

Division 11: Regional Development, \$7 332 000 —

Mr N.W. Morton, Chairman.

Mr D.T. Redman, Minister for Regional Development.

Mr P. Rosair, Director General.

Mrs F. Antonio, Chief Financial Officer.

Mr A. Mann, Acting Executive Director, Regional Investment.

Mrs J. Collard, Executive Director, Business and Social Development.

Mr P. Gregson, Manager, Budget Services.

Mr M. Rowe, Executive Director, Policy and Planning.

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

It is the intention of the chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 May 2014. 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.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

The CHAIRMAN: Leader of the Opposition.

Mr M. McGOWAN: I want to spend a bit of time teasing out the gross amounts that will be spent under royalties for regions, which, naturally, is an interaction between volume 1 of the *Budget Statements* and the *Economic and Fiscal Outlook*. I refer to "Total Cost of Services" and "Total Appropriations" under "Regional Development" and how they interact with the legislated \$1 billion cap on page 199 of the *Economic and Fiscal Outlook*. The central issue with royalties for regions is: how much will be spent under this program in the coming financial year? What proportion of the 25 per cent of royalties is that? What will it be over the forward estimates? According to the *Budget Statements*, the money allocated to royalties for regions will decline to 12.4 per cent of royalties in 2016–17, which is \$3 billion less than 25 per cent. In the next financial year and each financial year in the forward estimates, what total per cent of royalties will be allocated under royalties for regions and what gross amount does the minister expect to spend under royalties for regions?

Mr D.T. REDMAN: It is interesting that this was one of the lines of questioning last year. I assume the Leader of the Opposition read the *Hansard* of the member for Mandurah's comments last year, because the same question about the gross amount was asked. As the Leader of the Opposition will be aware, 25 per cent of royalties flow into the royalties for regions fund. It is a special-purpose account, and what is not spent accumulates in that fund. The Leader of the Opposition made the point that we have not—indeed we have not; there is nothing surprising about that—spent in any year all of the 25 per cent that goes into the royalties for regions fund. I refer to page 213 of the *Budget Statements*—I am sure Andrew will correct me if I get this wrong—which states that the actual amount spent in the 2012–13 financial year was \$975.8 million. We predict that the estimated actual of 2013–14, to the end of June this year, will be \$1 billion. We have allocated an expenditure cap in royalties for regions of \$1 billion a year. The Leader of the Opposition referred to 12.4 per cent of royalty flow, which is in the opening pages of chapter 7. In a minute I will ask Andrew Mann to provide the predicted per cent figures, bearing in mind that they are predicted because we can only estimate the royalty flow for the state for each of the financial years. I will highlight the government's policy decision. I understand the tenet of the Leader of the Opposition's question is that the government's policy settings in putting in place the royalty for regions program. As the Leader of the Opposition knows, the policy setting was 25 per cent of mining and petroleum royalties. We said in the policy position that we took to the 2008 election that there would be a \$1 billion cap on that. The fund in the legislation has a billion-dollar legislative cap—it is not a legislated cap on the spend. This year we have chosen to put in place a billion-dollar cap on expenditure going out in a

particular year. Indeed, two significant things have happened in this current financial year and will happen in the one coming. The 2013–14 state budget will be the first time that we have acquitted \$1 billion; that is anticipated to happen by the end of June this year. We make the point very strongly that we want to support the broader state budget; indeed, it is no good having a program that turns the rest of the state budget upside down. We will have more resources going out for royalties for regions in the next four years than we have had in the last four years, which is fantastic for regional Western Australia. I will ask Paul to outline the percentage figures predicted for 2014–15, 2015–16, 2016–17 and 2017–18.

Mr P. Rosair: The forecast appropriation for the next four years for disbursement is 12.5 per cent. If we include the Western Australian Future Fund component, it ends up being 14.3 per cent over the next four years, which compares with disbursements of 18 per cent over the previous six years and disbursements of 20.4 per cent, including the future fund, over the previous six years. Going forward it is 12.5 per cent without the future fund and 14.3 per cent with the future fund.

[9.10 am]

Mr D.T. REDMAN: I will make a quick point about the future fund. The future fund is taken out of the appropriations to the fund, not out of the billion-dollar cap. It has been wrongly reported in some media outlets that that comes out of the \$1 billion cap on expenditure, which is not the case.

Mr M. McGOWAN: Further to that—I appreciate the spirit in which these questions are being answered —

Mr D.T. REDMAN: Positively, member.

Mr M. McGOWAN: Yes, it is pleasant.

In percentage terms, it would be fair to say that it is a significant decline but the minister is saying that, in actual cash terms, it is higher than it has been before. I think that would be a correct statement. The budget makes it clear that although there is a \$1 billion spending cap, as the minister puts it, it also makes it clear that that \$1 billion may not be spent. Although the minister expects the allocated amount will be spent in 2013–14 under royalties for regions, what is the minister's expectation in the forward estimates of how much will actually be spent under the program as opposed to how much is allocated to the program?

Mr D.T. REDMAN: I am expecting that we will spend close to, if not all, the \$1 billion in those years. I say that with some confidence given the experience over the last number of years has been to build up a very robust process for managing royalties for regions. It is one of the most scrutinised funds in the state budget. We ensure that we have a robust decision-making process of approvals, including cabinet approval at the end, which is really important. Getting good, sound business cases to support those investments is critical. There has been some learning experience over time. There has been some lag, which happens with most major projects. I am confident that our processes are at the point where we can get that resource out the door. We have an allowance—members will see it on the bottom of page 213—which is what we call an over-programming provision. An over-programming provision means that we budget for 12.5 per cent more in the budget than the allocated expenditure limit for a year. That is designed as another mechanism to ensure we get back to our expenditure limit of \$1 billion a year. I am making every endeavour to ensure that is the case. Consistent with where we have been so far, this next four-year forward estimates period will put regional Western Australia in a better position than it has been in the last four.

Mr M. McGOWAN: The reportage of the budget was that the decline from 25 per cent over the forward estimates was a bit over \$3 billion. Is that the correct figure, or what is the correct figure?

Mr D.T. REDMAN: The gap between the \$1 billion expenditure limit and what is the predicted 25 per cent royalty flow into the account is \$3.1 billion over the four-year forward estimates. Again I highlight it is the predicted 25 per cent figure and it does not take into account any future decisions around the expenditure limit on the four-year forward estimates.

Mr M. McGOWAN: Referring the minister to this amount and government publications: will government publications from this point forward stop using the 25 per cent figure and use a 12.5 per cent figure?

Mr D.T. REDMAN: The legislation says that 25 per cent of royalties goes into this fund. That is a fact. I think the distinction the Leader of the Opposition is trying to make, which is probably a valid distinction, is that the acquittal at the end of every financial year will be less than 25 per cent. That has been the case for the past number of years. We have been tracking up just under the rise in royalty flow to now acquit nearly \$1 billion a year for the last financial year—actual—and what is predicted to be \$1 billion this financial year. I expect that we will be able to acquit \$1 billion a year given the experience we have had, the processes we have in place and the mechanism we have around the over-programming provision.

Mr M. McGOWAN: Back to my original question: all the government publications have this 25 per cent figure in them, which is clearly misleading, so will government publications from this point forward not have that figure in them? A bunch of them had it over the last few years. As the minister said, the average over the last six years has been 18 per cent, so they were misleading as well. Will future government publications and future government advertising reflect the reality rather than that figure, which is clearly incorrect?

Mr D.T. REDMAN: The facts are that the 25 per cent figure goes into the fund—that is in legislation. That is a fact. The Leader of the Opposition is correct: if we said we would spend 25 per cent, that would be misleading. The intent is to reflect government behaviour. We have made a decision this year to have the \$1 billion cap on the expenditure of the fund, which is a bigger figure than we have ever had in the four-year forward estimates for royalties for regions.

Mr C.J. TALLENTIRE: I refer to the fifth dot point on page 173, which refers to future large-scale developments in the Kimberley and Pilbara regions. It says that there are four or five possible locations. Can the minister let me know where those locations are and what due diligence has been done on them?

Mr D.T. REDMAN: I will pass that to the director general of the department.

Mr P. Rosair: Is the member referring to the fifth bullet point on page 173?

Mr C.J. TALLENTIRE: Yes. It says there are four or five locations, the same size as Ord stage 1. I am keen to know where they are.

Mr P. Rosair: The Seizing the Opportunity program in agriculture, which is a flagship program of this budget, has identified the need to diversify the economy into agricultural opportunities. Going off the back of the Ord, where there has been a 7 000-hectare expansion —

Mr C.J. TALLENTIRE: Sorry, I just want to know where the locations are—it says four or five.

