

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Division 9: Treasury and Finance (except items 31 and 126), \$3 642 626 000 —

Ms L.L. Baker, Chairman.

Mr C.J. Barnett, Treasurer.

Mr T. Marney, Under Treasurer.

Mr M. Barnes, Deputy Under Treasurer.

Mr J. Tondut, Acting Executive Director, Building Management and Works.

Mr A.D. Temby, Principal Policy Adviser, Office of the Premier.

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

The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account; this is the prime focus of the committee. Although there is scope for members to examine many matters, questions need to be clearly related to a page number, item, program or amount within the volumes. For example, members are free to pursue performance indicators that are included in the *Budget Statements* while there remains a clear link between the questions and the estimates.

It is the Chairman's intention to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The Treasurer may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. For the purpose of following up the provision of this information, I ask the Treasurer to clearly indicate to the committee which supplementary information he agrees to provide, and I will then allocate a reference number. If supplementary information is to be provided, I seek the Treasurer's cooperation in ensuring that it is delivered to the committee clerk by Friday, 11 June 2010 so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers, and, accordingly, I ask the Treasurer to cooperate with those requirements. I caution members that if the Treasurer asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the Treasurer agrees to provide will be sought by Friday, 11 June 2010.

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

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

[Witnesses introduced.]

The CHAIRMAN: Thank you. Just to clarify, I am prepared to take further questions from other members of the committee. I will, however, not take them if we keep going too long, or lose track, or lose control, or whatever. I just wanted to clarify that. Questions? Member for Victoria Park.

Mr B.S. WYATT: I refer to the first dot point on page 125 of the *Budget Statements* and my question is about the public sector cap. I have seen the *Hansard* of the Premier's answers from a couple of days ago and I note that the Premier will provide some definitional supplementary information to that committee.

I wish to make one point. In estimates last year the then Treasurer made the point that the number of full-time equivalent employees in the general government sector was 99 000-odd, but we now know that it was 99 155. The FTE cap is now 114 000. The former Treasurer liked to put that in a weekly basis, and it seems that over the last year there has been an increase of 285 people a week or 41 public servants recruited a day. I note that in evidence given two days ago, the Premier spoke about some exclusions. I have a letter from Tim Marney, Under Treasurer, addressed to Mal Wauchope and dated 18 February 2009, referring to the cabinet decision of 22 December 2008 that confirmed the FTE ceiling at 99 155, effective immediately. According to that letter, any increase over and above the ceiling would require the specific approval of the Economic and Expenditure Reform Committee at cabinet. That letter to Mr Wauchope contained the list of those agencies covered by the FTE cap, including education and training, health and WA Police, in their entirety.

Obviously, at some point Treasurer, the cabinet decision of 22 December 2008 was changed to have some exclusions for some significant departments—police and education, in particular. When did that cap change, or when did cabinet reconsider the cap?

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Mr C.J. BARNETT: I cannot answer that off the top of my head. However, the cap as it stood for 2009–10 was, basically, 103 000; for the coming year, it will rise to 106 000, which allows for the growth in health, police numbers, corrective services, education and a few other areas. The answer that I gave the other day was not entirely accurate; there is a difference of 10 000, which I have been advised since then is actually employment within the government trading enterprises.

Mr B.S. WYATT: So that 114 000 —

Mr C.J. BARNETT: Yes, it includes government —

Mr B.S. WYATT: —includes the 10 000 GTEs.

Mr C.J. BARNETT: Yes; that is right. The cap goes from about 103 000 to about 106 000, and that is growth in areas such as policing and teacher numbers, which are driven —

Mr B.S. WYATT: I am sorry, but —

Mr C.J. BARNETT: The cap went through a couple of definitions, I guess, from when it was first introduced in, I think, December 2008.

Mr B.S. WYATT: I can give the Treasurer the exact date of the cabinet decision—22 December 2008. But —

Mr C.J. BARNETT: Yes. The cap is working. I will ask the Under Treasurer to comment on some more recent figures, but my understanding from Treasury is, in fact, that we are about 700 FTEs below the cap level. The cap is working and actual numbers, in terms of comparing like with like, are below the cap.

Mr B.S. WYATT: For the 2010–11 year, do we expect the cap to go from 103 000 to 106 000?

Mr C.J. BARNETT: Yes.

Mr B.S. WYATT: So the cap moved from 99 000 to 103 000.

Mr C.J. BARNETT: Yes.

Mr B.S. WYATT: When Mr Marney gives his evidence, can I ask him to address the issue that in his evidence at last year's estimates he said that there was an allowance of 880 positions for the current financial year, but obviously there has been significantly more than the 880 this financial year.

Mr C.J. BARNETT: Yes. It is not an absolute cap; it is a ceiling on the general government sector. And within that, growth is allowed for. For example, teacher numbers are student driven, as they should be. The government has a policy commitment to increase the number of police officers and the like. The cap is stopping what was basically a runaway growth in public sector numbers. It is a ceiling.

Mr B.S. WYATT: Is there a limit to how much the cap or ceiling can grow each year?

Mr C.J. BARNETT: Not in absolute terms. However, if the government makes a policy decision to increase staffing in an area, we are allowing for that within our ceiling.

Mr B.S. WYATT: I realise that the Under Treasurer —

Mr C.J. BARNETT: I am not quite sure what point the member is trying to make.

Mr B.S. WYATT: It just seems that the letter from Mr Marney to Mr Wauchope is fairly clear. Any increase over and above the ceiling will require the specific approval of the EERC. At the time, certainly given the comments of the former Treasurer during estimates last year, it was a cap and not a moving feast. No doubt the Under Treasurer will comment on that now.

