

APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 5) 2006

Committee

The Deputy Chairman of Committees (Hon Ken Travers) in the chair; Hon Kate Doust (Parliamentary Secretary) in charge of the bill.

Clause 1: Short title -

Hon GEORGE CASH: There is no problem with the clauses of the bill from the point of view of the opposition. The questions will occur on the schedule, because that sets out the expenditure for the various departments.

Clause put and passed.

Clauses 2 and 3 put and passed.

Schedule 1: Consolidated Fund for the Year Ended 30 June 2006 -

Hon GEORGE CASH: The notes that have been provided by the government on schedule 1 have been helpful. I note that the parliamentary secretary said that the Treasurer had asked that she hand them on to those handling the bill in this chamber. I make the point that, some years ago, we said that we would not handle these bills any more unless these documents were provided. Without the appropriate documentation, it was a hopeless proposition to try to understand what, for instance, the figure of \$4.098 million against the words “Treasury and Finance” actually meant. This is helpful, and it will save some time as we work our way through the schedule. As I have a number of questions, I will allow others to ask their questions as required.

The first comment I make is about the Legislative Council having been provided with an additional \$439 000 for the year ended 30 June 2006. This is by way of an additional appropriation, and it was approved for the operational costs of the Legislative Council, standing and select committees, including the new Standing Committee on Estimates and Financial Operations, and for resources required to meet the Legislative Council’s obligations under the State Records Act 2000. As a member of the Legislative Council, and as someone who has had some direct involvement in the Legislative Council budgets over a period of years while I was the President, I am pleased to see that this money was provided to, and clearly accepted by, the Legislative Council. In the past there has been some reluctance by Treasury to acknowledge the work of the Legislative Council. I hope that the new Under Treasurer better understands the needs of the Legislative Council when compared with those of the Legislative Assembly. If members work out the amount of money that is appropriated to the Legislative Assembly compared with that to the Legislative Council, it is clear that it is not a balanced situation. The late former Clerk of the Legislative Council often used to say to me that he was proud of the fact that we had a very tight budget. Regrettably, at times the budget was so tight that we were put in a position in which we had to sell assets and enter into lease arrangements rather than pay the capital cost for certain equipment in the Legislative Council, while the other chamber enjoyed a greater allocation of funding. From my point of view, and from the point of view of the opposition, the \$439 000 has been gratefully accepted and will be used appropriately. More than that, the committees of this house are a very important part of the role and function of this house and it is proper that they be resourced adequately. One only has to go to the Commission on Government reports to see what that commission said about the role and functions of the Legislative Council and how important it is for a government to recognise the need to appropriately fund the Legislative Council. I am very aware that some ministers in some governments express the view that because the Legislative Council from time to time, through its committee system, is critical of government activities, by way of punishment funds should be held back, so to speak, from the Legislative Council. That is the beginning of the end of the democratic process if that is to continue. If I were ever able to prove that Treasury was deliberately withholding funds from the Legislative Council, I would ask the Legislative Council to establish a select committee to look at the reasons behind Treasury’s actions. I do not have that proof, although for a period of years, both in government and in opposition, I believed that there was a significant reluctance by Treasury to recognise the important work of the Legislative Council. I am hoping that those times have passed and that the new Under Treasurer better understands the need to fund the Legislative Council properly. We are pleased to accept the funding. Hopefully, it is the beginning of a new era in relations between the Legislative Council and Treasury, which I note towards the end of each financial year often rings certain members to encourage them to progress its bills. I do not find that unreasonable, but I find it unreasonable when Treasury forgets the particular role of the Legislative Council and the fact that it costs money to run.

If the Under Treasurer ever wants to speak to me about issues regarding the Legislative Council, I stand ready to speak to him. In fact, we had a good discussion 18 months ago when I raised with him the disgraceful underestimation by Treasury of the state government’s revenue, and he gave a commitment that he would look into it. As a result of that, he formed a committee, and sought advice. I am sure that as the 29 recommendations that were made by the committee are implemented, there will be some improvement in the estimating process.

However, it has not come through as yet. Obviously, the preliminaries are only just in play, and it has not bitten yet, so to speak.

The next issue is the \$2.94 million that is to be appropriated for the Water Corporation state water strategy rebate scheme. We understand why the rebate scheme requires that additional \$2.94 million. However, I ask the parliamentary secretary, given that this money was used to advertise the need for consumers to use their water in a sparing and wise way, what is being done about the Water Corporation's responsibility to fix up its leaking pipes, which is causing the loss of massive litres of water every day?

Hon KATE DOUST: I understand that Hon George Cash wants to know what the Water Corporation is doing to fix its leaking water pipes. That work will need to be funded out of the Water Corporation's capital works program. I do not have the details of that. I know that the Water Corporation has commenced work on a project to test the water pressure in a number of suburbs in the city. I am happy to provide that information for the member, or refer the question to the relevant minister to provide him with the detail that he seeks.

