

Mr Colin Barnett; Mr Eric Ripper; Mr John Day; Mr John Bowler; Mr Martin Whitely; Mr Brendon Grylls;  
Chairman; Mr Mick Murray

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**Division 7: Treasury and Finance, \$1 355 037 000 -**

Mrs D.J. Guise, Chairman.

Mr E.S. Ripper, Treasurer.

Mr J.L. Langoulant, Under Treasurer.

Mr T. Marney, Executive Director, Agency Resources.

Mr W.R. Sullivan, Commissioner of State Revenue.

Mr D.R.M. Smith, Executive Director, Economic.

Mr C.P. Murphy, Executive Director, Finance.

Mr M.A. Barnes, Director, Fiscal Strategy.

Mr G.W. Jayasinghe, Chief Finance Officer.

Mr C.J. BARNETT: I refer to the overview on page 1 of the *Economic and Fiscal Outlook*, which summarises the key budget aggregates. I refer in particular to net debt on the bottom line of the table, which shows an increase in net debt of about \$600 million over the current financial year, and then an expected increase of some \$900 million over the coming financial year. What are the components of that increase in debt for the coming financial year?

Mr E.S. RIPPER: The capital works program at \$3.9 billion is partially financed by borrowings and partially financed by the surplus on day-to-day expenditure. It is difficult to say that a particular element of the capital works program is responsible for the increase in debt. The entire capital works program contributes to that. I will provide an idea of what it will fund. In the general government area, net debt is projected to increase by around \$179 million. That will be used to support capital investment projects, with expenditure of \$190 million on the construction and refurbishment of schools across the State; \$162 million on hospital upgrades and the provision of new hospital equipment; \$88 million on the construction of new and upgrading of old police stations, the replacement of police equipment, and Delta Communications and Information Technology and CADCOM projects; \$70 million on other law and order projects, including the new central business district courts complex and the construction and upgrading of prison facilities; \$376 million on ongoing commitments to develop public transport and roads; \$83 million on land development through the metropolitan land acquisition program; and \$42 million on the implementation of the Government's corporate services and procurement reforms across the public sector. That is what is allocated in the general government sector. There are then the public non-financial corporations, with \$419 million to be spent on electricity generation, transmission and distribution works by Western Power; \$356 million on the Water Corporation's capital works program; \$412 million on New MetroRail infrastructure and railcars; \$116 million on other public transport infrastructure; and \$101 million on port upgrades. The Leader of the Opposition will notice that the amounts I have quoted are in fact larger than the increase in debt. That is because debt is only one of the funding sources for the capital works program. The other issue to which I draw attention is the fact that debt as at 30 June 2004 is predicted to be \$5.086 billion. In the *Pre-election Financial Projections Statement*, debt at 30 June 2004 was predicted to be \$5.902 billion. Consequently, the expected outturn for this financial year will mean that debt will be \$816 million less than the debt forecast for 30 June 2004 in the *Pre-election Financial Projections Statement* released at the beginning of the election campaign in 2001.

Mr C.J. BARNETT: Does Treasury pay interest on actual debt or estimated debt?

Mr E.S. RIPPER: I think the Leader of the Opposition will find that interest is paid by a variety of agencies in government. For example, Western Power pays interest on Western Power debt and the Water Corporation pays interest on Water Corporation debt. For the general government sector, the Treasury would pay the interest on general government debt. Of course, interest is paid on debt that is actually incurred. That is why there is a saving of more than \$100 million in interest payments compared with the interest payments that were factored into the forward estimates when the *Pre-election Financial Projections Statement* was produced. Because our actual debt is lower than the estimated debt at the time of the pre-election financial projections forecast, we are actually paying about \$100 million a year less in interest than was previously factored into the forward estimates at the time the Under Treasurer produced the *Pre-election Financial Projections Statement*.

Mr C.J. BARNETT: We have established that interest is paid on actual debt and not theoretical debt.

Mr E.S. RIPPER: It would be amazing if we were to pay interest on theoretical debt!

Mr C.J. BARNETT: It would be amazing. That is why I find it odd -

Mr E.S. RIPPER: One might imagine the Opposition doing that but not the Government.

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Mr C.J. BARNETT: That is why I found it very odd when I read the third paragraph on page 9 of the *Economic and Fiscal Outlook*, which states -

These surpluses have played a critical role in containing debt, with total public sector net debt at 30 June 2004 estimated to be \$816 million lower than the corresponding estimate . . .

Does the Treasurer think that properly reflects the fact that debt has in fact increased and is projected to increase by a further \$844 million? I am asking whether that paragraph properly informs the public that we have rising debt, as it implies falling debt.

[2.30 pm]

Mr E.S. RIPPER: I do not think the Leader of the Opposition emphasised the key words that state -

These surpluses have played a critical role in containing debt, . . .

Mr C.J. BARNETT: The point I am making is that the Treasurer should disclose that debt has actually increased. By all means claim that it is less than it might have been, but at least acknowledge that it is increasing.

Mr E.S. RIPPER: I would like to help the Leader of the Opposition here. The Government did not start with a blank slate. It started with the *Pre-election Financial Projections Statement* that was the outcome of all the decisions made by the previous Government. There is no doubt that the previous Government went to the last election with a range of capital works commitments and plans already announced and being implemented, which were associated with inevitable debt outcomes. The previous Government went to the election with a set of forward estimates that showed where debt would go under the continuation of the existing policies. We started with that plan and we have produced a debt outcome for 30 June 2004 that is \$816 million less than the plan we inherited. We did not start with no money being spent on anything - no debt, no plans or no projects halfway through completion. Many projects were halfway through completion or were announced and were in the forward estimates, and we have had to proceed from the position that we were given, not from some sort of ideal position.

Mr C.J. BARNETT: The Treasurer can have that argument; I do not mind that argument. However, my point is that the budget papers should reflect the fact that the actual debt that we have to repay or pay interest on has gone up by \$90 million - a relatively moderate amount - in the past 12 months. However, it will now go up by \$844 million. That is a significant increase in state debt during a very buoyant economic time. That is a problem.

Mr E.S. RIPPER: The Leader of the Opposition is quoting from the first page of chapter 2 in the *Economic and Fiscal Outlook*. Page 1 of chapter 1 has a table that shows the net debt figures and estimates. It is not exactly a figure buried in the budget papers. That figure can be found in that table on page 1 of chapter 1 of the *Economic and Fiscal Outlook*.

Mr C.J. BARNETT: I want to make a correction because I misread a figure. The increase in debt over the current financial year is close to \$600 million and projected to be up around \$850 million for the coming year. They are substantial increases in state debt. That is the point, Treasurer; debt is rising, then we can compare it to the estimates if that is what he wants. Debt is rising and that should be properly and explicitly reported.

Mr E.S. RIPPER: It is properly and explicitly reported on page 1 of chapter 1 of the *Economic and Fiscal Outlook*.

Mr C.J. BARNETT: If anyone were to read the text, they would assume that debt is falling, not rising. That is not fair reporting.

Mr E.S. RIPPER: The second paragraph on page 3 of the *Economic and Fiscal Outlook* follows up from the table on page 1 and states -

Consistent with previous projections, net debt of the total public sector is projected to increase over the forward estimates period. This increase is in support of the Government's record Capital Works Program (estimated at \$3.9 billion in 2004-05), as well as a \$2.7 billion capital investment program over the next 13 years in health reform and broader health initiatives.

There are two important points about debt. First, is the money being spent on worthwhile projects? Those people who say we should have less debt ought to nominate those projects on which they would not be spending the money. For example, would they be spending less money on the electricity network, the Water Corporation's capital works or new hospital equipment?

Mr J.H.D. DAY: Is the Treasurer going to mention the rail system?

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Mr E.S. RIPPER: I am a proud supporter of the rail project. It is very important for the livability, the economic efficiency and the environment of the city that we have a modern public transport system. The remarkable thing is that the previous Government went to the last election with a plan that had its own impact on the forward estimates for a rail project, although it has become very confusing to work out exactly what the Opposition's real position is on the rail -

Mr J.J.M. BOWLER: What day is it today? Is today Wednesday?