Mr C.J. BARNETT: I will ask the Under Treasurer for his comments.

Mr T. Marney: If we go back to 2009–10, our estimated outturn for 2009–10 is 101 619, which is 1 292 FTE below the ceiling of 102 911.

Ms R. SAFFIOTI: I am sorry; will the Under Treasurer repeat that?

Mr T. Marney: Yes; the EOT is 101 619, with the ceiling being 102 911.

Mr B.S. WYATT: And what is that below the ceiling?

Mr T. Marney: We are 1 292 below the ceiling in terms of estimated outturn.

There were revisions to the original 2009–10 ceiling, which from memory was 101 803. Those revisions reflected explicit decisions of government to increase staff numbers in particular areas and I think the dominant area in that was teaching staff, reflecting the increase in student enrolments in the 2009 calendar year. Therefore, policy decisions of government meant that the government explicitly wanted additional FTEs allocated to a

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particular area and in light of that the ceiling was recast. Similarly, going forward to 2010–11, the policy decisions of government taken during the budget process—from memory, expenditure worth around \$2 billion was added to the forward estimates as part of the budget process—will obviously have an FTE implication, particularly in health. For example, the ceiling for 2010–11 was revised up to reflect that. In the case of health, the ceiling for health was revised up by 1 152 FTE. What we are trying to —

[9.10 am]

Ms R. SAFFIOTI: Is that nurses or —

The CHAIRMAN: Member for West Swan, you have the next call.

Ms R. SAFFIOTI: Sorry; this is part of this question.

The CHAIRMAN: You want a follow-up question; okay.

Ms R. SAFFIOTI: In respect of the 3 000 increase in the cap from 2009–10 to 2010–11 they are as a result of policy decisions of government; therefore they are across government and not isolated simply to health, education and police.

Mr T. Marney: The dominant or top five areas are: health 1 152; police 384, which is a continuation of the government's rollout of additional police; corrective services 208; a slightly more problematic one, Treasury and Finance, 182, but I will come back to a definitional issue there; and Department for Child Protection 148. Again, there was a policy decision to increase the resourcing of child protection, therefore the FTE and the ceiling goes up. There has been one definitional change reflected; that is, the treatment of employees involved in the delivery of capital projects. Previously they were out of scope in terms of the budget reporting, but the Public Sector Commission's independent reporting includes those FTEs. We had "capitalised" the FTEs associated with discrete projects. In some agencies, like Treasury and Finance—which has a large number of people engaged in the delivery of capital projects—those FTEs are now counted as part of the overall ceiling.

The CHAIRMAN: Members, I will take one more question and then move on. I remind members to put the questions to the Treasurer.

Mr W.J. JOHNSTON: Could we be provided with supplementary information that shows where the growth is in terms of front-line services? Mr Marney indicated there were 380 or so in the police department. Clearly that figure is not all new police officers because the government has not hired that many additional police officers. Could we have a breakdown between the cap on front-line services and the cap on administration? The second issue is: the Treasurer said he is under the cap. Could we get an indication of which departments are not able to find enough people to do the job they have been asked to do?

Mr C.J. BARNETT: The ceiling or cap, whatever we want to call it, is there to control what was an uncontrollable growth in general public service numbers. It is working. We are below the cap. Because we are below the cap does not mean departments cannot find staff. Some departments remain, in my view, overstuffed. We are not simply allowing departments to go out and replace staff—departments have to provide a reason. There are a number of departments that are bloated.

Ms R. SAFFIOTI: My question relates to the efficiency dividend. I refer to page 131 service 1 headed "Financial Management and Reporting". In the midyear review that was tabled in December there was a table produced that showed how departments were tracking in respect to meeting the efficiency dividend. In two key departments, education and health, the review stated that the achievement of efficiency dividends in those departments was in progress; that is, it is not fully implemented. What is the progress of both health and education for this financial year, 2009–10, in achieving their targeted efficiency dividends? I also ask whether WA Police is achieving its efficiency dividend and on target to achieve it.

Mr C.J. BARNETT: The education efficiency dividend has been spread over some years. Obviously, that department is driven by growth in student numbers more than anything else. Health is going through a major reform process but it is doing reasonably well in achieving its efficiency dividend. I am not sure about police; I will ask Mr Marney to answer that.

Mr T. Marney: At this stage police are on track to achieve their efficiency dividend. In some respects the significant injection of funding into health has swamped the transparency in the achievement of the dividend. Having said that, the reform initiatives in health around the four-hour rule activity-based funding more particularly are the concrete measures that roll out a rebased set of controls within the system that will achieve those amounts.

Ms R. SAFFIOTI: In respect to education, the Treasurer said that the savings were spread over four years. I am looking at the midyear review table that shows the implementation of corrective measures. There was

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\$93 million outlined to be saved from education and training in 2009–10. Is the Treasurer saying that is now not going to happen and it will be spread over the forward estimates?

Mr C.J. BARNETT: There is a spreading forward of some of the education efficiency dividend, yes.

Ms R. SAFFIOTI: Does the Treasurer have those figures of how much that is?

Mr C.J. BARNETT: I do not know that we can provide it now.

Mr T. Marney: Of the original target of \$93.6 million, my understanding is that \$41.7 million has been achieved. There is an amount of around \$52 million that is therefore spread over the forward estimates.

Ms R. SAFFIOTI: Will that require education and training to come back to the consolidated fund to receive additional funding, given its budget was cut by \$93 million?

