN: I will ask the question. I refer to page 211 —

The CHAIRMAN: No; the member has already asked a question and put all his points, and I will now give the minister a chance to reply.

Mr B.J. GRYLLS: Thank you. If the member for Mandurah believes that the funding decisions of this government are discriminatory and to be railed against, how does he justify the \$1.6 billion spent on the railway to his electorate by the previous government? Was that unjustified?

Mr D.A. TEMPLEMAN: How about service to 400 000 people in the southern corridor?

Mr B.J. GRYLLS: Here we go! Here we go! Why don't —

Mr D.A. TEMPLEMAN: What about the 400 000 people in the southern corridor and how —

The CHAIRMAN: Order members!

Mr B.J. GRYLLS: Look at the people next to you. Have a look at the people on your left shaking their heads!

Mr D.A. TEMPLEMAN: How do you justify that? How do you justify the people of Mandurah not getting the royalties for regions' fuel card?

The CHAIRMAN: Order, member for Mandurah!

Mr D.A. TEMPLEMAN: Why can't they? One side of the Serpentine bridge they can—one side they cannot.

The CHAIRMAN: Member for Mandurah! I call you to order!

Mr D.A. TEMPLEMAN: And the member for North West can shut up, too—the goose! He is a rat and always will be!

The CHAIRMAN: The member for Mandurah will please leave.

Mr D.A. TEMPLEMAN: I am quite happy to leave, Mr Chairman, because this minister is not answering any questions.

Mr B.J. GRYLLS: As I said, if the member believes —

The CHAIRMAN: No, minister. That is it. The member has gone now.

Mr M. McGOWAN: A point of order, Mr Chairman. Has the member for Mandurah been named? Has he been excluded for the rest of the day?

The CHAIRMAN: No; he is not a member of the committee. The member for Mandurah came in and I gave him the opportunity to ask a question. I did not ask him as a member of the committee because he came in as an extra person and I have not seen him sign on. I gave him the opportunity to ask a question; he was disrupting the committee; and I asked him to leave. He did not have to leave, but I asked him to, and he did so.

Mr M. McGOWAN: Thank you for that clarification.

Mr A.J. SIMPSON: I refer to page 211, “Details of Controlled Grants and Subsidies” and the heading “Royalties for Regions—Country Age Pension Fuel Card”. The budget for the Country Age Pension Fuel Card has increased from \$14.2 million in 2009–10 to an estimated \$26 million in 2011–12. Will the minister explain this increase?

Mr B.J. GRYLLS: I thank the member for Darling Range for his question and for the excellent work that he did in identifying the age pensioners resident in his electorate who do not have access to what the Public Transport Authority defines as “good public transport” therefore making it possible for us to extend access to the Country Age Pension Fuel Card to them. In further responding to the member for Mandurah's comments—he has now left—about the disadvantage to his community, I will say that he did not mention that this government, of which the member for Darling Range is a key part, has provided free train travel on the Perth–Mandurah rail line; transport that the good people of Mandurah are both accessing and utilising quite well, as I see driving up and down the freeway. I recall, during the debate when the rail line was being proposed, that I may have been a sceptic, but it looks like that rail line is being well utilised, and the member for Mandurah's constituents have access to that huge investment in public infrastructure and the huge subsidy that underpins the fares on that line. The good people of Mandurah will get good use out of that line and it will help drive the growth of their community.