Hon GEORGE CASH: If the parliamentary secretary would provide that detail in due course, that would be helpful. The parliamentary secretary would understand that, on the one hand, taxpayers are being asked to appropriate an additional \$2.94 million for the state water strategy rebate scheme, and, on other hand, to fund the loss of massive litres of water every day by the Water Corporation.

We are dealing with the Department of Treasury and Finance; that is, the administered areas under its control. The next issue is the Western Australian Land Authority. An amount of \$2.498 million is to be appropriated for the various items that are listed on the notes provided by the parliamentary secretary. The first item is an amount of \$2.65 million for the Mungari evaporation ponds. The No 5 bill deals with appropriations for recurrent services and purposes. Why are the Mungari evaporation ponds considered to be a recurrent item, when one would expect, on the face of it, that that item would appear in the capital expenditure bill?

Hon KATE DOUST: I understand that is a grant paid to an organisation outside the general government sector, and is a subsidy.

Hon GEORGE CASH: Notwithstanding the fact that it is a subsidy, if it is for a matter of a capital nature, why is it not appearing in the capital accounts as a subsidy?

Hon KATE DOUST: This is a subsidy that represents the difference between the actual rate of return and the actual return. As the Western Australian Land Authority would not break even due to the community service component, the government therefore provides a subsidy so that it can break even.

Hon GEORGE CASH: Does that, therefore, mean that the subsidy is likely to be required to be paid on an annual basis?

Hon KATE DOUST: No, I understand it was a one-off payment.

Hon GEORGE CASH: The only hint I get that this is recurrent - perhaps the parliamentary secretary can correct me - is that it is in fact a replacement for evaporation ponds. Is there any distinction in the replacement of an evaporation pond and the provision of the pond in the first instance? Would that change the nature of the funding from recurrent to capital?

Hon KATE DOUST: I understand that there are capital costs and the Land Authority has undertaken responsibility for those costs of a capital nature, but they sustain an operating loss due to the community service obligation and the nature of the project. I understand that those ponds were replaced due to environmental reasons.

Hon GEORGE CASH: Was the establishment of the ponds a matter of a capital nature or a recurrent nature, because on the one hand they were established and on the other they are being replaced?

Hon KATE DOUST: Hon George Cash, I do not have that type of detail with me. If the member is happy for me to provide an appropriate response, I can do so.

Hon GEORGE CASH: I will be happy for the time being, but the question of what is recurrent and what is capital will come up on a number of occasions due to the limited explanation provided in the notes. I will move on for the time being.

Further down in that same section is a reference to the Broome Port Authority requesting an amount of \$576 000. This money, according to the notes, was used for maintenance, which I understand to be a recurrent matter, and upgrading the jetty. The question is: does the upgrade constitute capital works? Either way, the parliamentary secretary may be able to provide a breakdown between the maintenance and upgrading of the jetty. It seems to me that the nature of the works will determine whether it is a recurrent or capital item.

Hon KATE DOUST: I understand that the maintenance of the jetty is a recurrent item, and that is represented by the figure of \$576 000. The upgrade of the jetty is a capital item that is set out in Appropriation (Consolidated Fund) Bill (No.6). The amount allocated is \$250 000.

Hon GEORGE CASH: The wording under “Broome Port Authority” states that an additional amount of \$576 000 was provided for the maintenance and upgrade of the Broome jetty. That wording is not accurate, because, from what the parliamentary secretary said, it would be an amount of \$576 000 for the maintenance of the Broome jetty.

Hon KATE DOUST: I understand that the member is correct.

Hon GEORGE CASH: It is not a case of being correct. We are dealing with a recurrent account. The parliamentary secretary said that the upgrade of the Broome jetty is a capital item. I understand it to be a capital item. The matter has been clarified. However, the wording in its present form leads one into error.

Hon MURRAY CRIDDLE: On the issue raised by Hon George Cash, Appropriation (Consolidated Fund) Bill (No.6) states that the Broome Port Authority received supplementary funding of \$250 000 to cover the shortfall in funds provided to make extensions to the jetty. The other bill refers to an additional amount of \$576 000 provided for the maintenance and upgrade of the Broome jetty. Is the total figure \$250 000 plus \$576 000, or is it one of those figures?

Hon KATE DOUST: Yes, I understand the total figure from each bill is added together.

Hon MURRAY CRIDDLE: Therefore, the one we are dealing with, which is the one that Hon George Cash was talking about, is taken as recurrent expenditure, even though there is an upgrade included, and the other one is a separate issue which, I thought, would be supplementary funding for this very purpose. Is that correct?

Hon KATE DOUST: I understand that the \$576 000 of recurrent funding is predominantly for the maintenance. The upgrade that is listed is a minor upgrade. The amount shown in the other bill as a capital cost is for the extension. I take the point made by Hon George Cash that perhaps it could have been worded more appropriately and made clearer.

Hon GEORGE CASH: The question therefore is: if maintenance is a recurrent matter, and I agree that it is, and the upgrade is now being said not to be capital but part recurrent, where is the cut-off between recurrent and capital on projects which, on the face of them, would be capital projects?

Hon KATE DOUST: I understand that it would depend upon the interpretation of the nature of the accounting treatment.