Mr C.J. BARNETT: The education budget is growing.

Ms R. SAFFIOTI: Yes; but as part of the efficiency dividend process the budgets were cut to reflect the implementation of the efficiency dividend.

Mr C.J. BARNETT: The Department of Education is making a number of reforms including to district offices, which will generate significant savings.

Ms R. SAFFIOTI: As the budget was cut to implement the efficiency dividend, does that now require education and training to come back to the consolidated fund to supplement —

Mr C.J. BARNETT: They are now separate departments.

Ms R. SAFFIOTI: Will the Department of Education be coming back to Treasury to request Treasurer's advance authorisation for additional funding?

Mr T. Marney: No. Those amounts are spread through the forward estimates. The 2009–10 budget has been reset with that \$52 million injection in 2009–10, and then that has been recouped over the forward estimate years.

Ms R. SAFFIOTI: So the budget has already been changed to reflect it?

Mr T. Marney: Yes.

Dr M.D. NAHAN: I refer to the first dot point on page 125 of the *Budget Statements*. It refers to the improvement in the state's economic outlook. The challenge is to build on these foundations. Could the Treasurer give some indication as to what policy is in place to build on these long-term foundations?

Mr C.J. BARNETT: I think the member for Riverton would be of the same view as me, that the Western Australian economy is improving. It has certainly shown those signs in the past few months. I am extremely worried about what implication the federal mining tax proposal will have. I know there is somewhat of an academic debate taking place in Australia about models and the like. We are fortunate in this state that a number of large projects, particularly in the liquefied natural gas sector, are largely unaffected by those changes. I expect those projects to go ahead. Within this budget we are allocating large amounts of funding to key projects in this state such as the LNG Precinct, the Ord River project, and Oakajee and others; and of course the Gorgon project is underway.

The capital works project, or the asset investment program of \$7.6 billion, is strong. One of the reasons Western Australia did well over the past 18 months was the big capital works program that we had in last year's budget. That has, of course, been rolled out through schools and hospital projects, and a whole lot of regional development exercises. We are conscious that, given the experience of around 2006 when there was a boom period in commodity prices, we saw house prices rise and land shortages. There are a number of measures in this budget to try to make sure we avoid those problems. There was also a big commitment last year, and this year, to training. I am optimistic about the state economy. What is being played out in Canberra is a great tragedy. In an ironic way, while the effects will be felt most in Western Australia, there are probably enough large projects coming that this state will actually ride through it reasonably well. The flow-on effects to the other states is where it will be felt. For example, there are several thousand fly in, fly out workers who come from the Gold Coast, Melbourne and now Sydney—they will be the first to lose their jobs. The loss of jobs will show up, to some extent, in the statistics of other states. It is a very, very uncertain time now. We had gotten through this recession, or downturn, in Australia and we were really looking forward to a terrific period ahead, which is being put at risk by the Rudd government.

[9.20 am]

Dr M.D. NAHAN: One of the issues in the past growth period was people, or the lack of them, particularly skilled people; will that continue to be a problem, or does the government anticipate it to be so?

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Mr C.J. BARNETT: Yes, it is a problem, particularly now in mining construction and operations. We are talking about highly skilled people now—the demands of that industry, in its modern form, are very exacting. The pressure is there, although I am still a little sceptical about some of the forecasts of the Chamber of Commerce and Industry of Western Australia that we need hundreds of thousands of people; I just do not think that is the case. Nevertheless, hopefully we will see the increased migration of people across Australia, and Western Australia continues to attract a very high proportion of overseas migration. I will be concerned if, federally, cuts were made to our international migration program; I think that would become a serious problem for us. If that was maintained at a fairly high level, I think we will get through.

Mr W.J. JOHNSTON: I will just turn to budget paper No 3 and the economic outlook for Western Australia. I just want to establish —

The CHAIRMAN: Member for Cannington, you have to link it into the *Budget Statements*.

Mr W.J. JOHNSTON: This is budget paper No 3, and the Treasurer indicated that he would take questions on budget paper No 3.

Mr C.J. BARNETT: Yes, but it has to be tied in somehow to budget paper No 2.

Mr W.J. JOHNSTON: I refer to page 131, “Financial Management and Reporting”. I want to get a clear picture of the economic aggregates in the projections. There must be a limit to how detailed the economic budget projections can be—that is, to how far Treasury can go.

Mr C.J. BARNETT: Sorry; I do not understand. What does the member mean by a limit to how far we go?

Mr W.J. JOHNSTON: Specific projections have been made about how the economy will grow and how revenue will be available; there must be some limits to the structure in which the projections are done. I am trying to establish what those broad limits are—there must be some—to that capability of making those types of projections.

Mr C.J. BARNETT: Treasury has models that it uses, and it is currently putting some effort into improving its modelling capacity. When I talked to some of the young people who work in that area, I was very impressed by them. But any model is dependent upon the assumptions made —

Mr W.J. JOHNSTON: Absolutely.

Mr C.J. BARNETT: — and assumptions are assumptions. A random event can occur, such as a proposal for a federal mining tax. No model will predict that, yet that will affect objective forecasts. In my experience, Treasury forecasts seem to be pretty well on the money. Before the debate about the federal mining tax, I would have, in fact, suggested that the forward forecasts were perhaps a bit conservative, but they will probably be fairly close now, I think, given that that debate is having a dampening effect on investment—a very profound one. I will ask the Under Treasurer to comment on the modelling.