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For those in areas that do not have access to good public transport, such as the good pensioners of Collie, there is the Country Age Pension Fuel Card. We think that is an excellent program. We think that fuel card subsidy allocation of \$26 million is a really good way of recognising that public transport is subsidised to some \$600 million or \$700 million a year—predominantly in the metropolitan area—and is a fair cop for all those fixed-income pensioners who live outside access to the train or bus network, which this government has made free between 10.00 am and 3.00 pm each day. Essentially, those on means-tested pensions can access this. A means-tested pensioner living in an eligible area has access to the fuel card—this includes those on age pensions, disability support pensions, Centrelink carers' payments, Centrelink widow B pension, and Centrelink wife pensions. We are very, very excited that 43 791 cards have been distributed in support of fixed-income pensioners in regional areas. In a state as big as Western Australia, we do not have the opportunity to provide paid public transport to all communities, and never will. This is a small way of recognising that the taxes of the people in the Kimberley and the Pilbara and the Gascoyne go towards paying for the train and bus infrastructure in the capital city. If these people move on to an age pension or a disability pension, they now get access to some help to assist them in meeting their transport needs, and I think that is a good thing.

The CHAIRMAN: The minister did take into account what I said about quick answers. I am sure that he took that into account—thank you.

Mr M. McGOWAN: I refer to page 216 and reference in the second paragraph to each of the “Regional Infrastructure and Headworks Fund”, the “Country Local Government Fund” and the “Regional Community Services Fund”—albeit this information can perhaps be provided by way of supplementary information—and ask: What are the names and the values of the projects under each of those funds not yet completed? Which of those projects have expanded in price beyond the original estimate? And how many originally approved have later been replaced by other projects? It is a very big question, but I think that is what estimates is all about.

Mr B.J. GRYLLS: It is a very big question. Essentially, the member is asking for everything under those funds. I think that question would be better placed on notice. I do not think that is a supplementary information question. I think it is a question on notice. That will give the member the opportunity to be specific. He can refer to our previous budget and he can refer to our progress reports for a clear indication of where every dollar has been spent. Under the budget headings, the grouping of regional infrastructure and headworks, country local government funding and community services is broken up. Rather than compelling my staff to go on a fairly wide ranging chase for information, I think it would be best for the member to ask a more specific question on notice.

[3.30 pm]

Mr M. McGOWAN: I think that my questions are quite specific. Which projects in each of the financial years went beyond their original budgets, which are not completed, and which were replaced by other projects? For instance, under the country local government fund, I am aware that on a number of occasions councils applied for money for a certain project, decided that they did want to proceed with that project and changed to another one. Those are my questions. There is no problem with those projects that came within budget and without any difficulties. But I think that the minister would have to agree that the state should surely make information available about which projects have been more expensive than originally budgeted for and are not being delivered, with alternative projects delivered instead. We are currently in budget estimates; when the minister says to put a question on notice, it means that an answer, if there is one, will not be provided until some time in the second half of the year. I would have thought that it would have been possible for this supplementary information on those particular questions to come forward simply by pressing a button on a computer. This information all relates to the past; it is information that can be provided from the past. It is not prospective or speculative information, it is factual information.

Mr B.J. GRYLLS: I agree with the member for Rockingham that this information is all from the past, which is why, given that we are in budget estimates debating this year's budget, and the member asks a question about last year's and previous budgets, I do not think it is appropriate to provide answers by way of supplementary information. The member should put those specific questions on notice and an answer will be provided.

Mr M. McGOWAN: Considering I did not get an answer to my questions, I ask about the Gascoyne revitalisation plan listed on page 211 of the *Budget Statements*. The minister is aware that one of the most significant issues to confront Carnarvon in recent years was the December floods. I note that the minister recently put out a press release about more work on the Carnarvon fascine revitalisation project, which is a worthwhile project. I have not noted anything in the budget about flood mitigation works. As the minister knows, there is significant demand for flood mitigation works in Carnarvon, and they are expensive. Why are flood mitigation works for Carnarvon, which has suffered one of the most serious floods in Western Australia in

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recent years, not in the budget? How much would such work cost; and when does the minister envisage that work happening?