Mr P. Rosair: If the member looks at the state planning strategy, a document produced by the Western Australian Planning Commission, he will see some highlighted areas that point out some areas of interest. One is around Gogo station in the Fitzroy Valley; there is one near Mowanjum, south of Derby; another one near Woodie Woodie mine site on the Warrawagine station; and another one around Yandicoogina in the Pilbara. I think that is four. Obviously there are further opportunities in the Gascoyne and south, but they are the sorts of areas where we believe there are opportunities for precinct agricultural development, not dissimilar to the size of the current Ord expansion.

Mr D.T. REDMAN: We have put in a fairly significant amount of resources in the past, and will continue to do so, in proving up water supplies across the state. We think that there is a huge amount of undeveloped agricultural potential. As the member will be very much aware, a lot of mine dewatering occurs in the Pilbara, where water is actually a liability for some of those mines. To use a very good example of where this has been progressed to an agricultural opportunity is in the Marandoo mine next to Karijini National Park. Marandoo, as the member knows, is a Rio Tinto mine —

Mr C.J. TALLENTIRE: Yes, I have been there.

Mr D.T. REDMAN: There is something like 17 centre-pivot irrigators, producing 30 000-odd tonne of hay a year—a fantastic opportunity. Of course we are supporting the opportunities for those sorts of projects to happen across the state. The director general just spoke about some opportunities in other areas including the south, which are being closely looked at. Also, I might add the Mowanjum example and the Knowsley lots, which is just south of Derby—an Indigenous-owned pastoral lease. We think the economic opportunities that come from these sorts of developments are significant for those Indigenous communities.

Mr V.A. CATANIA: Minister, it is good to see that royalties for regions is well and truly alive and not dead, as media reports suggest. I refer to the fourth paragraph on page 207 of budget paper No 3 which refers to regional telecommunications. Mobile phone coverage has been particularly successful in the north west along the North West Coastal Highway at the Billabong and Minilya roadhouses, but also at Gascoyne Junction for the first time. The Yalgoo town site will go live shortly as well. It has been a great success in providing some basic needs to the community, particularly when quite a few natural disasters occur in the Gascoyne. The fourth paragraph on page 207 refers to stage 2 of the regional telecommunications project. Can the minister give us an update on where or how that will be rolled out in future?

[9.20 am]

Mr D.T. REDMAN: I will pick up on the member's first point. I reinforce his statement that royalties for regions is not dead, it is in the best position it has ever been in the four-year forward estimates compared to the last four years, and regional Western Australia should indeed see itself as a beneficiary of this government's investment program. As the member is aware, past budgets have invested some \$40 million in regional communication mobile phone towers. The interesting point is that communications is not a state issue but a federal government issue, and yet Western Australia does not seem to fare very well out of those federal programs. It got to the point where our regional constituency highlighted time and time again the importance of communications to regional businesses and to communities being normalised. When we walk up the main street of Perth we take it for granted that we have access to a mobile phone service and, increasingly, access to broadband services, but this is not so in the regions. By the end of this year that program will have built, in conjunction with Telstra, 113 mobile phone towers across regional Western Australia. A big part of the early focus was on key transport routes, particularly in the north, ensuring communication along those arterial routes. Pretty soon we will build the hundredth tower. I make the point that we are not funding the whole tower. When Telstra looks at its business case for mobile phone investments, it works out how many people will use the service. If the business case stacks up, Telstra will build the tower; if it does not stack up, it will not build the tower. For the business case that does not work, we simply make up the gap with royalties for regions funding to finish building the tower. A key budget initiative is to roll out a second tranche of \$45 million towards supporting regional communications with a greater focus on broadband access. If the government encourages people to invest in regional Western Australia, to build businesses in regional Western Australia and to have access to the world stage in terms of doing their business, communication is critical. It is really important that this initiative of \$45 million backs up our desire to have communications as core business in regional Western Australia. I am also making it my business to engage with the federal government, which has put up \$100 million to support communications right across Australia. I would be very disappointed if, as a product of us supporting investment into this communication space, it backed away and saw fit to put resources back into the east coast. I want to ensure that we get leverage on our resource to get a really good outcome for Western Australia. That was a good question from the member.

Mr D.A. TEMPLEMAN: On page 172 of the *Budget Statements*, the second dot point under "Significant Issues Impacting the Agency" refers to regional population growth in Western Australia. I am happy for the minister to provide the answer to my question as supplementary information. In terms of the Australian Bureau of Statistics projections of growth in regional WA, in which regions is the growth most expected and where do the Peel region and the south west region figure in that?

Mr D.T. REDMAN: As the member can appreciate, this is not data that I have at hand, and nor do my advisors. A big part of looking at how we invest a fund that is making a huge difference is looking at strategies to catalyse investment in the regions. I have talked a few times about taking a very modern approach to regional development. The old approach was to find a gap in a service and to fund that gap. The new approach is to identify and mobilise the potential of the regions, and that means different things to different parts of the state. Although population is important, and that is one of the drivers of investment, it is not the only driver. We want to populate significant areas in regional Western Australia that do not have significant populations. Pilbara Cities is a very good example of that, with the two centres of Karratha and Port Hedland building up to 50 000 people each and Newman with a target of 15 000 people, which are strong initiatives. We are focused on investments to support mobilising that potential. I will be happy to provide the answer by way of supplementary information. Does the member want the information for each development commission area? He highlighted the Peel region so is he looking for just the Peel part?

Mr D.A. TEMPLEMAN: I would like the minister to provide a table that shows the spend of royalties for regions across —

Mr D.T. REDMAN: I thought the member's question was asking for population data.

Mr D.A. TEMPLEMAN: It is, but I would like a table showing the nine regions that provides information on the total spend for each region over the past five years and what that equates to per head of population.

Mr D.T. REDMAN: We can certainly get the figures for the spend of royalties for regions by regional development commission area since the start of the program. As the member can appreciate, the population changes in those areas. If the member wants us to provide the spend per head it will be difficult as those populations have shifted very significantly over that time. I am not sure how he wants us to get that figure.

Mr D.A. TEMPLEMAN: It will be based on the latest population figures.

Mr D.T. REDMAN: Is the member asking for the spend over five years?

Mr D.A. TEMPLEMAN: How many millions have been spent in each of the nine regions over the past five years and can the minister compare that to —

Mr D.T. REDMAN: I will provide the member with the spend over the last five years and the most recent data in terms of population statistics for those regions. How does that sound?

Mr D.A. TEMPLEMAN: No, I want shown in that table what that equates to in per capita spend.

Mr D.T. REDMAN: The member is missing my point.

Mr D.A. TEMPLEMAN: No, the minister is missing my point. The fact is that the Peel region in my calculations has a pitiful amount compared with other regions. I want to know exactly what the figures are.

The CHAIRMAN: Member, when I ask for your attention you will give it to me and not continue to talk. The minister will clarify what he will provide by way of supplementary information.

Mr D.T. REDMAN: The challenge I have with the question is that the member wants me to provide the total spend over the past five years for each of the regions, and then a per capita spend. I made the point that the population of those regions has changed over that five-year period, so the notion of a dollar per head spend will be different in 2008–09 compared with 2013–14. I am happy to provide the member with the data for him to interpret. I will provide the royalties for regions spend by region over the last five years as actuals up until the end of 2012–13. I will also provide the most recent population statistics from the ABS for those regions. The member can choose to do his divisions and work out how that might be interpreted, but that is the only way I can provide him with the information.

The CHAIRMAN: To clarify that, the minister will provide by way of supplementary information the spend per nine regions over the last five years?

Mr D.T. REDMAN: The actuals up until the end of 2012–13 and the latest population data from the ABS for each of those regions.

[Supplementary Information No B1.]

Mr D.A. TEMPLEMAN: I refer to the same dot point. Can the minister confirm that the Peel region has consistently received the lowest amount of royalties for regions over the past five years compared with the other regions in the state?

Mr D.T. REDMAN: Yes.

Mr D.A. TEMPLEMAN: Can the minister explain why he discriminates against the Peel region?

[9.30 am]

Mr D.T. REDMAN: I will give clarity to the government decision-making process on where resources are spent. We have nine development commission regions and we have put a substantial focus on the north part of Western Australia, and quite rightly. I remember Hon Tom Stephens in Parliament highlighting the challenges of his seat for Karratha, Port Hedland and Newman around infrastructure, and a workforce supporting what is the powerhouse of the state. The Pilbara Cities initiative came from that and over \$1 billion a year has been spent on the Pilbara Cities initiative to support the challenges that that community faces—\$3 000 a week rent is just not normal. I think there are good, sound reasons why funding has gone into some of those other parts of the state. As the member will appreciate, if we are trying to prioritise where things go, there is also a priority of need. I also highlight that in the current budget—I have mentioned this a number of times in Parliament—we have the \$600 million “Growing our South” initiative, which includes the Peel region, and is recognition that all the Regional Development Commission areas, if we include the current four-year forward estimates in this term of government, will have access to a revitalisation fund.