Mr E.S. RIPPER: Today is Wednesday. So the Opposition might have a different position.

Mr J.H.D. DAY: Why does the Treasurer not tell us the truth? The Treasurer does not want the thing built because it is going to hamstring this Government and every other Government for years to come.

Mr E.S. RIPPER: What is the position of the member for Darling Range on the rail project? Is he saying it should not be built?

Mr J.H.D. DAY: I think far too much money is being spent on it.

Mr E.S. RIPPER: What changes would the member make to the rail project?

Mr J.H.D. DAY: All will be revealed.

Mr M.P. WHITELY: They have not got a position!

Mr E.S. RIPPER: By Wednesday of next week they will have a new position.

The second point about debt is: is it sustainable and manageable? Quite frankly, that is what the AAA credit rating is all about. I have seen the representative of Standard and Poor's on television on a couple of occasions confirming that the State's budget was consistent with the maintenance of the AAA credit rating. The AAA credit rating, if it is about anything, is about whether the State can sustainably manage its debt and what sort of risk the State is in with regard to the repaying of its debt. If a body is in the best risk category of any type of organisation, it is in receipt of the AAA credit rating, and this Government is in receipt of the AAA credit rating. We continue to be in receipt of the AAA credit rating, which shows that this State's debt is sustainable and manageable. In my view, the two key questions about debt have been answered positively: first, it is being spent on worthwhile projects that will benefit the community in the long term and therefore it is appropriate that the money be spent in that way; and, second, it is sustainable in its level, it is manageable, and we have kept the debt-to-revenue ratio well below the cap of 47 per cent, which we set ourselves. The fact that we are managing debt responsibly and sustainably is confirmed by the continued awarding of the AAA credit rating to Western Australia.

Mr B.J. GRYLLS: At page 147 of the *Budget Statement*, the first dot point under commonwealth-state relations states -

The Commonwealth Grants Commission's 2004 Review of its methodology for sharing GST revenue amongst the States provided a major boost to the State's revenues.

Can the Treasurer explain what the receipts for the goods and services tax were at the end of 2003-04 and what the respective receipts for GST are for 2004-05?

Mr E.S. RIPPER: While the figures are being located for me, I will point out that when a member is looking into past figures in this area, the correct way to do it is to amalgamate budget balancing assistance with GST grants. Until this financial year, we were always in need of top-up budget balancing assistance to add to the GST to get us back to where we would have been prior to the introduction of that tax. The reason is that the State abolished financial institutions duty and it has to fund the first home owners grant as part of the GST reforms. Doing those things put the State behind where it would normally be, so it received budget balancing assistance until this current financial year.

Mr B.J. GRYLLS: I am trying to get an idea of what those GST revenues are.

Mr E.S. RIPPER: On page 201 of the *Economic and Fiscal Outlook* the budget estimate for 2004-05 is \$3.496 billion and for 2005-06 it is \$3.629 billion.

Mr B.J. GRYLLS: Does the minister have the figure for this financial year?

Mr E.S. RIPPER: For 2003-04 the estimated actual is \$3.08 billion.

[2.40 pm]

Mr C.J. BARNETT: I refer the Treasurer to page 15 of the *Economic and Fiscal Outlook*, where there is a graph showing tax competitiveness. What has been the increase in tax per capita for Western Australia, in percentage

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terms? I foreshadow that, if it can be provided, I will seek some supplementary information showing the amount per capita for each of the Australian States in that table for 2003-04 and 2004-05.

The CHAIRMAN (Mrs D.J. Guise) I take it the member is linking his question to the overall appropriations.

Mr C.J. BARNETT: Yes.

Mr E.S. RIPPER: I have some figures that underlie the graph referred to by the member. In 2004-05, tax revenue per capita in New South Wales was \$2 301, in Victoria was \$1 931, in Queensland was \$1 558, in Western Australia was \$1 874, in South Australia was \$1 748 and in Tasmania was \$1 229. The six-state weighted average was \$1 947. Tax as a percentage of gross state product was 5.2 per cent in New South Wales, 4.5 per cent in Victoria, 4.2 per cent in Queensland, 3.9 per cent in Western Australia, 4.9 per cent in South Australia, and 4.2 per cent in Tasmania. The six-state weighted average was 4.7 per cent. I will make a couple of general comments -

Mr C.J. BARNETT: Before doing that, can the Treasurer provide the corresponding figures for 2003-04?

Mr E.S. RIPPER: The corresponding figures for 2003-04 for tax per capita are: New South Wales, \$2 228; Victoria, \$1 998; Queensland \$1 609; Western Australia, \$1 973; South Australia, \$1 732; and Tasmania, \$1 260; and the six-state weighted average, \$1 959. As a percentage of GSP the figures are: New South Wales, 5.3 per cent; Victoria, 4.8 per cent; Queensland, 4.5 per cent; Western Australia, 4.3 per cent; South Australia, 5.1 per cent; Tasmania, 4.4 per cent; and the six-state weighted average, 4.9 per cent.

State taxation in this budget is about 29 per cent of state revenue. In the previous budget it was about 32 per cent of state revenue. That shows the overwhelming importance of commonwealth grants in the revenue for our budget and our overall budget outcomes. The difficulty for Western Australia, under both the Court Government and the present Government, has been the bashing we have received at the hands of the Commonwealth Grants Commission, which has assumed that Western Australia's revenue raising capacity has been higher as a result of the way its economy has developed, and therefore it has cut our share of commonwealth grants. If we want to maintain our services, we must make use of that additional revenue raising capacity that the Commonwealth Grants Commission has assumed Western Australia has. In eight years of the decade in which the grants commission bashed Western Australia, and in eight out of 11 budgets - to take the eight budgets of the coalition and the three budgets of the present Government - taxes were raised.

Mr B.J. GRYLLS: I refer to page 21 of the *Economic and Fiscal Outlook*, which discusses the projected revenue growth of \$417 million in goods and services tax grants and competition payments. Page 121 states that the competition payments are 45 per cent of the level of competition payments available to the State, which is around \$70 million. Can the Treasurer please spend a small amount of time explaining whether his department is still pursuing the public interest test to argue the case for those moneys to be reinstated?

Mr E.S. RIPPER: There is a bit of a myth circulating out there, created by vested interest groups that oppose competition reform. They run the rather strange line that if their anticompetition arguments were put before the National Competition Council in a more attractive way the State might secure the competition policy payments. This ignores the fact that the National Competition Council is not interested in arguments designed to protect vested interests. It is not interested in arguments that are opposed to competition reform. The council wants to know that any restrictions on competition are in the public interest. It begins with an assumption that restrictions on competition are not in the public interest, and it needs to have the opposite more or less proved if it is to agree that the State should receive its competition policy payments. Of course the Government puts arguments to the National Competition Council in support of the decisions it has taken. We argue our case and do our utmost to protect the competition policy payments, because those payments fund important services for Western Australians. Consider the position faced by the Government on the split-up of Western Power. The Government has strongly argued for a split-up of Western Power, something which cannot proceed at the moment because the numbers for that measure are not available in the upper House. The Government can hardly go to the National Competition Council and argue that to not split up Western Power is now in the public interest when, as a Government, we have been arguing for it for three years as being very definitely in the public interest. All the Government can do is go to the National Competition Council and say that its policy is consistent with the council's approach but the Parliament will not support it. The council's answer is that if the Parliament will not support that measure it means nothing to the council; the State has not complied with the national competition policy agreement signed by the previous Government. Therefore, the council has recommended a reduction in the payments. The council has written to the Government on the Western Power matter to warn that there will be an adverse assessment of considerable significance as a result of the failure of the Western Australian Parliament to support the split-up of Western Power. Members can see the position in which the Government finds itself on that matter. It is not the only matter on which the Government has taken a public position in support of a reform, and the Parliament, either formally or informally, has indicated that it will not support that

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reform. In those circumstances, the Government cannot go to the National Competition Council and contradict everything it has been saying publicly and now say that it is in the public interest not to proceed with the reform it has been advocating. However, when we have adopted positions about which the National Competition Council has some concern, we have advocated forcefully that those positions are in the public interest.

[2.50 pm]

Mr B.J. GRYLLS: Further to that point, Treasurer, will another submission be made on retail trading hours and liquor licensing for this year's funding?