Mr B.J. GRYLLS: I thank the member for Rockingham; that is a good question. I know he has visited Carnarvon and seen some of the devastation from the December floods. I pay tribute to the community of Carnarvon for the way that it has picked itself up, dried itself off and got on with the job of the clean-up. Flood mitigation has been a challenge for a long time. Everyone has a different idea on the best way to proceed to provide protection for Carnarvon's horticultural precinct and the town. The reason that the member does not see flood mitigation as a line item in the budget is that an assessment is currently underway of seven flood mitigation options that were presented to the Department of the Premier and Cabinet and a range of other agencies that are taking an interest in this matter. The Department of Water is working with all stakeholders to provide advice to government on flood mitigation options and funding strategies. Main Roads Western Australia will directly manage the construction of those projects.

Funding sources are still being defined. The Gascoyne revitalisation plan provides funds to the Gascoyne Development Commission to prioritise in priority areas. Given that the flood took place after those priorities were set, the commission is now revisiting its priorities and whether or not it will redirect the existing funding in its revitalisation plan to flood mitigation. The commission is seeking supporting funding from the state and commonwealth governments. It hopes that under the commonwealth flood levy, money could flow back to Carnarvon from the commonwealth to help fund those substantially expensive works. In the budgets for the Water and Agriculture and Food portfolios, there is a response to natural resource management and flood mitigation, and again we await a final recommendation to government on what the flood mitigation option should be. That obviously involves local engagement as well as expertise from the department. We look forward to the Gascoyne Development Commission, through its planning, saying what it believes is an appropriate investment in protection of Carnarvon after the flood. We also look forward to the commonwealth better defining what its commitments might be to that project. Figures bandied around have ranged from \$20 million for one option to \$100 million. Again, that work needs to be defined.

Mr M. McGOWAN: But, is there no money in the budget for it?

Mr B.J. GRYLLS: We have talked about the fact that for the Agriculture and Food and Water budgets there is a response that includes flood mitigation. But there is not a specific line item for flood mitigation yet, because, again, we do not have a quantum for the project, we do not have a defined project, we do not have the commitment from the commonwealth government that we had hoped for, and I am still awaiting advice from the Gascoyne Development Commission about what its commitment would be.

Mr M. McGOWAN: Work has already been done, and, from recollection, \$70 million or so was required to undertake the work already envisaged in past budgets. My understanding is that the Shire of Carnarvon has some expectation that work will be commencing shortly or money in this budget is allocated to it. Does the minister say that that expectation is incorrect?

Mr B.J. GRYLLS: The budget defines an allocation for flood mitigation that is a part of a larger amount of money in the Agriculture and Food and Water budgets.

Mr M. McGOWAN: How much is that?

Mr B.J. GRYLLS: It is under the heading "Regional Development Water and NRM Initiatives" on page 215 of budget paper No 3, under the royalties for regions forward estimates, and that figure is \$78.2 million across the forward estimates.

Mr M. McGOWAN: Across the state?

Mr B.J. GRYLLS: Yes.

Mr M.P. MURRAY: The minister has the wrong line; it is under the Gascoyne food bowl expansion.

Mr B.J. GRYLLS: No it is not; the Gascoyne food bowl expansion project is part of that and obviously in expanding the food bowl, the horticulturalists would like to see some certainty if they invest. The infrastructure of the intensive horticulture of the Carnarvon basin is expensive, and they want to see whether the government will invest in this area and have some comfort that the next flood will not take out that infrastructure. It is also important to note that each flood provides more information to both local experts and agency experts about water flow directions and the best place to undertake flood mitigation. Whatever we propose, I am absolutely sure that some experts will say that we should do the exact opposite. A lot of work is being done to define a flood mitigation project. Once the project is defined, it will attract multiple funding sources. Hopefully from the commonwealth, and through the state government's \$70 million initiative under "Regional Development Water and NRM Initiatives" in the royalties for regions forward estimates, there is an opportunity for funding to be put

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towards flood mitigation as well as through the Gascoyne development plan. That has the opportunity to highlight this issue as a priority for the Gascoyne. There is more work to be done. I would hope that we will have funding for a flood mitigation response as soon as that project is actually defined.