Mr D.A. TEMPLEMAN: Can the minister confirm, by region, the contributors to royalties for the state?

Mr D.T. REDMAN: Can we determine them?

Mr D.A. TEMPLEMAN: Yes. Which are the top three regions that provide royalties to the state?

Mr D.T. REDMAN: I will ask the director general to see what we have now.

Mr P. Rosair: Obviously, the Pilbara is around 83 per cent of royalties income. We can provide a list of royalty income from each of the regions around the state, if the minister allows. The Peel produces approximately three per cent of royalty income for the state.

Mr D.A. TEMPLEMAN: Can the minister confirm that Peel is, in fact, the third highest contributor?

Mr P. Rosair: I think it might be third behind goldfields–Esperance, but I would have to confirm that by checking the stats. Three per cent of royalty income comes from the Peel region.

Mr I.C. BLAYNEY: Minister, I refer to the reference to the “Mid West Investment Plan” on page 201 of budget paper No 3. How much will that plan contribute to the City of Greater Geraldton?

Mr D.T. REDMAN: I thank the member for the question. Obviously, he is very aware that one of the revitalisation initiatives was the \$220 million program midwest investment plan, which provides funding over five years to significantly invest in the City of Greater Geraldton. We are very pleased that these sorts of investments will help ensure that that region will remain an attractive place to live, work and invest. I will go through a couple of the developments that have been supported by those funds. There is an essential utilities upgrade for the Geraldton airport landside development, which will receive \$2.75 million over two years to improve power and water utilities and to facilitate future expansion of the terminals to meet the rapidly increasing demand on the midwest aviation industry. Again, that is a pretty important service to support the economy of the region. There is \$3.86 million for the second stage of the Batavia Coast Marina project. That project will transform some vacant government land into what is described as a vibrant mixed-use precinct that will provide amenities, housing and employment opportunities, and also encourage private sector investment into Geraldton. Alongside that is the restoration of the original Geraldton railway station, which will allow the City of Greater Geraldton to not only protect that state heritage-listed asset, but also eventually locate the Geraldton visitors' centre at that site. That is being made possible through funding of about \$1 million from the midwest investment plan. An allocation of \$13.97 million over three years will be used to commence construction of the Verita Road project, which will be an overpass across the southern transport corridor that will reconnect Karloo with Wandina to improve access to Brand Highway as well as improve traffic flow and safety within the City of Greater Geraldton. Of course, on top of that there is \$2.8 million for the City of Greater Geraldton to convert the existing staggered T-formation at the intersection of Place Road, Flores Road and Ogilvie Road East into a four-way intersection. So there are a number of significant investments, and I think it is important to note that these investment decisions have been made at a local level. If we are to drive ownership for the challenge of mobilising the potential of these communities, they need to make local decisions and have ownership of those decisions to ensure that we get rid of barriers to future investment. I think some of those investments reflect exactly that.

Mr M. McGOWAN: We have now established, according to the figures the minister has given us, that 18 per cent of royalties have been spent under this fund over the last six years, and that figure will go down to 12.5 per cent over the forward estimates, despite all the government's publications indicating that it was going to be 25 per cent. I refer to the fact that all the government's publications refer to that funding being above and beyond ordinary government expenditure. It is very difficult to define exactly what that might be, but I would like to provide one example that shows that to be a starkly inaccurate statement. Page 212 of budget paper No 3 lists the relocation of year 7 students and includes a number of schools—maybe eight or so—including Broome Senior High School, John Willcock College and Halls Head Community College. I assume this is costing millions of dollars of capital upgrades, and it is being funded through royalties for regions. The relocation of year 7 students to high schools in the city is being funded by the Department of Education; I do not get the distinction. I cannot understand how that can be said to be above and beyond ordinary government expenditure; in the city, those things are funded by the Department of Education, whereas in the regions they are being funded by royalties for regions. Is this not yet another stark example of the ordinary business of government being funded by royalties for regions?

Mr D.T. REDMAN: I challenge that. I do accept the point that sometimes the distinction between what is normal government business and what might be considered over-and-above funding can be a challenge and debatable. I make the point that a decision was made in the current budget that has not been reported on very much at all. If we go back to the 2013–14 budget, some \$287 million of projects were funded by royalties for regions that were previously funded from consolidated funds. An easy example that comes to mind is the regional component of the community sporting and recreation facilities fund, administered by Hon Terry Waldron. The regional component of that was picked up in last year's budget and funded by royalties for regions; in previous years it was not. Going from last year's budget to the 2014–15 budget, I have taken out \$287 million of projects that were previously funded from consolidated funds in an endeavour to preserve the integrity of the program. I have made the point very strongly that the integrity of royalties for regions is very important because it is a fund that is making a difference, and it will broadly support the state budget because of the unique circumstances of royalty flows into the state, compared with other sources of state revenue. I think this budget has actually delivered that. Of the other projects, Albany Hospital is a case in point. The previous Labor government simply was not able to deliver that and a significant proportion of the resources that went into that were from consolidated funds. Royalties for regions has arguably chosen to make the difference between that working and not working, and it has been topped up. The new Busselton Hospital is another example of that; royalties for regions has topped that up. The year 7 example used by the Leader of the Opposition is being funded by funds that have not been in the budget before. It is a program that is important to people living and supporting education in the regions, and I think it is reasonable that royalties for regions funds have been used for that. It is a one-off decision that has been made by the government, because we are looking at the shift of

year 7s from primary school into high school, and there is, of course, an immediate and acute infrastructure issue that emerges as a product of that decision. This is dealing with that acute infrastructure issue.

Mr M. McGOWAN: I think the definition the minister used a moment ago was that royalties for regions is for things that would not otherwise have been done. The decision to move year 7s into high schools was a policy decision made by the government maybe two or three years ago, and it applied across the state. Therefore, it was going to be done, and it was just a matter of who paid for it. It was a policy decision across government and it would have happened anyway, but the government made the decision that royalties for regions would pay for something that would have otherwise happened. That was the government's choice. The minister said that these are things that would not otherwise have been done. Is he saying that if royalties for regions did not fund this, it would not have happened in the regions? That is really the definition throughout all the government's publications and the like. This is just one example, but it is a pretty stark one, of a government policy decision that would have happened irrespective of whether royalties for regions funded it, because we cannot have a system—at least the government says we cannot—of year 7 students staying in primary schools in the regions, yet going to high schools in the city. I think the minister understands my point.

[9.40 am]

Mr D.T. REDMAN: I do not agree with the position the Leader of the Opposition has taken up on that. It is an example of an acute infrastructure need made around a government decision. It has not been funded before from consolidated funds. The government is funding the infrastructure needed to support that shift. I might add that it is also not correct to say that the government has not funded schools—it has. The Merredin Senior High School is an example of significant resources that royalties for regions has funded to improve the amenity and the infrastructure, and to support significant programs in a regional centre, including upgrading the hostel to the point that now Merredin Senior High School is considered an attractive place to send kids; indeed, there is a waiting list for the hostel. There are some very good examples around the state of how the government has chosen to use these funds to actually transform and make a difference in regional Western Australia; so I think we have to be cautious in using the premise that directing it into education is therefore a cost shift.

Mr M. McGOWAN: That was not what I said.

Mr D.T. REDMAN: That is what the Leader of the Opposition is heading to.

Mr M. McGOWAN: I think the minister understands my point.

Mr D.T. REDMAN: I have just highlighted the government's decision to take projects worth \$387 million out of last year's budget to ensure that the billion dollars that we have as an expenditure limit is, indeed, designed to make a difference in regional Western Australia, rather than just dissolving back into being part of core business and, hence, making no net benefit.

Mr M. McGOWAN: I disagree. If the government wants to add additional facilities to Merredin Senior High School—and that is a decision the government makes—that is different from a policy decision across government to year 7s into high school, because that will be implemented irrespectively. I think the minister probably secretly understands my point. I want to ask about the Pilbara underground power project on page 210.

Mr D.T. REDMAN: Is this a different question or is this an extension?

Mr M. McGOWAN: It is.

The CHAIRMAN: Leader of the Opposition, that is not a further question.

Mr M. McGOWAN: I am the Leader of the Opposition and this is an opportunity for the opposition to ask questions.

The CHAIRMAN: Correct.

Mr M. McGOWAN: And that is traditionally the way this works, and should work, for those with experience in this place.

The CHAIRMAN: I thank the Leader of the Opposition for that insight. This is a new question and not a further question, so we will move on in the list.

Member for Eyre, I note that you wish to ask a question; however, you are not a committee member, so I will give preference to committee members. The member for Moore wishes to ask a question.