Mr E.S. RIPPER: The Department of Treasury and Finance, in consultation with government agencies, has prepared the annual report for 2004 on Western Australia's progress in implementing national competition policy. That report represents a big effort to argue Western Australia's case for regaining competition policy payments. The report has been endorsed by government and provided to the NCC. It is available on Treasury's web site. The member can read the report; however, I caution him against assuming that the NCC is receptive to any arguments it perceives to be in support of vested interests - it is not. A difficulty the Government has faced in the debate is that it has been told by the National Competition Council right up front on some issues not to bother to put an argument as it will not be accepted.

Mr B.J. GRYLLS: The State Government is deemed to be the vested interest, I suppose.

Mr E.S. RIPPER: One man's vested interest is another man's public interest of great importance.

Mr J.J.M. BOWLER: The Treasurer touched on commonwealth-state relations. I refer to page 147 of the *Budget Statements* and the reference to commonwealth-state relations. I know WA has received an increased allocation from the Commonwealth this year, but what is the net fiscal subsidy that WA contributes to the other States? I often hear this argument about the goldfields subsidising Perth. It is the same argument.

Mr B.J. GRYLLS: It is a very strong argument.

Mr J.J.M. BOWLER: The wheatbelt does the same, I suppose. I do not know about Collie, though.

Mr M.P. MURRAY: We do not ask for subsidies.

Mr E.S. RIPPER: There is a table on page 158 of the *Economic and Fiscal Outlook* outlining this matter. The net fiscal subsidy is a measure that compares all commonwealth taxes levied in Western Australia with all commonwealth expenditure in WA, including payments to local government, state government, individuals and other organisations. The position for 2002-03 was that \$2 billion collected by the Commonwealth in Western Australia has gone to Canberra and has not come back. When divided among the WA population, that is equivalent to \$1 075 being collected from every Western Australian and not returned in any form of commonwealth expenditure to the State. Regarding the subsidies tendered by some States to other States in the Commonwealth, Western Australia's subsidy is the largest per capita of any of the States. Some States receive very large benefits as a result of that arrangement. South Australia, for example, receives \$1 757 per capita in addition to what the Commonwealth collects in that State. Tasmania receives \$3 726 per person in addition to what the Commonwealth collects in that State.

Mr J.J.M. BOWLER: That is despite the fact that Tasmania collected less in taxes from its people than is the case in any other State. It gets it from us; it does not need it!

Mr E.S. RIPPER: It is in receipt of payments from us. The Northern Territory figure is astonishing. The Northern Territory receives in commonwealth expenditure \$13 115 per person more than the Commonwealth collects there. Another example is glaring. Our competitor as a resource, energy and tourism State is Queensland. Western Australia pays \$1 075 per capita, and Queensland receives \$1 099 per capita in extra money from the Commonwealth compared with the amount the Commonwealth collects in Queensland.

Mr J.H.D. DAY: Why does Queensland do so well?

Mr E.S. RIPPER: It gets a larger share of the grants from the Commonwealth than is the case with WA.

Mr J.H.D. DAY: There are some minus signs missing in that right-hand column on page 158.

Mr LANGOULANT: Yes. However, the negative signs follow from what is shown in the preceding column.

Mr E.S. RIPPER: The minus signs were in my document, as should be the case in such an important table.

Mr J.J.M. BOWLER: I remember that the previous Government said it had to implement the gold royalty because, among other things, it would have being fined by the Commonwealth for not doing so as it would have represented revenue forgone. If that was the case, why does the Commonwealth not fine States that are not collecting enough tax from their residents?

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Mr C.J. BARNETT: Is that Labor Party policy?

Mr J.J.M. BOWLER: I am looking at both policies, and considering what the Commonwealth is doing to Western Australia.

Mr E.S. RIPPER: The Commonwealth Grants Commission process is not easily understood by anyone, apart from half a dozen people in each State and Territory Treasury and people in the Grants Commission itself. The Under Treasurer thinks I may be exaggerating the number of people who understand the Grants Commission process! I will give the member a simplistic explanation. The Commonwealth Grants Commission makes an estimate of a State's revenue-raising capacity - this is not the taxes actually charged - and then makes an estimate of that State's expenditure obligations and the differential levels of expenditure required to meet a standard level of services. The commission then brings together those two elements. If a State has a high revenue-raising capacity and a low expenditure requirement, it determines to cut the commonwealth grants. Another State may have a low revenue-raising capacity, so its commonwealth grants are boosted. Western Australia loses on the revenue-raising capacity because of the robustness of our resources sector. It is assumed we have good revenue-raising capacity. We are assessed as having above-average expenditure requirements, which gives us some gain in the process; however, this does not outweigh what we lose through our revenue-raising capacity.

Mr C.J. BARNETT: I refer to page 18 of the *2004-05 Budget Economic and Fiscal Outlook* and the table outlining fiscal net operating balance, which the Treasurer likes to refer to when claiming there were four consecutive deficits from 1995 to 2000.

Mr E.S. RIPPER: The member is learning my lines!

Mr C.J. BARNETT: Maybe the Under Treasurer could help us: do the budget paper for those years show a deficit?

Mr E.S. RIPPER: I am here to be examined on this year's budget papers, not Richard Court's.

Mr C.J. BARNETT: It is a fair question. The Treasurer has staff here. Did the budget papers of those years show deficits?

Mr E.S. RIPPER: I began to talk about those deficits in opposition. I got the information from a booklet that was published in connection with the budget papers of that year that explained the new accrual accounting system that the then Government had introduced. The papers contained a table that showed how the accrual accounting system applied to not only that budget, but also to previous budgets. I got the figures from a booklet published in either 1999 or 2000.

[3.00 pm]

Mr C.J. BARNETT: Will the Treasurer confirm that the budget papers as published during those years did not show those deficits?

Mr E.S. RIPPER: I cannot confirm that because I was not responsible for those budget papers. Without going back and examining them in the same way as the member can, I cannot confirm what they show. I can confirm that the information on the previous Government's record of deficits and surpluses first came to me via a document published by the then Government in association with the budget papers. I do not have a precise recollection, but I believe it was published in association with either the 1999 budget papers or the 2000 budget papers.

Mr C.J. BARNETT: I seek from the Treasury additional information for the corresponding years; that is, prior to the changes in the accounting procedures. I require the recorded surpluses and deficits as published by Treasury.

Mr E.S. RIPPER: The budget papers are available in the Parliamentary Library if the Leader of the Opposition wants to do some research on his own Government's budgets. This is remarkable, given that the member was a member of the previous Government's cabinet budget committee. If he needs to do that research, he should look at the budget papers to see what they stated.

Mr C.J. BARNETT: I take it that the Treasurer is refusing to supply actual deficits as recorded by Treasury compared with the now accrual accounting format. I seek the actual deficits as reported and the accrual method of accounting, which was introduced by the previous Government.

The CHAIRMAN: I believe that the Treasurer has responded to the question. He can respond again if he wishes. However, I remind members that we are dealing with the appropriation for division 7 and not the past. I understand that the Leader of the Opposition wishes to make a point.

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Mr C.J. BARNETT: It has always been the practice in this Parliament under Treasury that the *Economic and Fiscal Outlook* has been questioned in estimates for every year I have been a member. That practice has never been questioned.

The CHAIRMAN: I am not denying that.

Mr E.S. RIPPER: I am happy to provide information on matters for which I am responsible. However, I am not responsible for the Court budgets. The Court Government published a document that showed the history of surpluses and deficits according to the accounting system that we now use. That document was, I believe, published in association with the 1999 budget papers. The budget papers for each of Richard Court's budgets - particularly the budget speech - will show the surplus or deficit position that the then Government acknowledged. The Treasurer's annual statements will show for each year what was the actual outcome. All that information is on the public record. With respect, I am here to provide information about this budget and, by extension, previous budgets for which I have been responsible. I am not here to provide a research service.

Mr C.J. BARNETT: The Treasurer is here to provide what I ask. With respect, the Treasurer's budget shows a historic record that shows deficits in previous years on an accrual basis because of the treatment of depreciation. I accept that. However, it is quite valid for the Treasurer to present to the Parliament the statistics as they were published at the time.