Mr T. Marney: I will give a very brief summary of what we do in this space. We have a quantitative analysis and forecasting area within the Department of Treasury and Finance. We have built our own forecasting frameworks over a period of the past 15 years based on the frameworks employed by the commonwealth Treasury and the Reserve Bank of Australia. We use very similar methodologies and provide very similar training for the analysts in those areas. There is a limit on how much can be done, and often we are best at picking turning points about 12 months after they have happened, but that is the reality of economic forecasting. In essence, we take the current trends in various economic indicators down to a fairly fine degree, right down to things such as the number of new motor vehicle sales and the number of new housing finance commitments, and compare those historically through spreadsheet analysis, graphical analysis and fairly sophisticated econometric analysis. For key variables, we will attack those from a number of different analytical directions. We will do all three of those to ascertain whether or not the forecasts align and make sense. At the end of the day, it comes back to also taking into consideration what makes sense intuitively—judgement is involved—and we listen to what others are saying about the prospects for the state. In that context, we have consultative forums with industry and other forecasters—again, the Reserve Bank—and we check against consensus forecasts done by private institutions to make sure that what we are forecasting actually does stack up relative to what others are expecting, and that we are not missing something due to our own insular thinking within the department closing our view to something that is having a material impact. That, in essence, is our methodology. We have built into the department’s key performance indicators, in the past year or so, measures around forecast performance, both for our economic forecasts and our revenue forecasting performance to give some transparency as to how we are going.

Mr W.J. JOHNSTON: Treasurer, does that mean that the prediction of the \$44 million benefit to the Western Australian economy from the Red Tape Reduction Group will not be able to be measured by any of the

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parameters that Treasury use, and that we will never know whether the Red Tape Reduction Group that the government has trumpeted over the past 12 months will have any impact at all on the economy?

Mr C.J. BARNETT: The Red Tape Reduction Group gave an estimate that if its recommendations were implemented, up to \$44 million could be saved. That is an assessment, but it is not part of macroeconomic modelling.

Mr W.J. JOHNSTON: It would be impossible to measure it, would it not?

Mr C.J. BARNETT: Not impossible, no; it would not be.

Mr W.J. JOHNSTON: Treasury will not be able to measure it, will it?

Mr C.J. BARNETT: It is not impossible to estimate the savings from regulatory reform. The Productivity Commission does that every month of the year, and the regulation authority does similar work.

Dr M.D. NAHAN: In the past, because of Western Australia's very project-oriented economy, a supplementary way to forecast issues in this state has been to monitor big projects and how they are going. Is that still the case, because they can be very unpredictable both in time and magnitude at times; on the other hand, they are sometimes more predictable than macroeconomic models?

Mr C.J. BARNETT: Yes, it is. Thinking back in time, I remember doing some work on the impact of the North West Shelf gas project; it was very discrete and it could be measured very easily. The member will notice that these *Budget Statements* contain estimates of the impact of the Gorgon project on the state economic growth rate. We have these large, lumpy projects, and I would think that Treasury takes a fairly conservative view about incorporating them. Gorgon is into construction; therefore, it would be incorporated, but I doubt that huge weight would be given to some of the projects that are a bit further out. I think that Gorgon and some of the iron ore expansions of the major companies can be treated with certainty now, but there is lumpiness. One of the difficulties is that the growth rate of the Western Australian economy, at least nominally, bounces around all over the place. That is not a true indication of what is happening. Sometimes the growth rate seems to slow simply because the year before there was a very high injection of capital. I do not know whether the Under Treasurer agrees, but I think it can be wrong to read too much into year-to-year variations in Western Australia because it is so volatile because of that lumpiness. The Under Treasurer might like to comment on that; he will probably disagree with me!

Mr T. Marney: No, I think —

Mr B.S. WYATT: No, he will not comment; therefore he disagrees!

Mr T. Marney: Yes, it is true. As I said earlier, we try to come at forecasting from two different angles. On the one hand, we will do macro aggregate forecasting, not taking into consideration specific projects, and then we look at large projects such as Gorgon. The timing around Gorgon, as we understand it, has shifted in recent months, which has had quite a significant impact on the profile of growth in the forward estimates, as the Treasurer suggested.

[9.30 am]

Therefore the gross state product measures can be quite volatile and do not give a true representation of what the real outcome of growth in community wellbeing actually is. In that context, to get a better sense of what is to the benefit of the people of this state from the state's economic activity, our read is employment and unemployment growth rather than looking at peaks in lumpy hundreds of millions of dollars of single quarters of investment.

Mr B.S. WYATT: I asked this question last year and no doubt the Treasurer and the Under Treasurer will be ready for it this year. My understanding of the wages policy is that, basically, it guarantees a consumer price index rise but, if productivity gains can be proved, up to the wage price index. Does that still apply?

Mr C.J. BARNETT: Yes.

Mr B.S. WYATT: In that case I refer to the "Operating Statement" on page 163 in budget paper No 3, which indicates the amount of money allocated each year to salaries in the general government sector. The 2008–09 budget provided for a 16 per cent rise in salaries. Up to the end of this financial year the budget provides for a six per cent rise in salaries; the next financial year, 6.2 per cent; the following year 6.5 per cent; and the year after that 5.65 per cent. The range of CPI to wage price index suggests that each year it should be somewhere between 2.75 per cent and up to a maximum of 4.5 per cent. Last year I asked why, effectively, there was budgeting to breach the wages policy and the Under Treasurer made the point that at that time it had not had the time to have an impact on the forward estimates. Clearly, now we are there, over the forward estimates we still budget well beyond the wage policy. Can the Treasurer explain the reason for that?