Mr R.S. LOVE: I refer the minister to page 205 of budget paper No 3. Could the minister outline more information on the southern investment initiative that is outlined on that page and how that will affect the areas to the south of the state?

Mr D.T. REDMAN: I thank the member for the question. In this budget the government has made a decision to support a revitalisation investment into the four development commission regions that have not had a

revitalisation fund. Earlier, I took a question from the member for Mandurah, who highlighted the importance as he saw it of Peel—quite rightly; it is his electorate—and of getting what he describes as “their share” of the funds through royalties for regions. The government has made a decision to fund over five years—\$515 million appears in the four-year forward estimates, but it will be \$600 million over five years—the last four development commissions that have not had such a fund: the wheatbelt, great southern, south west and Peel. That \$600 million will sit over those four development commission regions. I am not choosing to put an equal share into each of those regions; I am engaging right now with the Regional Development Council responsible for those development commission areas to work up a strategy on how to decide where those investments will go. I am putting a lot of credence in the development of social and economic investment blueprints that the development commissions are working up. They are in a draft form at the moment. I have about nine drafts sitting on my desk and I am putting a lot of credence into that; therefore, any criticism or assessment of it to be robust is really important. That is happening. Once they are finalised, they will be a guiding light for investment decisions. I might add that they are not designed to be a shopping list, but designed to identify the barriers to achieving the potential in regions—the barriers to infrastructure, to investment—and what the comparative and competitive advantages each of the regions has. A lot of analysis will be critical in guiding us where to make investment decisions. Once they are finalised, that will help inform what the investment decisions of that “growing our south fund” will be directed to. I look forward to the southern part of the state now having a little bit of its day in the sun in terms of where royalties for regions is spent. I am starting to engage with those communities. They are very excited about the opportunities. It will be competitive and there will be a lot of investment interest in a range of areas. People are already knocking down my door to talk to me about what they think is important. We have a very transparent process that involves engagement from the stakeholders, making sure that stakeholders have input to the development of those blueprints. Those blueprints will be, increasingly, a guiding light for how we spent that resource. Thank you, member, for the question. It is really pleasing that the wheatbelt, great southern, south west and Peel now have an opportunity to access some revitalisation funds to support building the economy in their part of the state.

Mr D.A. TEMPLEMAN: Page 171 shows that most of the money for this project appears in three years. From my reading of the table at the bottom of the page, for example, there is \$15 million for 2014–15, \$18 million for 2015–16, \$20 million for 2016–17, and the bulk of that allocation is in the fourth year. Given that this is these regions’ so-called chance in the sun, why is the bulk of the money being delivered in four years’ time?

Mr D.T. REDMAN: The member for Mandurah is quite right about the glide path of investment. An amount of \$15 million is coming through in this 2014–15 budget and is building up to significant resources in the out years.

Mr D.A. TEMPLEMAN: In three years’ time; they have to wait for three years.

The CHAIRMAN: Member for Mandurah, you have asked the question; let the minister answer.

Mr D.T. REDMAN: Fundamentally, the reason for that is that in the first couple of years significant investment programs are rolling out through royalties for regions. We have Pilbara Cities, the southern inland health initiative around infrastructure and health in the southern part of the state, and all the other investment initiatives in goldfields–Esperance, the midwest and the Gascoyne.

Mr D.A. TEMPLEMAN: Everywhere else.

Mr D.T. REDMAN: Absolutely; and, as I highlighted a second ago, we now have, coming into this budget, an investment fund.

Mr D.A. TEMPLEMAN: Fifteen million.

Mr D.T. REDMAN: Member for Mandurah, we cannot build regional Western Australian in a term of government; we are going to do it in just about two, you know!

Mr D.A. TEMPLEMAN: No, the minister is missing the point.

The CHAIRMAN: Order, member for Mandurah!

Mr D.T. REDMAN: Member, I make the point that it is going to be interesting to see what the opposition’s decisions are around royalties for regions will be going into 2017 election, because this government has committed to a significant regional development program.

Mr M. McGOWAN: We are not going to lie to people.

The CHAIRMAN: Thank you!

Mr D.T. REDMAN: This government has committed to a significant regional development program, and it has now finished the final piece of the jigsaw in the investment initiative, supporting the southern part of the state. I would have thought that the member for Mandurah would be joyous.

Mr D.A. TEMPLEMAN: In three years’ time.

The CHAIRMAN: Order! Member for Mandurah, I have had to call for order several times. I could officially call you to order, but it would be a shame to have to do that in estimates. If you want to ask questions, you can ask them, and if you want to ask further questions, you can do that too, but let us do this in an orderly fashion. Minister, have you finished your response?

Mr D.T. REDMAN: I think so. I have made my point.

[9.50 am]

Mr D.A. TEMPLEMAN: Why is the bulk of the money under the southern initiative being delayed from going to regions that have traditionally missed out on funds from royalties for regions in total? Why is the minister delaying that money going to the regions that need it most?

Mr D.T. REDMAN: We have not delayed anything.

Mr D.A. TEMPLEMAN: Yes, you have.

Mr D.T. REDMAN: No, we have not. We have not delayed anything because this was not in the budget before. The Growing our South initiative is a new initiative in this budget worth \$600 million that we have drafted into the forward estimates over five years. It has not been delayed because it was not there before.

Mr D.A. TEMPLEMAN: It has been delayed.

Mr D.T. REDMAN: We can only delay something that was there before. How can the member say that it has been delayed? We have now put the final piece in the jigsaw for all the development commission regions, and of course we have to follow the cash flow of the program. Significant cash flows are playing out from past government initiatives, notably the Southern Inland Health Initiative. As we speak, fairly significant capital works spending is happening around supporting building and refurbishing regional medical centres and hospitals to support health in the southern part of the state. Those programs that we have brought into play in previous budgets are still flying through. It is quite right that we signal to the people of Western Australia the government's intention to support regional Western Australia. We have done that now by putting in place the Growing our South initiative, a significant resource in the southern part of the state. Going into the 2017 election, I hope the opposition does not decide to unwrap a fantastic program and something that should be embraced by the member's electorate.

Mr C.J. TALLENTIRE: I refer to the country local government fund, which is mentioned on several pages, including a 2014–15 budget estimate of \$20 million on page 171. It is mentioned again in the income statement as a \$25 million expense and then it is mentioned on page 181 under “Details of Royalties for Regions Funding”, which shows different sums again. First, can the minister clarify how much money is going to the country local government fund? Second, which local governments is that money going to? Third, what is it designed to assist local governments with?

Mr D.T. REDMAN: I will rely on my memory of what was in last year's budget and some of the differences between that budget and this year's budget. The member will be aware that during the 2013–14 state budget, the decision was taken to bring the country local government fund to an end, with the exception of some resources that went to building capacity in regional local governments. I think it had something like \$30 million in 2012–13 and \$30 million in 2013–14, which was largely the washout of the individual and regional components of country local government fund initiatives back to the 2012–13 financial year. Resources will wash out the final stages of that fund. We took the decision in this budget—shown in the spending changes on the bottom of page 171—to put another \$20 million back into the 2014–15 state budget because a decision was taken by the former Minister for Regional Development on the individual component of the country local government fund from the 2012–13 financial year that had to be acquitted by 30 June last year. Those local governments thought they had another two or three months to acquit that resource. They were therefore closed off from accessing the individual component of the 2012–13 financial year. They made a case to me that that was unfair because they did not know the closing date; they thought it was later. Therefore, they missed out on that resource. I have chosen to put that back into this budget. Another \$20 million will go to 36 shires that thought they had missed out on the acquittal of the 2012–13 individual component. They will now have access to that, provided they meet the benchmarks and agreements in place to acquit that resource.

Mr C.J. TALLENTIRE: Which local government projects is the expenditure designed to assist?

Mr D.T. REDMAN: When the country local government fund came into play when royalties for regions started, an extra \$100 million a year went to country local governments. WALGA was involved in developing a formula for who should get what and how much on a yearly basis. WALGA acquitted those funds to approved projects that supported the guidelines for the acquittal of those funds. As time went on, an increasing amount of that resource went to regional initiatives. Country local governments got together and worked out between them what they were going to do in their region. That was forced upon them, in the sense that we wanted them to work

together as groups. We are now seeing the washout of the decisions in the budget. I think the last cabinet decision has been made about that. It just takes a little while to get the agreements in place and to acquit those funds. The change that has happened here is an extra \$20 million to support the reversal of a decision that the previous Minister for Regional Development took in a deadline that the local governments saw to be unfair.