[Mr A.D. McRae took the Chair.]

Mr M.P. WHITELY: There is a difference between the methods of accounting. The Leader of the Opposition knows that. Does he not understand the accounting practices? I will make an offer to the Leader of the Opposition: if he does not understand the difference between cash and accrual accounting, I am prepared to give him some remedial accounting lessons.

The CHAIRMAN: I was present when the question was asked. I note the advice from the Chair at the time to the Leader of the Opposition. The two options available to him are to either ask questions relevant to the division before the committee or - as my guidance notes state - place the question on notice, which will elicit the same response. They are the two options unless the Treasurer -

Mr C.J. BARNETT: I sought additional information but the Treasurer refused.

Mr E.S. RIPPER: In order to assist the Opposition, I will have Treasury locate the 1999 publication, which shows the history of budgets on a standard basis. I will have it provided.

Mr C.J. BARNETT: As long as the information is provided, I will be happy with that.

Mr E.S. RIPPER: I will provide the 1999 document showing how the budget balances would have been recorded under the accrual accounting system.

[*Supplementary Information No A21.*]

Mr M.P. MURRAY: I refer to the second dot point at page 164 of the *Budget Statements*, which concerns the first home owners grant. What statistics are available on the number of charges against people who have tried to rort the grant system? How many convictions have there been? I have heard that children and millionaires have applied for grants. Are there any statistics on that?

[3.10 pm]

Mr E.S. RIPPER: I thank the member for the question. A total of 64 607 people have applied for the first home owners grant. It must be said that most people do the right thing. However, some people try to take advantage of the loopholes. All applicants need to understand that the Office of State Revenue pays attention to people who try to rort the grant system. A total of 54 people have been successfully prosecuted because they were ineligible for the grant. In all cases the applicant was found to have previously owned residential property. The Government was also concerned that some minors have applied for, and received, a grant. The Government intends to close that loophole from 1 July. Frankly, it should have been closed right from the start, but the then Government was acting in accordance with national arrangements and those arrangements did not provide for the loophole to not apply. Consequently, 39 people under the age of 18 years have received the grant: one person aged one year, one person aged three years, two people aged seven years, one person aged 13 years, one person aged 14 years, two persons aged 15 years, 9 persons aged 16 years and 22 people aged 17 years. The other area in which the Government intends to tighten the requirements for the first home owners grant is that of the period of residence. To receive the grant people are required to occupy a house as their principal place of residence. Quite often staff in the Office of State Revenue are asked by prospective applicants how long they have to live in a house to receive a grant. People are occupying houses for a minimum period before moving out and renting

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the houses whilst nevertheless receiving a first home owners grant. It is intended to amend the legislation to require a specific period of residence as the principal place of residence following receipt of the grant in order for eligibility to be confirmed.

I also believe that the first home owner grant should be means tested. It concerns me that some people with the financial capacity to buy extremely valuable properties are nevertheless receiving the first home owner grant. The grant was really meant to assist struggling first home buyers who would be disadvantaged as a result of the impact of the goods and services tax when entering the housing market. In Western Australia, since the inception of the scheme, 381 people have used the grant to buy homes worth between \$500 000 and \$1 million, and a further 28 people have bought homes worth more than \$1 million. Quite frankly, I do not think that anyone in that group of 381 people, and more particularly in that group of 28 people, should have been able to access a first home owner grant, if indeed they had the financial capacity to make those purchases.

The Commonwealth has resisted the State's arguments about that reform. Our reform package, which will apply from 1 July 2004, will prevent minors applying for the grant, and will require a minimum period of residency of six months. However, the reform package will not include a means test at this stage, because we cannot yet obtain commonwealth agreement for the application of such a means test. As the first home owner grant scheme is part of the intergovernmental agreement related to the introduction of the GST, it would be important to obtain commonwealth agreement for such a change, lest the State be in breach of that intergovernmental agreement. Apparently the Commonwealth is prepared to agree on the question of minors and the residency period, but is not prepared to agree on the question of stopping millionaires from accessing the first home owner grant.

Mr M.P. MURRAY: I have a further question on that subject. Is the Treasurer aware that some people who rang to inquire about their eligibility for the grant were told to apply anyway, and it would be sorted out later? However, they were investigated further down the track for what could be seen as fraud because they did not have the right criteria, even though they asked the questions.

Mr E.S. RIPPER: I am certainly disappointed to hear that people may have received that type of information. I think it would probably be best if I asked the Commissioner of State Revenue to comment on that. It may be that what was reported to the member was not precisely what happened. However, I will ask Mr Sullivan to comment.

Mr SULLIVAN: I would equally be concerned if that is the situation. There are two primary ways in which people make application for the grant. The first is that they can apply directly through the Office of State Revenue. They must fill out a reasonably detailed application form, answering truthfully a whole range of questions. On the basis of the information provided, a determination is made. The second and more common means is that people make application for the grant at the time they are applying for finance to undertake their purchase through a financial institution. I am disappointed to hear that that is the approach that seems to have been made. I would obviously be very concerned if that advice is coming from the Office of State Revenue. I would be exceedingly surprised if that is the case. I would be equally concerned if it is the advice being given to people when applying through financial institutions.

Mr E.S. RIPPER: We have an interest in people getting the right information. I do not want to see innocent or naive people subject to compliance procedures under our legislation, if that can be avoided. If people have told the member that that has happened, he should let the commissioner know, and it will be followed up. It may be, of course, that financial institutions have been giving misleading or incomplete information.

Mr M.P. MURRAY: I will follow that through.

The CHAIRMAN: I note that 335 people who purchased a property worth between \$500 000 and \$1 million, and 28 people who purchased a property worth more than \$1 million, received the first home owner grant.

Mr E.S. RIPPER: Three hundred and eighty-one people bought homes worth between half a million dollars and \$1 million and received a grant, and 28 bought homes worth more than \$1 million and received a grant. Those figures are as at December 2003.

The CHAIRMAN: In the order of \$2.8 million has gone towards property purchases worth over \$500 000 in Western Australia. That is a very expensive house in Western Australian terms.

Mr C.J. BARNETT: I have a point of order. I am very happy for the Chairman to ask questions, but, with respect, he should ask them from the floor of the House. He should not ask them from the Chair, if that is what he is doing.

The CHAIRMAN: No, the standing orders allow me to ask questions. This is probably the only question I will ask. I have commented publicly on this matter previously. That is on the record. I have a particular interest in



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this matter. The Treasurer knows that I have gone on the record as supporting means testing. How would that work in a national scheme, though? Would that be done on the basis of the value of the property?

Mr E.S. RIPPER: The State Government is not interested in the administrative complexity of assessing people's income. If the scheme were to be means tested, it would have to be on the basis of the value of the house. I believe that a maximum limit of \$500 000 is quite appropriate in the Western Australian context. I have discussed this matter with the New South Wales Treasurer, and he obviously has a different view, because housing prices are so much higher in Sydney. It may be inappropriate for there to be a national limit because of the different structures of the housing markets in the different States. However, I would certainly be in favour of a cap of \$500 000. I do not know the precise figure for what we paid out for these high-value houses. I think the Chairman is rather quicker at the mental arithmetic than I am. However, we will undertake to provide as supplementary information the first home owner grant amount that has been paid for properties valued at \$500 000 or more up until December 2003.

*[Supplementary Information No A22.]*

Mr B.J. GRYLLS: I refer to the first dot point on page 148 under government procurement, which states that significant benefits are being sought from leveraging purchasing power on a whole-of-government basis. We have discussed this regularly. I want to put on the record that, as the member for Merredin, my office procurement policy is buy local. However, I would like the Treasurer to take the opportunity to explain to me in this estimates hearing how an agency such as Western Power in Merredin strives to meet its expenditure budget, as put forward by the Treasurer's department, within the confines of the new procurement policy, when small businesses from Merredin must compete against metropolitan discount stores, which can obviously offer far superior discounts to those that a small business in the region can offer.

Mr E.S. RIPPER: The example chosen by the member is, unfortunately, not the best example, because Western Power, as a government trading enterprise, is not part of the procurement reform agenda being pursued by the Government.