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Mr C.J. BARNETT: Those figures relate to the total wages bill so they reflect wage increases plus growth in numbers of full-time equivalents. Basically, we have wages growing at inflation. Inflation is three per cent to 3.5 per cent, or of that order, and there is about a two per cent FTE growth and that gives those figures. It is the total bill, not the wage of a representative employee.

Mr B.S. WYATT: Therefore, a growing public service has the impact of pushing that up.

Mr C.J. BARNETT: Yes, say, we have three per cent wages growth and two per cent FTE growth—it is the total wages bill. Wage totals number of workers.

Mr A. KRSTICEVIC: I refer to the reference to goods and services tax revenue on pages 68 to 75 of budget paper No 3. What impact is Western Australia's declining share of GST revenue having on this state's budget and what is the government doing about this issue?

Mr C.J. BARNETT: There has been quite a bit of discussion about GST and I have read articles suggesting that we have had a windfall in GST. I wish we had. It is true that GST collections, due to retail spending growth, did mean they came in ahead of budget. When we allow for the change in relativities, which took something like \$500 million off our share and then net in the growth in GST collections, the net result is that our GST receipts for 2010–11 are actually \$211 million less in actual dollars. In a climate in which retail spending continues to grow and population has grown, it is an appalling result for Western Australia that it gets \$211 million less this coming year than it did in the current year. The projections going forward indicate that there is a bit of a jump the following year and then it falls away. We are in a situation, in spite of population growth and in spite of growth in retail spending, in which this state's GST share is falling in nominal dollars. If we allow for inflation, the real dollar effect is even greater. From the commonwealth grant—GST, plus specific purpose payments, which make up typically 45 per cent to 50 per cent of the state's total revenues over the past five or six years, it falls down to about 35 per cent on current projections. The commonwealth is treating this state appallingly in a number of areas and that is one example.

Mr W.J. JOHNSTON: I will follow up on this issue. Is it right that from the 2009–10 budget to the expected out run this year there has been a \$253 million increase in GST? I understand from the budget papers that the projected outcome this year is \$3 500 085. I am referring to the same page the member for Carine referred to. In the 2009–10 budget papers the expected amount was \$3.332 million.

Mr C.J. BARNETT: If the member looks at page 68 of budget paper No 3, he will see that GST revenue for 2009–10 was \$3.585 million and for 2010–11 is \$3.374 million. That is a fall of \$211 million. In 2011–12 there is a slight rise, but it actually gets down in three years' time to \$3.277 million.

Mr W.J. JOHNSTON: I understand the bad deal done that was done on GST by the previous Liberal government. I am not going to that question. I am going to a different question. My question is that the budget paper for 2009–10 indicated that there would be \$3.332 million of GST revenue. However, in the current budget paper No 3, at page 61, the GST figure for 2009–10 is \$3.585 million; that is, \$253 million more than was projected at the time of the handing down of the 2009–10 budget. Is that right?

Mr C.J. BARNETT: Yes.

Mr W.J. JOHNSTON: The projection in last year's budget papers for GST for 2010–11 was \$3.061 million. Again, on page 61 of this year's budget paper No 3 that is a figure of \$3.374 million, to which the Treasurer referred, and that is \$313 million more than was projected in the 2009–10 budget. Is that correct?

Mr C.J. BARNETT: What is the member's point? What is his question?

Mr W.J. JOHNSTON: I am trying to figure out whether there has been additional GST revenue for the budget of about \$1.857 million between 2009–10 and 2012–13. I want that confirmed.

Mr C.J. BARNETT: The member is wrong because two factors are at work. The GST pool increases if retail spending increases and, therefore, GST collections go up. The distribution of the GST pool works against us. Total GST collections have gone up and the state's share of the GST pool has gone down. One is a positive and one is a negative and the negative has outweighed the positive; therefore, for the coming financial year the GST revenues handed to WA are down by \$211 million. There is no GST windfall; there is a GST loss.

Mr W.J. JOHNSTON: I understand the bad deal that was done for GST by the previous Liberal government. I am not referring to it.

Mr C.J. BARNETT: I am not referring to it either. I am making the point that GST revenues have actually declined.

Mr W.J. JOHNSTON: The table on page 50 of the 2009–10 budget sets out the expectations of GST revenue. That table is repeated on page 61 of the 2010–11 budget. For example, in the 2009–10 budget the table indicates

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that there would be \$3.332 million of GST revenue and this year's budget indicates that the expected out run for 2009–10 is \$3.585 million. Those are the figures in the budget. Does the Treasurer agree that it is \$253 million more than the Treasurer expected at the time the 2009–10 budget was handed down? It is simply a fact. I am reading the government's paper. On page 50 of last year's paper the projection was \$3.061 million for 2010–11. However, in this year's budget the figure is \$3.374 million and that is \$313 million more than was budgeted at the time of the 2009–10 budget. I go further to 2011–12 and 2012–13, which are the years covered in the 2009–10 budget.

Mr C.J. BARNETT: Is this a speech or a question?

Mr W.J. JOHNSTON: I am trying to confirm it.

Mr C.J. BARNETT: We are not here to observe the member's theories. This is an estimates committee—the member asks a question and I answer it.

Mr W.J. JOHNSTON: Is it right that there has been a \$1.857 million parameter variation between last year's budget and this year's budget by additional revenue that was not expected at the time of the 2009–10 budget and is not being expected at the time of 2010–11 budget?

[9.40 am]

Mr C.J. BARNETT: So according to the member's theory we are better off, are we?