Mr M. McGOWAN: I have a very important point to make. I refer to page 209, and the end of the country local government fund. I have met with lots of shires around the regions that are unhappy about the fact that they had budgeted for projects on the basis of money from the country local government fund coming to those projects that they thought had been approved. As the minister said, they did not acquit the funds by the deadline. For instance, I recall that the Shire of Derby–West Kimberley had budgeted for a range of projects, such as roads, footpaths and the like, under the country local government fund that then were not funded because it did not acquit the funds in time. The minister is saying that \$20 million has been put back into the budget to cover that. What is the total amount and how many shires have sought to obtain funding under the agreements they thought they had? What is the total value of that compared with the \$20 million the government is providing?

Mr D.T. REDMAN: The decision was taken in last year's 2013–14 budget cycle by the government to finish up the country local government fund. I need to highlight that the interaction between regional development—I ask my advisers to correct me if I am wrong—and/or government and the shires was that they should not be making decisions on a guarantee that this fund would be available in the future. It was done on a year-by-year basis in which cabinet decisions were ultimately made as to what resource would go out based on recommendations that came from those local governments. The notion of them putting into their own forward projections security around the country local government fund is wrong. They always knew that the fund may well not be there for the following year. The case was made from 36 local governments that missed out on their 2012–13 individual component because the acquittal date was earlier than they thought it would be. That funding has been reinstated. They made a good case. Thirty-six local governments have that funding. I do not know all of those 36; two are in my electorate—the Shires of Nannup and Donnybrook–Balingup. I think the Shire of Dardanup is another one, and a number of others obviously make up that figure of 36.

Mr M. McGOWAN: Just on that point, the government has agreed to put \$20 million towards 36 local governments. How many country local governments have sought funding and what is the total value of expenditure that those councils have sought that they did not acquit under this program by the due date?

Mr D.T. REDMAN: Hopefully, this answers the question. It is my understanding, now that we have put those 36 back in place, that all the local governments will have acquitted the funds they expected to get in regional and individual components to the end of the 2012–13 financial year. I think a very small number of local governments have not been able to acquit much at all, if any, on the basis of their own processes. Every country local government will now have the opportunity to acquit all that they expected to the end of the 2012–13 financial year, and that is still playing out in each of the spends as those agreements come into play.

[10.00 am]

Mr M. McGOWAN: If any local governments approach me about this issue—a number of them have done so over the past year or two—on the basis of what the minister has just said, will I be able to say to them that that \$20 million will meet that budgeted expectation from the 2012–13 year?

Mr D.T. REDMAN: I will pass this on to the director general so that he can pick up some of the nuances in the Leader of the Opposition's question.

Mr P. Rosair: Arguably, the 2012–13 funds for the allocation of individual accounts to each local government are available in this year's budget. They will still be subject to meeting conditions of their financial assistance agreement, not only the acquittal date. As long as they meet those outstanding conditions, they will be entitled to those 2012–13 funds.

Mr D.T. REDMAN: We will wait for a question; I am sure the director general will be able to respond to the question in a slightly long way to give me a chance to go to the toilet.

Mr M. McGOWAN: Is the minister prepared to provide a list of those councils upon that point —

The CHAIRMAN: Advisers cannot provide answers if the minister is not in the chamber.

Mr M. McGOWAN: I am interested in this exact point. Will the minister provide by way of supplementary information the list of councils that have this outstanding demand on government and the amounts that they seek? I want to assure myself that no-one is being left out in this process.

Mr D.T. REDMAN: Yes, I am happy to provide that. The table in front of me shows the 2012–13 ineligible country local government fund individual projects that did not acquit the 2010–11 project funds by 30 June 2013. We can definitely provide that information. To clarify, the member wants to know the status of all local

governments and whether they have accessed what they should have been entitled to under the local government fund up to the end of the 2012–13 financial year.

Mr M. McGOWAN: Yes; I also want to know the relevant projects and the amounts in question. If some local governments missed out in 2011–12, I would also be interested in those.

Mr D.T. REDMAN: When the Leader of the Opposition says “relevant projects”, he should bear in mind that there might not be any relevant projects because a local government may not have chosen to submit one or a project may not have met the guidelines of the program.

Mr M. McGOWAN: That is a fair point, but the point I am making comes back to Derby —

The CHAIR: Sorry to interrupt, member. Minister, can we clarify the supplementary information?

Mr D.T. REDMAN: Yes. In the financial year 2012–13 the country local government fund was finalised. I am undertaking to provide to the Leader of the Opposition a list of all those local governments in regional Western Australia and their status in respect to the funds that they have received. The list will also show local governments that have not received funds and the amount of those funds. It might not necessarily show the projects for local governments that did not receive the funds because right from the word “go” some have not been able to access the funds because their projects did not meet the criteria or they were unable to sign a financial agreement with the Department of Regional Development.

[Supplementary Information No B2.]

Mr M. McGOWAN: As the minister said, the country local government fund, basically, disappears at the end of this financial year; it goes down to barely anything. I have two questions: Firstly, why has the government, in effect, abolished the country local government fund, considering it was very popular amongst regional local governments? Secondly, will the government now amend the Royalties for Regions Act to delete the country local government fund, which, from my recollection, might have been one of the first listed funds in the act, considering it does not exist anymore?

Mr D.T. REDMAN: I will ask the director general to respond while I take a comfort break.

The CHAIRMAN: No, the minister cannot. It does not operate like that, unfortunately, minister. The minister needs a brief comfort stop, so we will pick up that question after the break. We will resume in five minutes at 10.09 am.

Meeting suspended from 10.04 to 10.09 am

[Mr I.M. Britza took the chair.]

Mr D.T. REDMAN: I will make some broad points on the country local government fund. The Leader of the Opposition, interestingly, talked about how important he considers the country local government fund to be. He said that country local governments have told him that this fund is really critical. I find it somewhat interesting that despite his renewed interest in the local government fund, going into the last election the Labor Party made a decision to scrap the fund. It sounds as though it is his decision at the moment, rather than a formal decision of the Labor Party. However, I will make a couple of points. The decision was made last year to finish up the country local government fund. The washout of that is still flowing through the budget. The \$100 million a year that the regional local governments as a group received will no longer be in the budget; it is finishing up, with the exception of the funds that I talked about a second ago. The local government fund is part of the legislation; it is a legislated fund. More resources are available than those that were directed to that particular program. If the Leader of the Opposition is talking about the country local government fund, resources are still available for a number of initiatives that fit into the state planning policy. I will ask the director general to talk about that in a second.

I want to make another point. The Leader of the Opposition said that these local governments had access to a resource and they would like it back again. If the premise of the question from the Leader of the Opposition is about access to resources, I make this point: the investment initiatives and the revitalisation plans that have been put in place right around the state have significant resources that can also be accessed by local governments. We have finished with the last pieces of the jigsaw in those last four development commission areas, which I spoke about with the member for Mandurah a second ago. Regional local governments are not removed from the capacity to access those investment funds. The fund is to support not only those local governments, but also broader investments in those regions.

One example of this is the goldfields–Esperance revitalisation fund. Local government is a part of the panel chaired by Wendy Duncan and Graham Jacobs to make decisions about where those resources should be spent in their particular regions, and local governments are in that mix. So, local governments have not been denied an opportunity from this government; in fact, in many ways that opportunity has been enhanced. I make the point

that what I bring to the table as, I guess, a new minister is the intent to be a lot more strategic with investments as we progress over time, and that is why there is the focus on the blueprints. That was an outcome of the Duncan review commissioned by the last Minister for Regional Development, which said that we needed to have stronger processes for directing resources to make a difference. The blueprints are a consequence of that and they are in draft form now. They will increasingly become the guiding light for how we make these investments. Local governments have fared very, very well under this government. I recently made some decisions around that \$20 million for specific grievances they had about the 2012–13 country local government fund, but there are some other initiatives rolling out under the fund. There is the formal country local government fund in the legislation and the director general will talk a bit about some of those investments and how that fits in with the state planning policy, including, interestingly, SuperTowns.

[10.10 am]

Mr P. Rosair: The country local government fund continues through to 2016–17 in the budget papers. It has \$10.9 million and \$10.7 million allocated to it in the years 2015–16 and 2016–17. That is made up of a continued capacity-building component driven out of the Department of Local Government and Communities and it also has funding for a regional centres development plan, which I will talk about shortly. The fund does remain and in fact in the 2017–18 year, even though there is no allocated money, the fund will remain intact under legislation and can continue to be used for carried-forward money or new initiatives, so there is no reason to remove the fund, in accordance with legislation. As the minister alluded to, the local governments have been spending money in accordance with their forward capital works plans. Each of them has an individual allocation and many of them are joined up in groupings. Those plans have now been run out over the last four years. Most importantly those plans are now being developed through the Department of Local Government and Communities and embedded in a strategic whole-of-government delivery model, so we have the state planning strategy, which informs the regional blueprints, and then each of the 110 regional local governments are developing local government plans that complement that. Therefore, investment going forward from royalties for regions will be informed by three levels of planning: the state planning strategy, the regional blueprints and the local government plans. We have now positioned local governments very well to participate in whole-of-government investment because the Western Australian Planning Commission has an infrastructure coordinating committee made up of the Department of Transport, Western Power, the Water Corporation and the like, and they will be informed by local government plans and making sure that Western Power and Water Corp investment is aligned to local governments' priorities and needs. Therefore, as the minister said, it is a much more strategic investment of our royalties for regions fund.