Mr M. McGOWAN: On page 218 of the *Budget Statements*, it says that the Gascoyne experienced the worst flooding in recorded history. That happened in December last year, and the minister says that now, in May, there is no defined program to deal with flood mitigation. Later this year the same climactic conditions will occur without any flood mitigation work having taken place. I would have thought that this would have been a matter of some urgency rather than one of cross-party working groups and everyone talking. Considering all the work that has been done historically, of which I have seen some in Carnarvon, I would have expected that that this minister in particular would have dealt with this as a matter of urgency and that he would have ensured that some money from the royalties for regions budget was allocated to it, particularly because there is money that has been taken out of the Bush Change Housing Grant that could have been put straight into a project as significant as this one is to the people of Carnarvon, and in fact to the food supply of the state.

Mr B.J. GRYLLS: As I said, under “Regional Development Water and NRM Initiatives” in the forward estimates, money is available for a flood mitigation response. They are the exact words used in the forward estimates.

[3.40 pm]

It is hard to respond to flood mitigation before a project is defined. As I said, Main Roads has taken the lead on this. There are multiple agencies having input. The local experts in Carnarvon are never short on advice to government on what they believe is the best way to go. We await the commonwealth. I am sure the member would agree that, in raising a flood levy from every Australian, Carnarvon should be the beneficiary of some of the infrastructure spend from that flood levy. I am aware of their urgency in defining that project. When they do that, the work can be done. I will just ask the director general, Paul Rosair, who has some expertise in all things water, whether he has anything to add.

Mr P.B. Rosair: As mentioned, there are a number of sources for funding for this project.— There is \$20 million through the Gascoyne food bowl initiative of the NRM and water program. The regional Gascoyne development plan is looking at re-prioritising some money from within that plan. There is also a commonwealth grant of up to \$25 million. We have been working very closely with the Department of Water and the Shire of Carnarvon. Dudley Maslen and Maurice Battilana came down. They are very keen to get moving. They also recognise that the flood levee system has to be built in a staged manner so that it does not have impact on other growers. They are working with the state government. There is an expectation that some money from those funding sources will be set aside in 2011–12 and that some works will commence, hopefully, earlier rather than later. Those works have to be built, as I said, so that they do not actually flood other properties, and they have to be built in a staged manner. The Shire of Carnarvon, which manages the levee to date, is prioritising those levee works and the order and fashion they think is the most responsible way forward.

Mr B.J. GRYLLS: If I can just add to that, the really interesting part of that flood mitigation in Carnarvon is that much of the work that has been done was done many years ago. Wilson Tuckey was shire president when some of the first flood mitigation was done. That essentially involved bulldozers and graders and pushing up the levee banks. Obviously today we are a bit more technical about the way that we do things, but essentially we are trying to make volumes of water run in different directions rather than into the infrastructure of the horticultural area. The levee system has protected the town pretty well, and the town infrastructure has sustained that.

The flood has done substantial damage to individual horticultural properties, and that substantial damage has led to some owners to believe that rebuilding probably is not a sustainable option. It has done limited damage to others. As I said, everyone has an idea and a plan on how best to manage this. There is still more work to be done. We believe that some money from royalties for regions from this budget will be available to go towards that. However, we want to see a couple of things happen. We want to see what the commonwealth contribution is. We need a defined project. At that point, we will be able to go to cabinet to seek approval to fund a project to better protect the assets of Carnarvon, given that it is a vital part of our horticultural precinct in Western Australia. It is the best production for water usage anywhere in Australia. Under our Gascoyne food bowl initiative, which has been underway since we came to government, I believe it is a good opportunity to expand the horticultural footprint in the Gascoyne.

The CHAIRMAN: I remind the committee that we are still on division 13. We have to complete division 24 by 5.25 pm. Between 5.30 and 6.00 pm we have the WA Land Authority. Is the committee happy to ask questions on division 13, or do we want to move on?