Mr B.J. GRYLLS: A government department such as the Department of Education and Training, or any department.

Mr E.S. RIPPER: The procurement reform agenda applies to the general government sector. The buy local policy remains in force. All of the advantages for local businesses in the buy local policy will continue to apply under the Government's procurement reform. One element of the Government's reform is making common-use contracts mandatory, and having more of those common-use contracts. That is one way in which the savings will be achieved. However, in regional areas, regional buyers will have the capacity to go outside the common-use contract. They will have a discretion to consider, as part of their value-for-money decision, the benefits of purchasing goods and services from local regional businesses. Essentially, procurement officers must look at the whole cost to government. It may be a good decision in the short term to buy at a discount from a city store. However, if the product breaks down and the service is not available, it may cost the Government more to have made that purchase than to have purchased from a local supplier, who can provide the support and the warranty service in the same town.

[3.20 pm]

Mr B.J. GRYLLS: That is my point. As they try to meet expenditure targets, it makes it very difficult to invoke that local procurement policy. Obviously, it will be cheaper to buy products from the metropolitan discount store. It becomes increasingly difficult to meet the expenditure target. Although the Treasurer keeps telling me that regional buyers can use their discretion to apply the buy local policy, to match that to an expenditure target becomes far more difficult unless there is also flexibility in the expenditure targets. It puts those country agencies at a disadvantage.

Mr E.S. RIPPER: We are working from the procurement of particular items upwards, rather than saying that this is the target and this item must contribute that much to the savings. A lot of work has been done investigating what types of savings are likely to be made, and that is how the overall savings figure has been reached. The Government believes that if some centres of procurement expertise are established in the regions, more professional procurement will occur. In other words, the Government would like procurement officers from different agencies in regional centres to be brought together. For example, a procurement centre of expertise could be established to bring together the procurement activities of a variety of agencies located in Kalgoorlie, Bunbury and Geraldton. One would expect that such a centre would focus on the purchase of goods locally to the extent that it was possible. That element of the reform is likely to promote regional purchasing.

Mr B.J. GRYLLS: My concern is that the Corrigin District High School purchase its stationary from the Corrigin stationary supplier rather than from a regional centre or from Northam, which is the closest

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procurement office. It must be brought back to that local level, otherwise Corrigin would lose its stationary provider.

Mr E.S. RIPPER: The school would be able to purchase stationary from the Corrigin stationary supplier. Although the Corrigin stationary supplier's price might be higher than the common-use contract price, there could be advantages in the Corrigin District High School dealing with that supplier. The Corrigin District High School is entitled to take into account all the advantages and disadvantages - not just the straight price comparison - when it makes a purchasing decision.

Mr J.H.D. DAY: I have a couple of questions about the dividends shown on page 176 of the *Budget Statements*. Firstly, the dividend from the electricity corporation is shown to reduce fairly significantly from about \$121 million in 2003-04 to about \$93 million in 2004-05. Can the minister provide an explanation of that? Secondly, did the Government assume that electricity tariffs would increase when it determined the dividends the Government is expected to receive from the electricity corporation in the forward estimates to 2007-08?

Mr E.S. RIPPER: I will answer the second question first. There is no assumption in those dividend payments of an increase in electricity prices. That is not in those planned dividends.

Mr J.H.D. DAY: Can it be assumed that the tariffs will stay at the current level?

Mr E.S. RIPPER: Yes, it can be assumed that the tariffs will stay as they are. No assumption can be made that there will be a tariff increase. In answer to the question about why the dividend received from the electricity corporation is expected to reduce in the forward estimates, for three years the Government had an agreement with Western Power on the fixed payments that it would make to the budget. This provided a degree of certainty for the budget process and for Western Power. As it turned out, that resulted in Western Power making payments above a 50 per cent dividend payout ratio. From this budget forward, the dividend payout ratio has been returned to 50 per cent. Therefore, Western Power will retain more of its profits.

Mr J.H.D. DAY: Over the past couple of years, has the Government extracted more than the norm from Western Power, which presumably has impacted on what else it can spend its funds on?

Mr E.S. RIPPER: Western Power has a very high capital works program. During the matter of public interest debate last week, I outlined the capital expenditure on Western Power's networks. As I recall, capital expenditure on Western Power's networks across the first four of this Government's budgets was more than \$300 million greater than its capital expenditure across the last four of the previous coalition Government's budgets. Western Power has had a very significant capital works program. The Government inherited a situation in which the previous Government had increased the dividend payout ratio from 30 per cent to 50 per cent. The Government had a discussion with Western Power about those amounts. The arrangement that was reached between Western Power and me was that a fixed payment would be made that was based on the 50 per cent rule. As it happened, the agreement on fixed payments resulted in payments in some years at above a 50 per cent dividend payout ratio. The Government has returned to the 50 per cent ratio. In addition, the dividend reflects Western Power's profit. Western Power's profit is being impacted on by higher fuel costs and by increased expenditure on the network.

Mr J.H.D. DAY: Why are its fuel costs higher?

Mr E.S. RIPPER: Western Power's long-term contracts involve price increases. Western Power is required to burn liquid fuel from time to time, which costs a lot. Finally, the Government inherited a program of reducing contestability thresholds and more competition. Those reduced contestability thresholds and the possible impact of increased competition through that program must be taken into account.

Mr J.H.D. DAY: I presume the Treasurer is entirely supportive of that.

Mr E.S. RIPPER: I support additional competition because the benefits flow to electricity consumers. However, the program that the Government inherited from the previous Government of gradually lowered contestability thresholds opened the possibility that people would buy electricity from sources other than Western Power and, consequently, some pressure will be placed on Western Power's profits and its dividend.

Mr J.H.D. DAY: I have one other question relating to dividends. The Water Corporation is required to pay a large dividend of \$276 million in 2004-05. In addition, it is required to make an income tax equivalent payment of \$146 million in 2004-05. Therefore, Western Australian consumers are contributing \$420 million to the consolidated fund through the Water Corporation. The forward estimates to 2007-08 show a substantial increase in the dividends the Water Corporation will pay. By my calculations, they will increase by about 10 per cent a year. For example, in 2005-06 it is expected to increase by another \$30 million or so from the expected amount of \$276 million in the forthcoming year.

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Mr E.S. RIPPER: Which page is the member referring to?

Mr J.H.D. DAY: It is page 176. Why is there an increase of about 10 per cent a year in the dividends paid by the Water Corporation? Can it be assumed from those forward estimates that water charges will increase?

[3.30 pm]

Mr E.S. RIPPER: One impact on these payments is water restrictions, which actually reduce the amount of water sold in the year in which they apply, and therefore reduce the profit of the Water Corporation and the dividend payments to the Government. When water restrictions are wound back there is an ongoing effect on people's demand, because they have adjusted their gardening practices to take account of water restrictions. Water sales do not immediately return to the pre-restriction level. There is a factor in here accounting for the eventual removal of water restrictions, and the lagged impact this will have on increasing water demand or sales.

Mr J.H.D. DAY: Given the effect of water restrictions, as the Treasurer has just explained - I agree that we would expect less water to be consumed and that the impact would therefore be a reduced dividend - how does the Treasurer explain an increased dividend of about 10 per cent a year? When does the Treasurer assume that water restrictions will be lifted? I again ask whether any assumption of increased water charges is built into the forward estimates.

Mr E.S. RIPPER: The planning assumption is that water restrictions will be lifted in 2005-06. I could answer a question on charges relating to Western Power because I am Minister for Energy and therefore have access to information about Western Power, but I do not have detailed information available to me on the planning assumptions behind the Water Corporation's plans, although Treasury might be able to give me the information.

Mr J.H.D. DAY: Treasury should certainly have it, because it makes calculations based on those figures.

Mr E.S. RIPPER: There is another factor. Community service obligation payments from the Government to the Water Corporation increase, and because of the dividend payout ratio a lot of that money can come back to the Government in the form of dividend payments. That is shown on page 174. The key factor to look at on government trading enterprises is the actual flow of funds between the organisation and government. For example, government agencies will go onto the uniform tariff. That will result in them paying Western Power less, but the Government will pay Western Power through a CSO.