Additionally, the \$83 million SuperTowns program is still flowing out to a number of local governments, with some 17 flagship projects. Those SuperTowns have also had growth plans endorsed by the Western Australian Planning Commission, so our expectation is that they will benefit from strategic investment by the Water Corporation, Western Power, Alinta Energy and transport and other major infrastructure agencies. The SuperTowns program in its next phase is a regional centres development plan that is now looking at regional cities going forward and the opportunity to incorporate those investments within the country local government fund. That is the next stage of our SuperTowns program and we have identified some regional cities across the state to try to target growth. That is also in the budget papers.

Mr D.A. TEMPLEMAN: On this, can the minister indicate which regional cities identified will be recipients of that new money?

Mr P. Rosair: If the member refers to the state planning strategy he will see there are a number of regional centres around the state that are marked on that particular map, including Port Hedland, Karratha, Broome and Carnarvon—there are a number of those. This is why we have aligned all of our regional investment in accordance with the new state planning strategy. There is yet to be a decision about which of those cities will be the focus of the initial investment in the regional centres. There is some work being done by LandCorp, ourselves and the Regional Development Council to identify those centres where we may do additional growth plans. We have a \$5 million budget going forward in the regional centres development plan, and that money will be used to develop significant growth plans for those regional cities to try to drive maximum growth in them to complement the previous SuperTowns program.

Mr D.T. REDMAN: I will just add something to that: I think it is important to get the global view here. There has been a significant lack of regional planning in terms of how the regions can complement state growth, and in managing that growth. Over the last five years we have been slowly closing the gaps on that regional planning. The regional centres and the SuperTowns was one tier of that. We are linking up to the next tier and there are resources to ensure we get good plans around that. As the director general has just pointed out, this is not happening in isolation to all the other agencies that have roles in planning. In the Department of Planning, the Department of Transport and all of those service delivery agencies, through utilities particularly, there is an alignment to ensure we have really good robust planning about how we manage growth. If we direct future

resources into the regions, it will make a long-term sustainable difference and I would like to see regional Western Australia pick up a bigger proportion of the state's growth than 25 per cent. Right now the cities hold 75 per cent of the population and the regions 25 per cent. I would like to see the regions take the lion's share of new growth. The pleasant outcome of that would be to take some pressure off growth in the cities.

Mr M. McGOWAN: While we are on the country local government fund, obviously the minister made the decision to get rid of it. I still do not quite understand the reasoning behind that. Was the minister concerned about waste or fraud in relation to the program?

Mr D.T. REDMAN: I will just seek some clarification on this, because there is a legislated country government fund and there is also the \$100 million a year we had in a government program in the country local government fund, but there are other elements in the fund that are not included in the \$100 million a year, which the director general was talking about. If the Leader of the Opposition is going to talk about the country local government fund, he needs to tell me whether he is talking about the fund or the program we put in place that is now finishing up.

[10.20 am]

Mr M. McGOWAN: The fund expired. The fund might continue to exist —

Mr D.T. REDMAN: The fund has not expired. The funds and registration are still there and it has finances in the budget out until 2017–18.

Mr M. McGOWAN: I will just finish what I was saying. If the minister goes to page 209 of budget paper No 3, he will see, as I said, that in 2017–18 the fund goes to zero. He might have a fund, but he has a bank account with nothing in it. I am saying two things to the minister, and one is about the reasoning behind that. Was the minister concerned that money was being wasted or used inappropriately? Is that why he got rid of this? Secondly, the minister said something about “strategic purposes” or what have you, but why has he sent it to zero; and, having sent it to zero, is there a legal issue now in having a fund inside the act which has no money in it?

Mr D.T. REDMAN: The decision was taken in last year's budget to finish up the \$100 million country local government fund, which, I assume, is the main point the Leader of the Opposition is referring to, because there are other line items in the formal fund that come under the legislation. The decision was made to do that last year; it is not a decision made this year, and some of that is actually washing through. We are also making the decision to be part of the Duncan review, which was looking into delivering and resourcing regional Western Australia and at both the development commission structures and the Department of Regional Development's structures and mechanisms. Part of the Duncan review was to get a more robust set of planning around how we direct that resource. That has been significant to the decisions to go towards the blueprints, which I talked about, as being a greater guiding light.

As I said, whether it be through resources in the blueprints—I know it is in the out years—which is just short of \$300 million over five years, the \$600 million towards growing our south, the amount left in the goldfields–Esperance revitalisation fund, the amount left in the \$220 million midwest revitalisation plan, the amount left in the Gascoyne revitalisation plan, the amount left in the Pilbara Cities fund, or the amount left for other initiatives in the other development commission areas, all of that is running through. The local governments are key and important stakeholders in how we manage and direct resources out there. It is just not coming through an individual quarantined resource for them. I think we have effectively dealt with a significant backlog of investment in those little regional local governments; that has been a challenge for them. We have dealt with that backlog with the \$100 million; it has been well received. In my opinion it has been well directed. Who am I or who is the Leader of Opposition to tell those local governments that make decisions about where the fund is directed and whether or not it was a good investment?

Part of the basis for royalties for regions is increasingly to try to have a local decision-making process that has ownership of the issues and challenges, and we have done that. I think it has dealt with a lot of that backlog. As time goes on, I have made the point that I am moving to a much more strategic focus on how we direct resources. It is not isolating local governments, they are key stakeholders. Since that fund came into play, \$350 million has been spent in regional local governments through that program. The fund has other resources around planning, as the director general talked about, but that particular program of \$350 million to regional local governments was not there before, and it has made a fantastic difference.

Mr M. McGOWAN: Can I clarify one last thing? Was the minister concerned and did he have any reports of wasteful fraud? He has not answered that question. Was there anything there that caused him to cease that component or to cease the fund?

Mr D.T. REDMAN: No. There was some lag in acquittals of funds and getting them out because we have such robust processes; that is why I talked about \$30 million in last year's budget and \$30 million in this year's budget, which is a washout of the regional components. All those decisions have been made now. There was some lag in acquitting that resource, but the director general has just highlighted to us that not only has \$350 million passed through that country local government fund since its inception—I know it has finished now—but also a further \$350 million has gone to local governments through the revitalisation plans.

If the Leader of the Opposition is making the point that local governments are missing out and are annoyed by that, I make the point that another \$350 million has gone to local governments for investment through this government's other programs. I just talked about all the revitalisation plans that we have going forward, including for Peel, which I am sure the member for Mandurah will be really pleased about.

The CHAIRMAN: Members, before I give the call to the member for Eyre, I want to remind you that you have spent an hour and 25 minutes on this division. There are 14 more to go; I just want you to be aware.

Dr G.G. JACOBS: I thank the minister for allowing me to take up the matter concerning the country local government fund and lagging acquittals, and he probably will understand where I will go with this, namely, the Esperance waterfront project. Obviously, that is a fair quantum of work; it is a project costing around \$23 million. A lag in acquittals was cause for the previous minister who held that seat last year to basically not honour the acquittal of that Esperance allocation of 2009–10 and left the project \$937 000 short. The argument the previous minister, Brendon Grylls, gave me last year was that it was not spent and therefore that allocation would be withdrawn. I put it to the minister that a quantum of work is needed for a waterfront project. We just cannot have half a headland or half a seawall; in fact it was important that \$937 000 be part of the money that was acquired. The minister will see how that has progressed when he visits Esperance on 8 and 9 June. There is not much justice in trying to quantify a body of work such as the waterfront and then telling the shire that because its members did not spend it, they now cannot have it. That has caused a great deal of concern. The minister has acknowledged some lack of acquittals in 2013–14. I ask him: what consideration would he give to the 2009–10 allocation of this very significant project in Esperance?

Mr D.T. REDMAN: I thank very much the member for Eyre. I think Esperance, being one of the state's SuperTowns, is one significant regional community that has been the beneficiary of substantial royalties for regions resources. It is not just in that area; I note that we recently opened up the Myrup Road truck wash, which is another royalties for regions funded project that was called for from industry and indeed from the member himself. I am not able to detail the cash flows for the waterfront development; it is a key initiative that the local government down there is supporting. I have seen it on a number of occasions. Earlier this year I was in Esperance with the Minister for Education and the member for Eyre opening the upgrades to the residential hostel, another project funded by royalties for regions making a difference; namely, education for regional communities and regional people. I will ask the director general to go through the details on the acquittal of resources for that SuperTowns project. I am not sure whether there was any country local government fund component that was a part of that. There may have been some earlier components, but I am sure the director general will put light on that.