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Mr M. McGOWAN: Chair, I have a number of quite specific questions. They are quite technical and not particularly adversarial. I would like to get through those and then move on to that other section.

Mr B.J. GRYLLS: I assume that we normally have a break for five minutes at 4.00 pm. To give the development commissions a chance, I would have thought we would need about an hour. There are nine development commissions, which is five or so minutes for each. If we could to finish division 13 some time around 4.00 pm or a few minutes after that, we could then have a quick break and move to the development commissions.

The CHAIRMAN: Does the member for Collie–Preston have any questions ?

Mr M.P. MURRAY: My question refers to page 210 of budget paper No 2 and to regional statewide initiatives. The figures for the royalties for regions expenditure are stated on page 215 of budget paper No 3. It says “Regional High Schools Plan—Collie Senior High School”. Amid much derision and laughter in the house last week—when the minister said I was not able to read a budget—after I asked what moneys were in the budget for Collie Senior High School, the minister said there was \$3 million-plus dollars in there. It is quite obvious from this page that there is zero.

Mr B.J. GRYLLS: Under the regional schools plan, which is \$105 million over four years, Collie Senior High School has been prioritised for an investment. The investment as part of that project will start not in 2011–12 but in 2012–13. I have some information here: administration, performing arts, design and technology and a science laboratory. The education department has defined that Collie Senior High School is an important educational asset of that region. I am particularly keen on boosting the capacity of the senior high schools in becoming an attractive option for country kids. I am hoping that senior high schools such as Collie Senior High School can build their base of students from the district. The member will see, through the regional schools plan, a strong focus on the senior high schools and an opportunity for Collie to take advantage of the economic expansion that is underway with Shotts Industrial Park, Perdaman and the new ownership of the Griffin assets.

Education is one of the key questions that a person who was potentially going to move to Collie would ask. This investment in the senior high school is based around that. Under the southern inland health initiative there is an investment into Collie District Hospital as an important regional network centre for health. We are very determined to ensure that regional centres such as Collie get the opportunity to grow and benefit from the economic expansion following the private sector investment in the community.

Mr M.P. MURRAY: Will the minister in the next sitting correct *Hansard* and tell the house that he was misleading in his comments?

The Premier himself has said that forward estimates are virtually not worth the paper they are written on. Until we see the money, we cannot really believe that that is the case. The Premier has now repeatedly said that these are only estimates and not guarantees. We will take a guarantee if the minister wants to make it.

Mr B.J. GRYLLS: I am very happy to guarantee that that regional schools funds —

Mr M.P. MURRAY: Is the minister guaranteeing that Collie hospital will get that money?

Mr B.J. GRYLLS: The regional schools plan is a very important part of royalties for regions.

Mr M.P. MURRAY: Will the minister correct the record and the comments he made in the other house at the last sitting?

Mr B.J. GRYLLS: The member for Collie–Preston said during the last sitting that Collie had missed out completely, and I said there was funding in the budget for the school and the hospital—and there is funding in the budget for the school and hospital.

Mr M.P. MURRAY: It is not in the budget; it is in the forward estimates—it is not the budget.

Mr M. McGOWAN: I have a number of quite factual questions. I refer to page 206 of budget paper No 3, *Economic and Fiscal Outlook*, and to “SuperTowns”, for which \$85.5 million has been allocated. In the *Economic and Fiscal Outlook* it is suggested that there will be four initial towns. Can the minister advise which towns they are?

Page 122 refers to four initial towns. The minister hinted before at Collie and Esperance; is that correct?

[3.50 pm]

Mr B.J. GRYLLS: I have asked someone to find me a copy of the *Economic and Fiscal Outlook*, which the member is quoting from.

Mr M. McGOWAN: I will read it to the minister. It states on page 122 —

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A total of \$80 million will be spent on this initiative in 2011–12 ... —

That is, to “Super Towns”, even though the budget says \$85 million —

This expenditure will deliver four initial Pilot Towns, in which a broad range of town development initiatives will be undertaken ...