The CHAIRMAN: Are there any further questions?

Mr J.H.D. DAY: I think the Treasurer is getting some further information on the questions I asked.

Mr E.S. RIPPER: What is the remaining question?

Mr J.H.D. DAY: The Treasurer seemed to be consulting with the Under Treasurer. I again ask: has any assumption of an increase in water charges been built in? Surely the Under Treasurer or somebody in Treasury would know whether any assumptions have been made about increased water charges.

Mr E.S. RIPPER: The policy the Government inherited was for consumer price index increases in government fees and charges. That was the policy of the coalition Government.

Mr C.J. BARNETT: That is simply not true.

Mr E.S. RIPPER: That is true.

Mr C.J. BARNETT: That is an assumption the Treasurer has made.

Mr E.S. RIPPER: I have seen the document, Leader of the Opposition.

Mr C.J. BARNETT: No, I am sorry, that is not true. I was energy minister for a start, so I have a rough idea what the policy was.

Mr E.S. RIPPER: It may not have been the case for electricity, but it was the case that the previous Government had a policy of increasing fees and charges in general by CPI. Furthermore, it moved a number of charges well beyond CPI to full cost recovery. The current Government has an approach whereby fees and charges are increased by CPI. However, we have worked hard to keep household model fees and charges below the rate of inflation. This year we have kept them at zero; we have frozen them. The assumption for planning for the future would be that the policy would continue to operate.

Mr J.H.D. DAY: Which policy, exactly?

Mr E.S. RIPPER: The two policies, in fact. There is a standard policy for CPI increases. We work very hard every year to keep household fees and charges below the rate of inflation. I believe that the planning assumption for the Water Corporation's accounts would be CPI increases.

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Mr J.H.D. DAY: What percentage increases would you expect for the next two years?

Mr E.S. RIPPER: In line with the inflation rate.

Mr J.H.D. DAY: What are the forecasts?

Mr E.S. RIPPER: On the basis of the Government's policies, I would expect increases in future years to be below the rate of inflation, because that is our policy. The maximum increase would be the rate of inflation that applied in any year.

Mr J.H.D. DAY: What assumption is built in when determining these figures? What percentage tariff increase is assumed in determining these figures?

Mr E.S. RIPPER: The CPI estimate is 2.5 per cent. That is detailed on page 7 of the *Economic and Fiscal Outlook*.

Mr J.H.D. DAY: That is for next year.

Mr E.S. RIPPER: That is the CPI increase for next year.

Mr J.H.D. DAY: We can expect water costs to go up by that amount in the next year.

Mr E.S. RIPPER: It is frozen in 2004-05. There are two relevant policies; one is the previous Government's policy, which we have continued, of increasing fees and charges by CPI each year -

Mr J.H.D. DAY: Except for this year. Is it any coincidence that it is just this year and just before an election?

Mr E.S. RIPPER: The member has not given me a chance to mention the second policy. I am trying to help him. The second policy is that for household fees and charges we will keep the rate of increase below the rate of CPI. In fact, this year we have frozen them. What can actually be seen is that over four budgets, because of the below inflation policy, household fees and charges have fallen in real terms by \$86.

Mr J.H.D. DAY: If tariff increases are expected to be in the order of 2.5 per cent, how does the Treasurer explain a 10 per cent increase in the expected dividend from the Water Corporation? Is the Treasurer serious about water restrictions being removed in 2005-06?

Mr E.S. RIPPER: Assumptions have to be made about what circumstances might apply. The default increase is a CPI increase. Our CPI estimate is 2.5 per cent. Every year the Government examines household fees and charges. The approach taken is for the increase to be less than the CPI, if there is to be an increase at all. An example of that would be the position on concessional bus fares. We have never increased concessional bus fares or electricity prices. Each year we make a specific decision on that. If no decision were made, the default increase would be the CPI for that year, as it is for most other fees and charges. The CPI estimate is 2.5 per cent.

Mr J.H.D. DAY: I am looking for an explanation of how there can be a 10 per cent increase in the dividend paid by the Water Corporation. Is it because, in addition to the CPI increases in the cost of water, it is expected that more water will be sold? Why does the Treasurer think restrictions will be removed in 2005-06?

Mr E.S. RIPPER: Later in the estimates committee process I will represent the Minister for Government Enterprises. Water Corporation people will be here at that time and we might go into that area. The dividend is based on profitability. Profitability is based on much more than just the tariff level; it is obviously based on the efficiency of the organisation as well, and all sorts of other factors.

Mr B.J. GRYLLS: I refer to page 175 and stamp duty on motor vehicles. The budget estimate for 2003-04 was \$230 million, and the estimated actual for 2003-04 is \$240.5 million. I refer to correspondence I have received from the Office of State Revenue about stamp duty being charged on the list price of vehicles. During the debate on this issue I made the point that many country clients receive substantial discounts on the list price but pay stamp duty on a vehicle price much higher than the actual purchase price. Given that those revenue inflows have been positive, is there a move to review that so we can get back to primary producers paying a stamp duty on a figure that is closer to the actual price of the vehicle rather than the list price? In the last example I have received, there was a difference of about \$8 000 between what the person paid for the vehicle and the figure on which the person had to pay stamp duty.

[3.40 pm]

Mr E.S. RIPPER: I am always interested in finetuning the tax system. This Government has a pretty substantial record of reform of state taxes. We are in the process of abolishing six taxes, for example, and we have significantly improved the schemes in payroll tax and land tax. Although stamp duty on motor vehicles might have previously been charged on the actual price but is now charged on the list price, the previous regime also included the stamp duty on accessories included in the actual price. That gave rise to misunderstandings and

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additional compliance costs for businesses to the extent that the motor vehicle industry asked us if we could move away from that system to a simpler one. These reforms were not, as far as I am aware, initiated by the Government. They were initiated by consultations between the industry and the Office of State Revenue.

Mr B.J. GRYLLS: There is a problem with that sector of the market in which substantial discounts are offered. Those people are paying stamp duty on an amount that is far in excess of what they actually paid for the vehicle. It causes a person a fair amount of grief when he pays \$40 000 for a vehicle but is asked to pay stamp duty on \$50 000. Is there an opportunity to review that area?

Mr E.S. RIPPER: I will ask the Commissioner of State Revenue to comment on how the scheme has been going because the changes have not been in for that long.

Mr SULLIVAN: As the Treasurer has outlined, this change was brought about as a result of representations from the Motor Trade Association of Western Australia to the Office of the State Revenue given the grief that was being caused to dealers and their customers as a result of disputes regarding what was market value.

Mr B.J. GRYLLS: I understand that. I am in support of that. There were examples of that happening in my electorate, with which your office helped me; I have no problem with that. I have more of a problem with the difference -

The CHAIRMAN: Member for Merredin, you cannot engage the advisers.

Mr E.S. RIPPER: Nevertheless, I am happy for the commissioner to answer the question that has just been asked.

Mr SULLIVAN: I am interested in the case that the member has pointed to. Ultimately, it is for the Government to make the decision to review that matter. The only point I make about change across the list price is that it did not take place in isolation. Certain portions of the base were removed at the same time, particularly the stamp duty that was previously incorporated into the calculation of motor vehicle accessories, which could also equate to thousands of dollars. Quite clearly, in the instance pointed out by the member, that was not the case and the net result was an increase in the duty relative to the previous arrangements. Overall, we have not had a high level of complaint. There have been some specific issues in the area of heavy vehicles, but the Government has made recent changes to that as well. Ultimately, it is for the Government to choose to mitigate any consequences that have come about from that change. My own assessment from a purely administrative viewpoint is that the change is one for the better, and we have followed other States in this regard. It will reduce the level of dispute and the number of people being picked up on audit and then being asked to pay well after having paid a bill that they thought had been settled at the time of transaction.