Mr W.J. JOHNSTON: No, I am not saying that. This was a rubbish deal that the Liberal Party did. I am not trying to defend —

Mr C.J. BARNETT: The member does not understand the estimates—go away and do some homework!

The CHAIRMAN: Members! I think the Treasurer is aware of the questions.

Mr B.S. WYATT: The Treasurer has been exposed! He has another nearly \$2 billion in goods and services tax revenue than was expected in the budget.

Mr C.J. BARNETT: We are flush with money, are we, according to the Labor Party!

Mr W.J. JOHNSTON: Can I finish off then? Why was it —

Mr C.J. BARNETT: No. Madam Chair, I am happy to answer questions but this is not an opportunity for members to make speeches.

Mr W.J. JOHNSTON: I am not making a speech, Treasurer. I do not understand why the Treasurer is not capable of answering a question. That is all I am asking, Madam Chair; I am just asking for an answer.

The CHAIRMAN: Members, please! Member for Cannington, please frame your question, put it to the Treasurer and we will move on.

Mr W.J. JOHNSTON: What was the basis of the parameter variation that led to \$1 857 million of additional revenue being available to the state government for expenditure?

Mr C.J. BARNETT: Simply look at the table on page 68 of the *Economic and Fiscal Outlook* that shows goods and services tax revenue rose by \$56 million from 2008–09 to 2009–10. Therefore, we had a very small increase from \$3 529 million in 2008–09 to \$3 585 million, which is a \$56 million increase. That was a very small increase in GST money received from last year to the current financial year—\$60-odd million in that is a tiny increase. That is far less of an increase than in all other states.

Mr B.S. WYATT: I believe it is about the same size as the government's surplus, Treasurer.

Mr C.J. BARNETT: No, that is \$60 million; our surplus is \$290 million for 2009–10. GST revenue has gone up about \$56 million from 2008–09 to 2009–10. Therefore, a rise of \$56 million in GST hardly gives us a \$290 million surplus. For 2010–11 our GST goes down. The member can pore through previous budget figures, but the GST pool increased not through any generosity of the federal government, it was simply that retail spending was higher than federal Treasury had anticipated. That is all. Probably part of that was some of the stimulus flow-through.

Ms R. SAFFIOTI: My question is about the three per cent efficiency dividend. I refer to financial management and reporting on page 131 of the *Budget Statements* and the application of the efficiency dividend, particularly in health. Given that the health budget has been supplemented by this budget, is it true that the efficiency dividend for the health department has been abandoned for this year?

Mr C.J. BARNETT: No, it has not.

Ms R. SAFFIOTI: So what savings is the Department of Health delivering?

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Mr C.J. BARNETT: The big savings will come through activity-based funding, which is being spread throughout the system.

Ms R. SAFFIOTI: The efficiency dividend that was applied last year had specific programs attached to it to deliver those efficiencies. Are those programs still being implemented? Are those savings derived from the efficiency dividend being implemented?

Mr C.J. BARNETT: If the member follows the arguments that the Minister for Health will make, the history is that health was not receiving in a sense what it regards as its full base funding. The previous health minister, Hon Jim McGinty, made that point several times. I guess that has been an ongoing difference of opinion between Treasury and the Department of Health. A large injection of funds was put into health, and health is in a sense being made full and wholesome now; it is whole. Its budget growth is far less than was predicted and its expenditure in this current financial year is on line to achieve that. Health is achieving its control of expenditure for the first time. The efficiency dividend is not fully realised but it is still the practice. Efficiency achievements are being made in health—activity-based funding is an example. Some of the expenditure and programs we have put into place for elderly people to have care in the home will also bring big savings in the health system.

Ms R. SAFFIOTI: Yes, that is in four or five years time, but what I am —

Mr C.J. BARNETT: No, it is happening now.

Ms R. SAFFIOTI: I am talking about the efficiency dividend —

Mr C.J. BARNETT: It is happening now, member.

Ms R. SAFFIOTI: The efficiency dividend that was applied, is that being fully implemented? Is the Department of Health reporting to the Economic and Expenditure Reform Committee according to the efficiency dividend targets that were part of the budget?

Mr C.J. BARNETT: Health has not fully met it, but it is doing okay. I ask the Under Treasurer to comment, if he wishes to.

Mr T. Marney: The efficiency dividend was taken into consideration in trying to recast health's budget to a sustainable and steady setting. I think it is fair to say that we were some ways from that through last year, but with a combination of the efficiency dividend and the full-time equivalent ceiling, we have been able to get a much better understanding of the appropriate cost settings within the health system. This budget recasts health's budget both in the current year and in the out years to a much more robust setting. In fact, I think the expense growth in the budget year, which is around 6.7 per cent, is probably the highest rate of growth that has been allocated in a budget for some time, reflecting that rebasing of the health system. Notably, as the Treasurer indicated, the rate of value and expense growth in the health system is now down to 5.7 per cent, so the efficiency dividend and the FTE ceiling have achieved a correction in what was an unsustainable growth rate in the health system. That is in essence the achievement of the efficiency dividend. Whether individual programs are still being pursued under that arrangement is probably more a question for either the Minister for Health or the director general in terms of specific initiatives. In terms of reporting and monitoring by the Department of Treasury and Finance, having rebased health expenditure we will monitor against that and use indicators such as monthly FTE growth being consistent with the ceiling and so on.

Ms R. SAFFIOTI: As a follow-up question, is health not reporting according to particular savings identified as part of the initial efficiency dividend cut?