Again, what will those four towns be?

Mr B.J. GRYLLS: The development commissions are in the process of defining within each commission which towns they believe are candidates for investment. The Regional Development Council, which is the chair of the nine commissions, will then make a recommendation to me as minister on which towns should be candidates for investment, and then obviously I will make a recommendation to cabinet. The first part of that project will be planning money. We have a very good partnership with the Western Australian Planning Commission and the Department of Planning around putting in some planning.

Mr M. McGOWAN: You cannot tell us?

Mr B.J. GRYLLS: I cannot tell the member which towns they are.

Mr M. McGOWAN: It was a quite specific question.

Mr B.J. GRYLLS: I cannot tell the member which towns they are because they are not yet defined.

Mr M. McGOWAN: The minister’s initial statement indicated that towns such as Moora and Mt Barker might be in there. Is that still the minister’s view?

Mr B.J. GRYLLS: Again, we have put the question back to the Regional Development Council to make a recommendation on which towns it believes will be the candidates for investment, and we await that recommendation. In talking to the policy, I have given examples but, again, I cannot commit that Collie is one until the council makes that recommendation to me.

Mr M. McGOWAN: I have another question on royalties for regions money relating to page 206 of the *Budget Statements* under “Total Cost of Service”. The minister, in conjunction with the Minister for Energy, put out a press release about the Mid West solar photovoltaic projects and how there would be royalties for regions money in those projects. The projects were for 10-megawatt stations, and the minister indicated that they would be completed within 12 months, as I recall. There was \$10 million from the royalties for regions fund and so forth in the minister’s press release on 21 September 2010. Can the minister advise me, perhaps by way of supplementary information, where those projects are at? Have they commenced construction? Have they commenced operation? Will they be commissioned in early 2012? Has a contract been let? Those sorts of questions refer to the minister’s press release.

Mr B.J. GRYLLS: Yes. From my notes—if this does not answer the member’s questions, he may ask me to provide supplementary information—the estimated actual is \$5 million in 2010–11, I will give the member the project and then the spending profile. My information is that there is a \$10 million contribution from royalties for regions to Verve Energy to construct Australia’s first utility-scale solar farm, delivering the largest solar PV facility in Australia. Verve is entering into an agreement with a commercial partner to develop the 10-megawatt solar photovoltaic power plant in the Mid West and to demonstrate the viability of this form of grid-connected technology on a commercial scale. My advice is that Verve has not yet drawn the \$5 million in 2010–11, and \$5 million is allocated for 2011–12. That is the only information I have in front of me. I will provide an update on the progress of that project and the spending profile by way of supplementary information.

The CHAIRMAN: Can the minister tell us what the project is?

Mr B.J. GRYLLS: It is the Mid West solar farm. It is a \$10 million royalties for regions investment. I will provide supplementary information on the spending profile of that project, how the project is tracking and other information that is deemed relevant.

Mr M. McGOWAN: I think there were two projects actually, not just one. I am also interested in whether it has commenced construction, to whom the contract has been let and what has happened to it. I have a further question in relation to page 211.

The CHAIRMAN: Is that extra for the supplementary information?

Mr M. McGOWAN: Yes.

Mr B.J. GRYLLS: I am happy to provide information on whether it has commenced and who the private-sector partner is that Verve is looking to engage to build the project. I am happy to provide that as supplementary information against that tag.

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[*Supplementary Information No B9.*]

The CHAIRMAN: Does the member for Rockingham have a final question?

Mr M. McGOWAN: A final question?

The CHAIRMAN: The member for Rockingham said he had three questions and he has already asked two; does he have four questions?

Mr M. McGOWAN: I may well have. I refer to the “Midwest Investment Plan” on page 211 of the *Budget Statements*. Are there funds contained in royalties for regions for the 330-kilovolt line between Pinjar and Moonyoonooka; and, if not, why not? Is the government funding that project via royalties for regions or by some of the money that has been set aside for future projects?