Mr E.S. RIPPER: The commissioner has indicated that this is essentially a policy matter for the Government. The Government is always happy to talk with industry groups about any problems that they might see with the tax system. We do not always agree with industry groups, and I will provide the member for Merredin with an example that he might find particularly interesting of why that is the case. However, we are nevertheless interested in talking with industry groups about how they see the tax system working. I am sure the member would be interested to know that in its submission to the business tax review, the Property Council of Australia called for land tax aggregation measures to be abolished and for that abolition to be funded by an extension of the land tax base to cover family farms. I think the member would appreciate that although we found that submission interesting, we could not agree with it, just as we could not agree with its submission in the run-up to the 2001-02 budget, in which it called for land tax to apply to principal places of residence. We did not agree with the Property Council on that matter and we did not agree with it on the extension of land tax to cover family farms.

Mr C.J. BARNETT: But this Government is imposing land tax on principal places of residence for about 1 000 people.

Mr E.S. RIPPER: If they are owned by a family trust or a company.

Mr C.J. BARNETT: In respect of land tax and the projected figures for next year or the current financial year, is there a breakdown available of land tax collections for different categories of land; in other words, for residential properties, commercial properties, agricultural land and so on?

Mr E.S. RIPPER: I have not seen such a breakdown. I will ask the Commissioner of State Revenue to provide some information on this matter.

Mr SULLIVAN: The breakdown requested by the Leader of the Opposition will not be available because the nature of the land tax system is such that when a person owns a number of items of land that may be in various categories, the value of that land is aggregated and the total tax bill is calculated on that figure. Our systems do

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not record and, if you like, apportion back that land tax. As the Leader of the Opposition would be aware, it is based on a progressive rates scale, so to even break out the value of that land becomes very difficult.

Mr C.J. BARNETT: Further to that question, is it possible to provide a breakdown by numbers of properties or titles? I want to ascertain how much land tax is collected from land zoned agriculture.

Mr E.S. RIPPER: If the Leader of the Opposition lets us know precisely what it is he is seeking, we would have an insight into his own thinking on tax and we might be able to provide the information. I do not know at this stage how much work would be required to do that and how feasible the request is. However, I am happy to try to get some breakdown of land tax in the interests of open public debate on this matter.

Mr C.J. BARNETT: If some breakdown is possible, I would be interested in how it falls on commercial, residential, agricultural or any other category of land, whether by numbers of properties or numbers of assessments. I understand the problem noted by Mr Sullivan -

Mr E.S. RIPPER: We will see what information we can provide. It may be that the supplementary information we provide is more in the nature of a general answer with the possibility of further information later.

The CHAIRMAN: For the purpose of recording what the Treasurer will attempt to package together -

Mr E.S. RIPPER: The Leader of the Opposition has asked for a breakdown in land tax insofar as it might apply to investment properties, rural properties, urban properties -

Mr C.J. BARNETT: Really, I am trying to get down to the zoning of land and an estimate of how much is collected from commercial enterprises, residential properties and agricultural land.

Mr E.S. RIPPER: Commercial properties, residential properties, agricultural land -

Mr C.J. BARNETT: And any other categories.

Mr E.S. RIPPER: I am not promising that we can provide that information but we will provide an answer that pertains to the question.

[*Supplementary Information No A23.*]

[3.50 pm]

Mr B.J. GRYLLS: I refer to the line item on stamp duty on conveyancing and transfers on page 175 of the *Budget Statements*. From my reading it looks like there has been a \$250 million windfall this year on stamp duty collections for that area. What property price growth has the projection in the forward estimates been based on?

Mr E.S. RIPPER: I will ask Mr David Smith to respond on the assumptions about stamp duty revenue.

Mr SMITH: In response to that question, I refer the member to the top paragraph on page 118 of the *Economic and Fiscal Outlook*, which gives an explanation of the factors contributing to the forward estimates.

The CHAIRMAN: Is that in division 4?

Mr SMITH: I am referring to budget paper No 3, *Economic and Fiscal Outlook*; the top paragraph on page 118, which explains the assumptions behind the estimates for conveyance duties. It breaks down the movement from year to year, which was referred to for that figure. It states there that a number of factors have operated, including the fact that the 2003-04 conveyance duty revenue included revenue from a number of large one-off dutiable transactions. We are not expecting that to be reflected in further years. There is also the impact of the conveyance duty relief measure that has been included in the budget. Excluding the large dutiable transactions, the underlying decline in conveyance duty revenue is estimated to be around 10 per cent. That reflects an expected easing in property market activity.

Mr B.J. GRYLLS: Are you predicting a fall in property prices or a fall in revenue? My question is more about the effect of property prices.

Mr E.S. RIPPER: My understanding is that we are not predicting a fall in prices, but rather a reduced number of transactions. I very much hope that there is not a fall in prices; I hope that there is a soft landing for the property market.

The CHAIRMAN: The Leader of the Opposition has a short duty outside the Chamber. The committee was due to take a scheduled break at about 4.00 pm. I propose that we break now, until about 4.05 pm, if that is agreeable to the committee.

*Sitting suspended from 3.53 to 4.10 pm*

[Mr D.A. Templeman took the Chair.]

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Mr C.J. BARNETT: I refer back to net debt on page 155 of the *Budget Statements*. There is a projected increase of \$844 million in debt. What is the estimated cost of servicing the total debt of \$5.93 billion for the coming financial year?

Mr E.S. RIPPER: I understand the question to be: what is the total cost of servicing the total debt? The total debt is as at 30 June, so the actual debt through the year will be presumably less than the figure reached at 30 June. I have figures for the general government sector. Interest payments for agencies outside the general government sector are part of their commercial operations. The Water Corporation and Western Power pay their own interest, and that is part of their cost structure. I have interest figures for the general government sector. These are net interest expenses. For 2000-01, the figure is \$98 million; 2001-02, \$92 million; 2002-03, \$88 million; 2003-04, \$70 million; 2004-05, \$88 million; 2005-06, \$92 million; 2006-07, \$100 million; and 2007-08, \$112 million. Net interest expenses is the fairest way to deal with the issue. I do not have the figures for gross interest expenses, but that is probably misleading. A table on page 190 of budget paper No 3 contains a breakdown of expenses, which includes "other interest"; namely, \$846 million in 2004-05, \$833 million in 2005-06, \$810 million in 2006-07 and \$830 million in 2007-08. That must be offset against interest income, which is in the revenue section of the total public sector statement. Interest income is \$588 million, \$519 million, \$475 million and \$483 million, taking the budget year first, and then the three forward estimate years. A large proportion of the total public sector net debt is serviced by a commercial return to government trading enterprises.

Mr C.J. BARNETT: I refer to output 1 on page 153 specifically relating to the Functional Review Taskforce, which is not alluded to greatly in this year's budget as it was in last year's. Asset management savings of \$102 million were made last year. That included \$12 million for 2003-04 and \$20 million for 2004-05. What assets were sold last year and for what price, and what assets are identified for sale this year?

Mr E.S. RIPPER: Page 180 of the *2004-05 Budget: Economic and Fiscal Outlook* document contains a section called investment in non-financial assets. This makes reference to the general government sector. That heading has a line "purchase of non-financial assets". It can be seen that in 2004-05, the sector will purchase non-financial assets to the value \$1.139 billion, and will sell non-financial assets to the value of \$175 million. The previous year's figure was \$176 million, and the estimate for 2005-06 is \$154 million, for the sale of non-financial assets. Those are figures in general. I take the Leader of the Opposition's question to relate to the Functional Review Committee's specific recommendation of achieving sales of unused assets and low priority assets to the tune of \$100 million. I assume the Leader of the Opposition would like some information on progress towards achieving that figure. I do not have that information immediately available.

Mr C.J. BARNETT: I seek as supplementary information the assets sold in the current financial year, and the value they sold for, and the proposed sale of assets for the coming financial year.

[*Supplementary Information No A24.*]

Mr C.J. BARNETT: I refer to page 175 of the *Budget Statements*. Reference is made here and elsewhere to the so-called revenue relief package of \$133 million, of which \$20 million was due to a "freeze on household charges". How was the \$20 million calculated?

Mr E.S. RIPPER: As I have previously indicated, the previous Government and the current Government share a policy that fees and charges rise by the consumer price index. The calculation is made by comparing a CPI increase according to that policy with the Government's decision to freeze household charges.