Mr C.J. BARNETT: I refer the question to the Under Treasurer.

Mr T. Marney: We discuss those matters on a monthly basis with health. We still take an interest in those specific programs, but having rebased health's expenditure our focus will be on its aggregate performance month to month, its FTE status month to month and implementation of activity-based funding in order to strengthen the controls and decision making within the health system.

Mr B.S. WYATT: I have a follow-up question on the three per cent efficiency dividend. Can the Treasurer confirm that Western Australia Police is still bound by the three per cent efficiency dividend policy? I asked that because the Minister for Police asked the opposition to ask the Treasurer this question.

Mr C.J. BARNETT: All agencies are still covered. Although WA Police is growing in budget and personnel, within that we still try to achieve efficiency dividends.

Mr B.S. WYATT: I think that is something the Treasurer might want to let the minister know in light of his comments yesterday.

Mr C.J. BARNETT: Do not do that.

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Mr B.S. WYATT: The minister asked us to ask the Treasurer whether the three per cent efficiency dividend still applied to WA Police. The Treasurer has confirmed that it does, which contradicts what the minister says, so I thank the Treasurer.

A topic that is dear to my heart and not to the Treasurer's is the cut-off date for the budget, which is referred to in the Under Treasurer's certification on page i of the *Economic and Fiscal Outlook*. This will probably be a question for the Under Treasurer in light of the fact that he provides the certification. On 4 May in an answer to a parliamentary question, the Treasurer stated —

The cut-off date for decisions of cabinet was 21 or 22 April.

We now know that the cut-off date was 22 April. However, one small decision of cabinet will be incorporated in the budget. The Treasurer said that he would provide information about that on budget day, so I will ask the Treasurer to provide that in a minute. The Treasurer also stated in answer to the question asked on 4 May that —

... revenues and expenditure will be concluded this week ...

That is, on 7 May 2010, which is clearly beyond the cut-off date. Section 13 of the Government Financial Responsibility Act provides that the Under Treasurer is to certify a number of things. Section 13(8)(c) states —

the statement sets out the implications of all relevant decisions that were known to the Under Treasurer on that date ...

In light of the fact decisions were made by cabinet after the cut-off date and that apparently revenue projections continued until 7 May 2010, is the Under Treasurer's certification on page i of the *Economic and Fiscal Outlook* correct and in compliance with the Government Financial Responsibility Act?

[9.50 am]

Mr C.J. BARNETT: A cabinet decision on the tourism portfolio was taken fairly late, and that was incorporated. My understanding is that Treasury continued to revise revenue forecasts right up until almost the moment of printing.

Mr B.S. WYATT: Beyond the cut-off date.

Mr C.J. BARNETT: Cut-off dates?

Mr B.S. WYATT: It is legislation that the Court government passed. The Treasurer may not like the fact that we are focusing on it, but it is certainly well within our rights to focus on the fact that apparently the cut-off date is not a cut-off date.

Mr C.J. BARNETT: I am not necessarily saying the member cannot, but I cannot see why the member is focusing on a cut-off date.

Mr B.S. WYATT: Firstly, it is the law and, secondly, the whole basis of the budget is based on this certification from the Under Treasurer.

Mr C.J. BARNETT: A decision was taken fairly late in the process relating to tourism.

Mr B.S. WYATT: What was that decision?

Mr C.J. BARNETT: It was to find some extra funding for tourism and to allow the tourism restructure to proceed. That was taken fairly late. But in time —

Mr B.S. WYATT: After 22 April, I assume.

Mr C.J. BARNETT: I am not talking about cabinet; I am telling the member what happened. I will not give him dates of cabinet.

Mr B.S. WYATT: You said it was after the cut-off date. A date of a cabinet meeting is not a state secret.

Mr C.J. BARNETT: Treasury continues to refine estimates right up until the *Budget Statements* go to print.

Mr B.S. WYATT: In the upper house Standing Committee on Estimates and Financial Operations, the Under Treasurer was asked, according to my notes —

In terms of budget cut-off dates, are there separate dates of cut off when revenue is determined as opposed to when expenditure is determined within the government, or is it the same cut-off date?

The Under Treasurer replied as follows —

It is the same.

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That seems to be very different from the Treasurer suggesting that it continued for at least a week or two after the cut-off date.

Mr C.J. BARNETT: A few days.

Mr B.S. WYATT: If 22 April was the cut-off date and the Treasurer said, “Concluded this week,” which would have been 7 May, that is more than a few days, Treasurer; it is a couple of weeks. In light of the fact that tourism had a real cut in its budget of 25 per cent over the forward estimates, it is a significant matter. In light of the certification that the Under Treasurer is required to provide by a law passed by the Court government, it is a serious issue. Is the Treasurer comfortable with the Under Treasurer’s certification in light of what the Treasurer has said in Parliament previously and what he said today?

Mr C.J. BARNETT: Yes I am.

Mr A.P. JACOB: Regarding the discussion on health earlier, I refer to “Significant Issues Impacting the Agency” and the third dot point on page 126, of budget paper No 2. It contains a reference to the commonwealth’s national health reform proposals. What are the implications for the state budget of the national health reform agenda.