Mr B.J. GRYLLS: Again, I think one of the most important things a government needs to do in regional development is make sure its investment profile on infrastructure matches actual needs. The government is committed to the first phase of that powerline that will bring power to the most advanced projects in the southern part of the iron ore province. That is a project, from memory, on which the Minister for Energy is currently progressing a business case through the system. Currently the royalties for regions has no funding allocated to that powerline extension. The Mid West investment plan, from my understanding, also does not provide funding for that powerline. In essence, that powerline is to facilitate industry expansion. There are some renewable energy projects that want to hook up to it, and at the end of that it is mooted to deliver power to the Oakajee port project. Again, I think it is very important that when industry seeks to expand business with the provision of power, it be a partner in providing that infrastructure, as industry will not be a partner in building the other important parts of the community, be they housing, land availability, health services or education. I am very comfortable that the Mid West investment plan, as I tabled in Parliament last week, focuses on those areas of investment, rather than on that major powerline upgrade. That said, I am very confident that at the appropriate time, the Minister for Energy will bring a case to cabinet to make an investment—hopefully with industry investment and partnership, given that industry will be the beneficiary—to ensure that the southern part of the iron ore province, I think Karara, can proceed. Into the future, obviously, power for Oakajee is important, and I am sure that that will be provided.

Mr M. McGOWAN: I refer to page 204 and the \$3.8 million set aside for regional policy. Presumably that is for the people who administer the program; yet in general government expenses contained within the *Economic and Fiscal Outlook* there is an additional \$41 million to provide resources to the department. There is then an additional \$14 million to increase the capacity of the department, the central agency function and so forth. Then on page 127 there is another \$3 million to provide administrative and project management support for the Mid West infrastructure plan. My analysis of that, based only on what I have noted, is that there is \$58 million worth of additional administrative capacity contained in this budget. My questions are: how many extra people will be employed using that money to administer the program; where will those people be located; and is there any other money being spent on administration, as opposed to actual project delivery?

[4.00 pm]

Mr B.J. GRYLLS: I thank the member for Rockingham for the question. Yes, expenditure has been substantially increased to administer the royalties for regions program and we make no apology for that. It is a large amount of money; the appropriation has almost doubled since we formed the department. We believe that, given the scrutiny of the project and the fact that it is a new project, it is absolutely justifiable to have an appropriate administration structure to maintain government systems and to have the checks and balances for a substantial amount of Australian taxpayers’ money in a new project such as royalties for regions. I have some figures here for the percentage being spent on administration.

Mr M. McGOWAN: That was not my question.

Mr B.J. GRYLLS: The member talked about multiple line items in the budget that go to administration and he made the claim that we are spending too much on administration and not enough on projects.

Mr M. McGOWAN: I did not say that. If the minister wants to answer my question, I asked: how many additional employees; where will those employees be located; and is there other money above the \$58 million?

Mr B.J. GRYLLS: When I have finished my answer, the director general can talk about the extra FTEs. It is important to put on the public record that in 2011–12 the administration costs for royalties for regions was one per cent of the project and will be 1.2 per cent in 2012–13, and 1.2 per cent in 2013–14. Although the administration cost is a large figure when looked at in isolation, it is for administering a large project. This year the appropriation is \$1 200 million. We are very aware of keeping a tight rein on that figure, but we are also very determined to deliver solid administration to maintain the integrity of the program to ensure that we get value for

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money for the program and that we do not get cost blow-outs, such as those we have seen on Perth Arena. If the work up-front is not done, the project cost is multiplied. We are determined that that will not happen. We are also very determined to set up a strong government structure for the program.