Mr P. Rosair: Yes, thank you. Basically, I have spoken to the shire's CEO, Matthew Scott. There was some concern about the lack of funding to complete the foreshore project. There was \$12.6 million deposited into the relevant shire account for the waterfront project, and \$7.3 million has been withdrawn for the project to date. We negotiated for income interest to be earned on those funds, and we negotiated the possibility of that interest being used to supplement the shortfall. That is one area. There is also a contingency, I recall, of around \$2 million on that project that has not been utilised, and that is part of the negotiated outcome of our financial assistance agreement.

My last recollection after speaking to Matthew Scott is that with both the interest from the account and the use of the contingency fund, the project should be able to continue under the current funding. That was my last recollection, going back about three months. I am not aware of the circumstances changing since then, but I am certainly happy to look into the matter again to see whether those funds are sufficient. But at that point, both the interest from the account and the contingency fund were to be made available for the shortfall.

[10.30 am]

Dr G.G. JACOBS: Maybe the minister will concede to meet with the shire on his visit to Esperance on 8 and 9 June to work through some of the shortfall issues.

Mr D.T. REDMAN: I have no problem meeting with the shire. In fact, when I was last in Esperance to speak at the Esperance Chamber of Commerce and Industry Over the Horizon 2014 function, I spoke with the shire, and it was pretty keen to meet with me the next time I was to go there. I think I committed to that. I am happy to do that. It is important to note that we will make every endeavour to get the project happening. It is a key initiative

for the shire, and we see it as a key initiative for regional Western Australia. However, we need to work through the process to ensure that there are robust accounting measures for the acquittal of public funds.

Mr P. Rosair: Obviously, the member for Eyre would be aware, given that he is part of the Kalgoorlie–Esperance advisory group, that the fund for the revitalisation of goldfields–Esperance still has some unallocated money. If none of those other sources of funding transpires, there is the possibility that consideration will be given to using that fund for any shortfall.

Dr G.G. JACOBS: As co-chairman of the goldfields–Esperance revitalisation advisory group, I do not think it would be very well received if I were to suggest to the group that the revitalisation funds be put towards the shortfall of a 2009 commitment of the country local government fund. That is not a possibility, nor would it be fair for that fund to be seen as backfilling a shortfall that was a commitment under the country local government fund in 2009–10.

Mr D.T. REDMAN: The member’s point is taken. The premise of my response is that we want to support this project. It is our intent to manage cash flows according to the rules. From time to time, there have been challenges with acquitting funds against given time lines. Sometimes that can be difficult to manage, and we are working through that now. Whether money comes from the revitalisation fund as a last resort is a decision for another day. I make the point that I am prepared to meet with the council—I have already committed to do so—to talk through this issue.

The CHAIRMAN: I remind members that they need to quote a page number. Members need to provide a reference for not only Hansard, but also us.

Mr V.A. CATANIA: I refer to “Gascoyne Revitalisation” on page 201 of budget paper No 3. The member for Mandurah’s comments about the southern revitalisation fund and how it seems to be in the outer years were interesting. The Gascoyne revitalisation plan has been going since 2009; there is now \$150 million in its fund. It has taken several years to make those projects come to fruition. I advise the member for Mandurah that although the money may be in the out years, it takes quite a bit of planning to get projects up and going. Some of the projects, such as the flood mitigation project, which will be completed next month, are pretty exciting for not only the Gascoyne, but also Gascoyne Junction, which has basically been rebuilt after the floods of 2010–11. It is good to see that there is a journalist in the press gallery who was present when it all happened and who knows exactly what has gone on and how we have rebuilt those towns. Quotes have been attributed to opposition members about the number of people who live in Gascoyne Junction and why the government would want to invest in those towns. I am concerned about the member for Mandurah’s comments, because he is looking at where money is being spent per head of population. If that were the case, the Gascoyne would not get one cent and all the money would be in Perth, not regional Western Australia.

Mr M. McGOWAN: What is the member’s question?

Mr V.A. CATANIA: There is \$80 million over the forward estimates, including \$53.3 million for this coming financial year. Some of those projects include health, particularly in Exmouth and Carnarvon. What stage are those projects at, because health is an important issue in the Gascoyne? I would also like to know what stage the revitalisation project is at.

The CHAIRMAN: We do need questions, member.

Mr D.T. REDMAN: I thank the member for North West Central for his question about the Gascoyne revitalisation plan, to which \$193.4 million has been committed for a range of initiatives; indeed, the member talked about some of those projects. When there is a flood such as the flood of 2010, which happened under this term of government, successive governments over many years face the challenge of what is fundamental. The flood destroyed a significant part of the agricultural community by washing away the topsoil. It was very challenging for those communities to get their crops back up and going to earn their income. At that time, we committed to look at flood mitigation works. I am very pleased that in the not-too-distant future, we will visit the member’s region to open the flood mitigation works, which is fantastic. A lot of smart work has gone into the initiative, with big levee banks that will make sure that if and when a flood occurs—it will—we can reduce the impact on not only the broader community, which also has some older levee banks to reduce the impact, but also the agricultural community in the horticultural area of the Gascoyne, by redirecting water. That initiative has been significant and important.

We have supported the Gascoyne Food Bowl initiative through royalties for regions—another commitment to improve the agricultural potential. With Hon Ken Baston, Minister for Agriculture and Food, and the Department of Agriculture and Food, we have been able to deal with the big challenge of water supply and distribution infrastructure by proving up the northern bore field to supplement water resourcing to support the agricultural community. Hopefully, we will get another 400-odd hectares of elongation in the agricultural areas, which will support growth of the agricultural community. On top of that, there is the work on the fascine. Some

issues have arisen with local government and the management of that project, but the Minister for Local Government and I, as the minister responsible for royalties for regions, have worked through those issues. Whenever I stay in Carnarvon, I run around the fascine and out over the bridge. It is a fantastic waterfront visual for anyone who goes to the community. Work on the main street is progressing, and we have been able to direct substantial resources into the other communities around the Gascoyne area. The *Budget Statements* reflect a washout of resources under the development plan from the revitalisation fund to a range of projects in not only Carnarvon but also Ningaloo, Monkey Mia, Exmouth, Denham and Shark Bay, all of which have been the recipients of resources to support growth and development in that part of the world.

A point I have made in a few speeches is that we are now starting to see a position in regional development emerge—it has a long way to go—whereby it is no longer an excuse for substantial investors, whether they be resource companies or significant industry, to not in regional Western Australia. There is no longer an excuse for having such a workforce when there are good schools and good hospital facilities and all those things that attract people to live in regional Western Australia. It is becoming less and less of an excuse. I want to see the trigger that we have been able to pool with this resource in regional Western Australia getting us to the point at which we get more and more support from the private sector with investment and ensuring that we have regional communities that grow and develop and are places where people want to live, work and invest.

Mr M. McGOWAN: I refer to page 210 of the *Economic and Fiscal Outlook* and the “Pilbara underground power” project. There is \$32.9 million in 2012–13, but that figure declines to zero in the coming financial year. I understand that the underground power project was to underground power for the entirety of Karratha. However, the cost was significantly more than was originally budgeted. My questions are: How much has been spent on this project in total? How much of Karratha power was ungrounded compared with what was expected? Will any further funding be allocated to underground the power? Will there be an additional cost to ratepayers to meet any shortfall?

[10.40 am]

Mr D.T. REDMAN: The Pilbara underground power program has been a fantastic initiative and one that has been well and truly overdue. We only have to have a significant cyclone go through and there will be huge challenges around getting the community back up and going again. Power is one of those critical pieces of infrastructure that we need to get up and going very quickly to ensure businesses and houses, and all the things that utilise power in those regions, get back to where they were before some of those significant events. We have committed significant resources to date. I will get the director general to talk about exactly how much of that resource has been allocated and what our plans are going forward. It remains not only a government priority but also a priority under the Pilbara Cities initiative. There have been some challenges with the Karratha part of that because of the nature of what is under the ground; the actual physical challenge of getting the wires and stuff underground and in place. That has created some challenges, which we have had to deal with and manage. I will get the director general to talk about some of the details around the resourcing of that.