Hon GEORGE CASH: The reason I would like to know where the cut-off is - that is, where a capital cost can, in fact, be included in the recurrent expenditure accounts - because at page 10 of the notes, under Mid West Development Commission, there contains an item called “boat lifter” and it amounts to \$1.5 million. On the face of it, one would believe the boat lifter is a capital item, but it appears within the recurrent account. That is the dilemma I face. Is the parliamentary secretary able to cast some light on that?

Hon KATE DOUST: In response to the question about the boat lifter, I am advised that capital spending results in state assets. A grant was given to the local government to build and to own the asset; that is, the boat lifter.

Hon GEORGE CASH: I do not know whether we have gone any further in respect of the Broome Port Authority. I asked where the cut-off was between recurrent and capital expenditure. If the parliamentary secretary can help me on that, it will save me some time later.

Hon KATE DOUST: For the Broome jetty, I understand that, in an accounting sense, it did not add value to the asset; it just maintained the asset.

Hon GEORGE CASH: I understand the answer given by the parliamentary secretary. However, in real terms, just because something does not add value does not as such distinguish it as capital or recurrent expenditure. There could be lots of capital expenditure that did not technically add value. In fact, a person could technically lose money by expending money. However, I understand, I think, where the parliamentary secretary is coming from, and I would be very happy to move on in that regard. I want to move to page 8 of our notes, under the Department of Agriculture and Food, where an amount of \$17 632 000 is being sought as an additional appropriation. In respect of the European house borer, an amount of \$4.9 million is being sought for additional funding. I have to acknowledge that I do not know a lot about the European house borer.

Hon Kate Doust: That makes two of us.

Hon GEORGE CASH: We might have to call on the Minister for Agriculture and Food in a moment. However, that is not the question. I am not suggesting it was not spent; I am sure it was spent. My question is:

\$4.9 million in unanticipated expenditure is an awful lot of money to spend in one year. How much was the expenditure for the whole year on the European house borer, in rough terms?

Hon KATE DOUST: I do not have that detail with me, but I am sure that the Minister for Agriculture and Food will be happy to provide that level of detail for the member.

Hon KIM CHANCE: My understanding is that the lion's share of that \$4.9 million was spent. However, I need to add, since the matter has been raised, that this is an issue on which we are seeking involvement at a national level because it is an eradicable exotic pest. Therefore, similar to the arrangements that we have with the commonwealth and the state of Queensland for the red imported fire ant, we are attempting to satisfy our colleagues in the other jurisdictions that this should be covered. However, there is no certainty that that can be achieved. Nevertheless, my understanding is that the lion's share of that \$4.9 million was in fact expended.

Hon GEORGE CASH: That casts some light on the issue. There is a reason for my question. We are spending an additional \$4.9 million, and I wanted to know whether that was on top of, say, \$5 million that had already been set aside. However, the minister has said that he believes the \$4.9 million was the bulk of what was spent in that year on the European house borer. I can only assume that the European house borer came out of nowhere, so to speak, and had to be dealt with there and then, and it has been an expensive proposition. We obviously do not object to the expenditure; it is necessary. In fact, we wish the minister well. If he could get some compensation from the federal government, that would be even better, and we would no doubt see it in the accounts next year.

Hon MURRAY CRIDDLE: I just wanted to touch on the salinity issue and the repositioning of the Department of Conservation and Land Management. An amount of \$3.7 million went from CALM to the Department of Agriculture and Food. The notes say the \$3 million appropriation was not drawn down by CALM. I wonder why it was not drawn down. That obviously resulted in a saving for CALM. Then there was an appropriation of \$7.7 million for the national action plan. I can understand that. Why did CALM not draw down the \$3.3 million?

Hon KATE DOUST: I understand it came down to a timing of the expense and CALM did not draw down the money. Because responsibility moved from CALM to the Department of Agriculture and Food, there had to be an additional appropriation to Agriculture and Food.

Hon Murray Criddle: So, that was in the transfer. I understand that.

Hon GEORGE CASH: The next matter I want to raise is on page 10 under Mid West Development Commission relating to the item listed as "Boat lifter \$1.5 million". As I understand the parliamentary secretary, the \$1.5 million was given as a grant to the local authority and I assume the authority used the grant to build the boat lifter.

Hon Kate Doust: To buy it.

Hon GEORGE CASH: And the local authority owns it. That is the point. If the words next to "boat lifter" said "subsidy paid to local authority" -

Hon Kate Doust: It would clear it up.

Hon GEORGE CASH: It would, because the boat lifter, as it is listed, appears to add to the capital base of the state - the capital assets - whereas the ownership apparently is in the local authority and it was nothing more than money, so to speak, that was transferred for a particular reason. On the face of it, a boat lifter would normally be assumed to be a capital item that adds to the capital base, and that is the way it appears to be described. As it was apparently by way of a subsidy, it is not really -

Hon Kate Doust: You are really saying that if this comes up again, you need some more detail.

Hon GEORGE CASH: Yes, that is all. That would be helpful.

Progress reported and leave granted to sit again, pursuant to standing orders.