The member has recently been commenting on the number of staff located regionally as opposed to the number in the metropolitan area. Paul Rosair will be able to add to this, but about 10 per cent of the Department of Regional Development and Lands staff are located in regional areas. Outside of that, each of the nine development commissions has between 10 and 15 FTEs working for it. Those commissions are all located regionally. We are also making the community resource centres a key part of royalties for regions delivery. All those FTEs over the 110 centres are located regionally. We have 80 new trainees in the community resource centres located regionally. We believe we are doing well in locating staff. The director general will talk about some of those exact figures and where they are heading.

Mr P.B. Rosair: A number of areas within the budget papers refer to this issue. Page 206 refers to a regional investment increase of 64 to 71 FTEs. The increase is primarily made up of three extra FTEs in the Gascoyne development unit and additional FTEs transferred from other government agencies for the corporate services component of our regional investment division. On page 207 there is an increase in our regional policy area from 11 to 24 FTEs, which are primarily made up of an additional three staff in strategic policy to service our Western Australian Regional Development Trust and our Regional Development Council. Five staff have been set aside to do policy on our rangelands reform program. Four staff have been set aside in the office of the director general to service the policy needs of our new department, which was established on 1 July 2009. Additionally, in our lands area FTEs have increased from 165 to 173. Primarily, those FTEs are in our policy and corporate services areas in establishing our new department.

In replying to the question about where those positions are based, on 1 July 2009 the department had nine staff located in regional WA. We have increased that figure by two and a half times, to 22 staff—three in Albany, one in Dowerin and one in Boddington; four in Kununurra for the Ord–East Kimberley expansion; six in Pilbara Cities; one in Carnarvon; and eight in our lands areas, Bunbury, Kununurra and Dalwallinu. We are also looking at initiatives to co-locate staff with our regional development commissions across the state.

Mr M. McGOWAN: That did not answer my questions. I posed three questions.

The CHAIRMAN: We did say we would finish at 4.00 pm, so I ask the member to be very succinct.

Mr M. McGOWAN: I will be succinct and I would appreciate a succinct response. My question about extra staff has been answered and the director general suggested where some of those FTEs will be. Neither the minister nor the director general answered the following questions: are there any extra dollars in administration above the \$58 million that I identified that were contained in the *Economic and Fiscal Outlook*? Secondly, how can the department need another \$58 million to employ what I have worked out as an extra 28 staff?

Mr P.B. Rosair: As the program increases in the out years—I assume the member is referring to the \$58 million—there will be additional needs for additional staff to administer the program. As mentioned by the minister, the program was originally a \$664 million program; it is now a \$1.2 billion program. With that extra funding comes additional staff for corporate governance and accountability. We will give the member a full breakdown of that \$58 million and how it is targeted to be spent. The matter needs to go to cabinet for approval before those additional expenditures can be made and they will be subject to cabinet processes, but they are in the out years as part of that \$58 million for additional administration.

Mr M. McGOWAN: But it is in the budget, so it is already through the cabinet process.

Mr B.J. GRYLLS: No, it is not.

Mr M. McGOWAN: My question is really quite simple. There is \$58 million, but I do not know whether that is all there is. Therefore, I ask again: is more than that to be spent on basic administration? Secondly, will the minister provide by way of supplementary information what that extra money will be spent on? He just indicated that he would.

Mr B.J. GRYLLS: I am happy to provide by supplementary information the breakdown of the \$58 million that the member for Rockingham has referred to. That will be provided by the department.

Mr M. McGOWAN: Is there more than that?

Mr B.J. GRYLLS: I can answer only the questions that the member asks. The member has identified \$58 million. We will provide the member with a breakdown of that \$58 million as he defined it in the question that he originally asked.

Extract from *Hansard*

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Mr M. McGOWAN: My question to the minister is: the economic and fiscal outlook identifies another \$58 million in extra administration expenses; is there more expenditure on extra administration apart from that?

Mr B.J. GRYLLS: Again I will provide the breakdown of the \$58 million. I do not know how I can answer the member's question when he does not refer it to anything.

[*Supplementary Information No B10.*]

The appropriation was recommended.

Meeting suspended from 4.08 pm to 4.16 pm