Mr C.J. BARNETT: I seek a further explanation of the logic of this process. If the Treasurer states that if a charge does not increase that makes it revenue relief, arguably it could be said, "I thought last night that I would put up charges by \$100 million. I woke up this morning and decided I wouldn't. Therefore, there is revenue relief of \$100 million." It is not logical to include that as a revenue relief measure.

Mr E.S. RIPPER: The Leader of the Opposition is entitled to his views about what is logical or not logical or proper or not proper. If the Government had taken no decision, the pre-existing policy, which was also the policy of the coalition, would have applied. The difference arises from the Government's decision compared with the application of pre-existing policy in the forward estimates.

Mr C.J. BARNETT: Can the Treasurer or any of his staff show me the accounting principle that makes it proper to treat a freeze in charges as a revenue item?

Mr LANGOULANT: The practice of including forward estimates on the basis of no policy change assumptions goes back generations. It applies across every Government in Australia. It is the way budgets are developed. It is the way we develop forward estimates. If there are other than no policy change impacts carried across the

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forward estimates, there will be no reflection of what the current policy will mean in the future. That is why forward estimates are useful.

Mr C.J. BARNETT: I accept the argument that there may be an assumption for forward estimates, but to describe a non-increase in charges as a revenue relief is something I find misleading.

The CHAIRMAN: I need to caution that this is not a debate between members of Parliament and officers of the department.

Mr LANGOULANT: The default against accepting the forward estimates is that another decision must be made. The fact that a no-change decision is made confirms the forward estimate. That is fine; that is what often happens in the budget processes. In this case the Government made a decision to move off the policy that underpins the forward estimates, which, if they are to have any credibility, must reflect the impact that decisions have on the predicted revenue. It is as simple as that.

Mr C.J. BARNETT: Under the Treasurer's Government, are decisions not actually made on charges in a formal way through the cabinet process? Are they deferred to the Under Treasurer?

Mr E.S. RIPPER: Of course the Government makes decisions. The position is that there was a policy under the coalition that has been continued by this Government. It is that, generally speaking, fees and charges rise by the consumer price index each year. However, there are exceptions to that rule on both sides. Some charges rise by more than the CPI because they are in the process of the phasing in of full-cost recovery. Some charges rise by less than the CPI because the Government examines the matter and determines that it does not want that particular charge to go up at all or it wants it to increase but not by the full extent of the policy.

Mr B.J. GRYLLS: I refer to the fourth dot point of major achievements for 2003-04 at page 165, which refers to the new contract awarded to deliver improved broadband services to schools, colleges and hospitals in 57 towns in regional Western Australia. Perhaps the Treasurer can provide me with supplementary information detailing a list of the towns. He may be able to direct me to the line item in the budget papers that relates to the expenditure for the delivery of that contract. Is there a time line associated with the delivery of the improved services? Is there funding in the forward estimates to extend the program throughout the rest of regional Western Australia?

Mr E.S. RIPPER: Although the Department of Treasury and Finance is the principal in a number of government contracts, when the department is, in effect, acting for another department, the proper accountability is for that department and the relevant minister to provide answers. If the Department of Treasury and Finance becomes involved in a procurement matter for the Department of Education and Training, I would expect that the correct line of accountability is with the Minister for Education and Training. I am not sure whether that is the case in this situation. I am advised that there was something called the national communications fund project, which was a joint exercise between the now Department of Treasury and Finance, the Department of the Premier and Cabinet, the Department of Industry and Resources, the Department of Health and the universities to provide regional broadband communications services to schools, colleges and hospitals in regional Western Australia. Is that the project in which the member is interested?

Mr B.J. GRYLLS: Yes. I want to know which are the 57 towns and whether the project will be extended further. I take it from the Treasurer that it will be across different agencies. I still want to find the forward estimates for the project. I suggest it can be done through supplementary information.

Mr E.S. RIPPER: Through supplementary information we will either answer the question or point the member to the correct section of the budget papers or the relevant minister to answer that question.

*[Supplementary Information No A25.]*

Mr B.J. GRYLLS: I refer to the eighth dot point of major achievements for 2003-04 at page 160, which states that a cross-jurisdictional cooperation on public funding of major project infrastructure needs was initiated. Is the Treasurer able to outline the details of the initiative and what major infrastructure projects are likely to be considered as part of the initiative?

Mr E.S. RIPPER: The issue is that we need more commonwealth investment in infrastructure provision in Western Australia. Our taxpayers are stumping up for the infrastructure that supports our economic development, the proceeds of which go disproportionately to the Commonwealth as revenues to government. In any case, revenues to the States are redistributed by the Commonwealth Grants Commission to other States. One solution to the burdens currently borne by Western Australian taxpayers would be for more direct commonwealth investment in infrastructure in Western Australia. That is one problem. Another problem is that we are aware that companies seeking to promote particular projects approach the State Government of Western Australia for assistance with the provision of common use infrastructure and approach the Commonwealth Government for assistance through commonwealth government programs such as Invest Australia. There is no



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guarantee that the information provided to the Commonwealth Government is consistent with information provided to the State Government. In our view, there is poor coordination between Commonwealth and State Governments on this matter. I think it is the case that a common methodology is not used by Governments for assessing those projects. This is about improving communication between different Governments and producing a common methodology for assessing project benefits and making judgments about the sort of assistance that should be extended to projects by different levels of government.

Mr B.J. GRYLLS: Does the Treasurer have any new projects in mind? Is the Ravensthorpe nickel project one of them?

[4.30 pm]

Mr E.S. RIPPER: Our experiences with the Burrup Peninsula projects were the reason for Western Australia taking part in this initiative. The Ravensthorpe nickel project is one in which we would dearly like to see some investment by the Commonwealth. The lion's share of the revenue return will go to the Commonwealth. We are putting up \$18.4 million. The Commonwealth has not put up a cent yet. However, I know that the shires have met with the Deputy Prime Minister, and there is still some hope that the Deputy Prime Minister will ensure a level of commonwealth support for infrastructure to support a residential work force in association with the Ravensthorpe nickel project.

Mr C.J. BARNETT: I refer to output 7 on revenue assessment and collection. How many complaints has the Office of State Revenue received from taxpayers in the past financial year, and has that increased from previous years?

Mr E.S. RIPPER: I think it is probably best if I ask the commissioner to respond to that.

Mr SULLIVAN: The difficulty I have in responding to that question comes down to the definition of a complaint. We are currently in the process of putting in place in the Office of State Revenue and across all of the Department of Treasury and Finance a complaints management system that is compliant with Australian standards. We are not in a position at the moment to be able to give a definitive answer in that respect, I am afraid.

Mr C.J. BARNETT: I accept the point Mr Sullivan makes about definition. However, I would find it somewhat surprising if the office did not have a record of the number of complaints received, even if there are definitional problems.

Mr E.S. RIPPER: In responding to the Leader of the Opposition, I indicate that such complaints can also be made to the minister's office. I have not done a count, but my judgment would be that the level of complaint is pretty consistent from year to year. We are certainly not seeing an increase in the number of complaints, if that is what the Leader of the Opposition is referring to. If the commissioner cannot provide a comprehensive answer on complaints, he may nevertheless have some observations to make on payroll tax or land tax.

Mr SULLIVAN: I guess, as a general observation, I would endorse the comment of the Treasurer. The reason I have difficulty in giving a definitive number is that when people have an issue with us, we encourage them to come through on our inquiry lines, and, where possible, we attempt to resolve the matter straightaway, particularly when, for example, it relates to information upon which a land tax assessment has been based. A person may ring to complain about the assessment. We would deal with it on the spot. That is not necessarily recorded as a complaint. If the Leader of the Opposition's question relates to matters of administration, I suggest that in particular areas we have elicited responses from the community, particularly in areas in which we have undertaken compliance activity. However, generally speaking, I suggest that the level of complaints has been reasonably steady. Depending upon the area of focus of compliance, responses will be elicited from that area.

We are also in the process of putting together a customer service charter, in response to one of the recommendations of the business tax review, to likewise manage expectations. In addition, that will also outline to taxpayers and grant applicants the process by which they can resolve issues with us. As a general comment, I suggest that the level of complaints has been, by and large, consistent with that in previous years. However, people are a little more vocal in areas in which we have had targeted compliance.

**The appropriation was recommended.**