Mr P. Rosair: The Pilbara underground power project was about undergrounding the network in the residential and light industrial areas of Karratha, Roebourne, South Hedland, Wedgefield and Onslow. The original program was implemented by Horizon Power with a \$100 million funding contribution from royalties for regions. Under the original terms of the agreement, the shires were to fund 25 per cent, making it a \$125 million program. In August 2012, Horizon Power advised the steering committee, which I think I was chairing at the time, that the estimate of the project was \$230 million—identifying a \$100 million shortfall. As the minister alluded to, given the nature of hard rock and the difficulties experienced in some of those areas, the original estimates were considerably underdone. The Minister for Regional Development; Lands and the Minister for Energy both previously made public declarations that the Pilbara underground power project—PUPP—would be completed. Following recommendations from the Pilbara Development Commission board that the business case be forwarded to our department, we have been assessing that business case. It has been satisfactorily reviewed by the Department of Regional Development, the Department of Treasury and our directors-general reference group. It is now under consideration by the minister, and no doubt eventually will be considered by cabinet. The business case proposes another \$75 million contribution from royalties for regions money to be allocated from 2015–16. Initial ongoing funding will be sourced from the Shire of Roebourne and Horizon Power in 2014–15. Since 2009–10, the underground power project has underground powered some 2 430 properties in Wedgefield, South Hedland and Karratha. Further funding is under consideration through the Pilbara Cities fund to complete the project.

Mr M. McGOWAN: Therefore is it correct to say there was a \$100 million shortfall if it was originally \$125 million and the director general said it was going to be \$230 million?

Mr P. Rosair: Yes.

Mr M. McGOWAN: Secondly, how much of Karratha has been undergrounded? What number of properties in Karratha, as a percentage of the whole, have had underground power installed as part of the existing program?

Mr D.T. REDMAN: Before the director general answers, as the director general said, this is an initiative that the government wants to see through. I think it is important to note that with anything, unexpected challenges come up. The physics of undergrounding was one of those unexpected challenges. We are working through the business case of that. Provision is made in the budget, but again we have to ensure that we make the right decisions around the challenges that present with this program.

Mr P. Rosair: The \$230 million budget had a \$100.3 million funding gap as a result. I do not have available at this point the actual number of properties that have been undergrounded in Karratha.

Mr M. McGOWAN: I have two questions following on from that. First, the minister said that provision is made in the budget, yet if we turn to page 110, there is nothing whatsoever in the out years for this program. Secondly, does the minister not know how much of Karratha has been undergrounded? If Karratha was a significant issue—I understand there is rocky soil in Karratha—why does the minister not know how much of Karratha has been undergrounded as part of this project? If the minister does not know, how does he know how much additional money will be required?

Mr D.T. REDMAN: When I said that provision has been made in the budget, it comes under a global heading of “strategic infrastructure”. The financial officer might want to make a comment on that. Bear in mind we are not at the point of signing off, at a cabinet level, on a resource that will go to this. There is a level of interrogation about the issue through the business-case process. There were some unexpected challenges with the Karratha one in particular, and that is one we are working through.

Mr A. Mann: There is provision for funding through the item “Pilbara Cities Strategic Infrastructure (Asset Investment)” on page 210.

Mr M. McGOWAN: How has it been determined that the blowout to complete this project is \$103 million if it is not known how many properties have been undergrounded, or are required to be undergrounded?

Mr D.T. REDMAN: We can provide the number of properties and the nature of how far that has gone; how many properties we have not been able to complete under the current program. I am happy to provide that by way of supplementary information.

Mr M. McGOWAN: Could the minister provide that information for Karratha, Onslow, Hedland, Wedgefield and Roebourne? They are the communities, are they not? Have I got the right communities?

The CHAIRMAN: Minister, are you going to confirm that?

Mr D.T. REDMAN: Yes. I will get the director general to respond first and we will get clarification from the Leader of the Opposition on what gaps there are.

Mr P. Rosair: We will provide as much information as we can on the properties that have been done and are to be done. As I mentioned earlier, on 10 August 2012 Horizon Power advised of the revised project cost estimate based on the outstanding number of properties to be completed; based on the actual cost to date. That information should be available as part of that process. That information is the information we are considering as part of the business case to justify the expenditure of the additional \$75 million.

Mr M. McGOWAN: Is that for the totality of the communities? As the director general said before, there are 2 500 or so communities in Hedland and the like. My understanding is that there are a hell of a lot more properties out there than 2 500 across each of those communities. I am wondering how much of the program has been undertaken and how much remains.

Mr D.T. REDMAN: We will provide, by way of supplementary information, the original target in terms of properties with underground power in all of those communities where the commitment was made; how many, by number and percentage, have not been done; and an explanation of the shortfall in that and what we have before us in terms of future funds.

[Supplementary Information No B3.]

Mr M. McGOWAN: By way of clarification: we are yet to cover all the development commissions. We then have Lands, and Agriculture and Food at the conclusion of that—correct?

The CHAIRMAN: That is correct.

Mr M. McGOWAN: How many more divisions do we have?

The CHAIRMAN: After this division, there are 14. We have until one o’clock.

[10.50 am]

Mr M. McGOWAN: I suppose we have the agriculture and food division and the lands division, which I suspect will take the last hour out of the four-hour period.

The CHAIRMAN: Yes.

Mr M. McGOWAN: Does that mean we have an hour and 10 minutes to work through another 12 or so divisions?

Mr D.T. REDMAN: We sought advice from the Parliamentary Services Department and we have no representative from the development commissions here, but we can respond to any question through the group of advisors currently here. I am happy to do the development commissions as a group if members opposite want to do that.

The CHAIRMAN: We are not allowed to do them as a group. We must do them one division at a time.

Mr M. McGOWAN: I am happy to move to the development commission divisions.

Dr G.G. JACOBS: My question refers to the fourth dot point on page 172 of the *Budget Statements* and the “Seizing the Opportunity Agriculture” initiative. The minister may take this question when we are dealing with the agriculture division, but it is noted in the regional development division.

The CHAIRMAN: This will be the last question on this division.

Dr G.G. JACOBS: The fourth dot point on page 172 of the *Budget Statements* states —

The Department is directing additional resources to supporting and coordinating business development ... ‘Seizing the Opportunity Agriculture’ is a strategic investment which aims to grow the agriculture sector ...

I believe there is a \$300 million allocation from royalties for regions funding in the investment. What investments have been made and how much has been spent on these strategic developments to date?

Mr D.T. REDMAN: Thank you for the question, member. As the member is well aware, two commitments were made going into the last election, one by the National Party and one by the Liberal Party. An overlap of two of the programs has effectively come up with one component of research and development and the other of biosecurity. What was in the 2013–14 budget papers and what remains in the budget papers and is starting to come on now with cash flow are components of the \$300 million commitment, which is a compilation of both Liberal and National Party commitments made before the 2013 election. In the 2014–15 budget, just over \$50 million is coming on in total as the first tranche of that resource. Cash flow and other budgetary priorities have already been in the budget, so it is cash flow through the out years with a fairly significant tranche coming through in the first year, that being 2014–15. The three relevant ministers with a lead on certain components are the Minister for Agriculture and Food, Hon Ken Baston; the Minister for Water, Hon Mia Davies; and me as the Minister for Regional Development. Within the Seizing the Opportunity Agriculture initiative there are 16 projects. The lion’s share is in the Minister for Agriculture’s portfolio. We work up business cases for each of those components, the business cases get signed off by the relevant minister and the Minister for Regional Development, and then they finally go through to cabinet. I think five or six business cases are now getting to the point of being signed off by the relevant ministers, which will determine where we direct the first \$50 million, which comes through in 2014–15. Bear in mind that a number of those business cases will go over ensuing years. Some of the initiatives are not within a particular financial year and will flow over a number of financial years. The intent is to have very robust business cases around that commitment to ensure that Western Australia is positioned to capitalise on the Asian opportunity. Every other week, overseas people talk to me about investment in Western Australian agriculture. Western Australia has those opportunities and is positioned very well geographically, and this is about getting the best out of those opportunities. The initiatives range from research and development, biosecurity, market intelligence into other countries, finding efficient supply chains and pathways through to those markets, and supporting a range of groups in the agricultural communities to ensure that they are in a position to best capitalise on those opportunities. One of the key opportunities is around investment interest coming into Western Australia through the “WA: Open for Business” initiative, which is about having a shopfront for investment interest in Western Australia. I am quite proud of the government’s position on supporting agriculture. It is not putting money straight into farmers’ pockets but it is about supporting growth and development in the sector. The first \$50 million comes through in 2014–15. Those business cases are being worked up now and as they come to light, they will be announced.

Dr G.G. JACOBS: As a supplementary question, can the minister give me a list of the 16 projects under consideration for the distribution of the first \$50 million? He can provide this list by way of supplementary information.

Mr D.T. REDMAN: I am happy to provide a list of the projects. Largely, the member would have seen them in the policies that went to the 2013 election. If the member wants to look at the National Party policy, he is quite

welcome to. I undertake to provide a list of the initiatives that sit under the headline “Seizing the Opportunity Agriculture”, a \$300 million agricultural policy in the Liberal government’s budget.

[*Supplementary Information No B4.*]

The appropriation was recommended.