Mr C.J. BARNETT: I noticed a reference in the newspaper this morning about that. The commonwealth government’s health reform agenda was something basically dreamt up over a weekend. There are some good aspects to it. Increased use of activity-based funding is something that Western Australia and most jurisdictions support. The model of pooling funds was not well thought through. A line of responsibility for public hospitals was made up in a series of meetings—a very unseemly process—on a Tuesday morning. However, Western Australia took part in that and we agreed to compromise on some aspects of how we thought the health system in Western Australia should operate, and have agreed to basically all aspects of the health package. I have told the Prime Minister that. I said that we would pay an equivalent amount of one-third of the GST pool in total—our share of that—into a national fund, which would be about \$1.5 billion out of a \$6 billion health budget. There is only one point of difference and that is how money is paid into the fund. I said that Western Australia will not agree to handing over control of the GST revenues to the commonwealth. That is Western Australia’s position, and we do not intend to change that.

It is estimated that commonwealth funding of up to \$100 million a year might not flow to Western Australia. If that is the case, it will be a decision of the Prime Minister and the health minister to deny health funding to Western Australians for no reason at all. I do not believe that necessarily will happen. I think it will be very hard for the commonwealth government to defend its providing a discriminatory level of funding to elderly and sick people in other states over what funding it provides to Western Australia.

I know the Labor Party has a view that we should just cave in and hand over the GST to the commonwealth. That is not my view.

Mr B.S. WYATT: Whose view is that?

Mr C.J. BARNETT: I think that is the Labor Party’s view, is it not?

Mr B.S. WYATT: The federal parliamentary Labor Party.

Mr C.J. BARNETT: Do you not agree?

Mr B.S. WYATT: I am curious where that came from. You have thrown it out there.

Mr W.J. JOHNSTON: Who said that?

Mr C.J. BARNETT: Some of your people have been questioning why we do not sign up.

Mr B.S. WYATT: So?

Mr C.J. BARNETT: I am not going to speak for the Labor Party; you can tell me who —

Mr B.S. WYATT: You just did; and I am kind of curious who said it.

Mr C.J. BARNETT: Correct me if I am wrong.

Mr B.S. WYATT: Somebody must have said it.

Ms R. SAFFIOTI: You have to validate what you are saying.

Mr B.S. WYATT: You would not lie to the Parliament; I am sure. That is why I am asking.

Mr C.J. BARNETT: If I have misled Parliament, you have an opportunity right now to —

Mr B.S. WYATT: You just made an allegation; why do you not substantiate it?

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Mr C.J. BARNETT: I am not going to argue with this git. You have an opportunity right now to enunciate the Labor Party position.

Mr B.S. WYATT: You have just enunciated it, apparently.

Ms R. SAFFIOTI: You cannot mislead Parliament.

Mr B.S. WYATT: Correct.

The CHAIRMAN: Members, can we stick to the questions and answers please?

Mr C.J. BARNETT: We will continue to run our health system on the current intergovernmental agreements with the commonwealth.

Mr B.S. WYATT: The Premier knows that putting words in other people's mouths is the lowest form of debate. I wonder who said that, Premier.

The CHAIRMAN: Has the Premier finished his answer?

Mr C.J. BARNETT: No; I have not. I had barely begun.

Mr B.S. WYATT: Please.

The CHAIRMAN: Member, please let the Treasurer finish his response.

Mr B.S. WYATT: He will never finish, Madam Chair.

Mr C.J. BARNETT: I may not; I may talk for three hours on this.

Mr B.S. WYATT: I have no doubt you could.

Mr C.J. BARNETT: We have agreed on the health components of it. We do not and will not agree to handing over control of the GST. There are some wider issues here. I know it is easy to say that Western Australia may miss out on funding, but we must bear in mind that this national fund has to deal with a largely dysfunctional public health system in New South Wales and, to a lesser extent, in Queensland. I do not want to see the Western Australian public health system dragged down to the standards of those in New South Wales and Queensland. That could well happen under a nationally controlled system. Even though the commonwealth can hold back some relatively modest amounts of funding, at the end of the day, we may be substantial net gainers if we keep control of our public health system by funding it ourselves, which we do now. We should bear in mind that something like 65 per cent of the cost of the public health system is funded by the states, not the commonwealth, so we are already the dominant funder and will continue to be so. Maybe we will see an east coast health system and a west coast – Asia health system.

Mr B.S. WYATT: I refer the Treasurer to the estimated dividends for the energy utilities on page 144. For Verve Energy, the budgeted dividends between the 2009–10 budget and the 2009–10 estimated actual payments increased by 221 per cent; Western Power, by 217 per cent; and Synergy, by 264 per cent. That is an increase in dividend revenue above and beyond what the budget expected of just over \$86 million. Obviously, higher prices are flowing through, but that would have been known for the 2009–10 budget and, I assume, it was therefore budgeted for that year. I assume it cannot all be an increase in the dividend payout ratio because that was budgeted to bring in an extra \$32 million for 2009–10. Can the Treasurer explain to me why there were such large increases between what the 2009–10 budget estimated and the actual payments?

Mr C.J. BARNETT: There are three factors at work here. The first and most obvious is the decision to increase the dividend ratios basically up to 65 per cent.

Mr B.S. WYATT: That is \$32 million

Mr C.J. BARNETT: Yes, it is the increase in the dividend payout ratio. The second factor is that, last year, the state government increased electricity prices by 26 per cent and by 18 per cent this year—17.5 per cent nominally. That is a big factor. The third factor of equal importance is the projections of increased demand for electricity. That reflects a more optimistic pick up in the economy.

[Mr J.M. Francis took the chair.]

[10.00 am]

Mr C.J. BARNETT: One of the big drags on the system has been that Verve's existing operating plant has not been operating anywhere near close to its design or its operational efficiency levels. If demand picks up and we find that Verve can start to operate its plants more efficiently, closer to design capacity, its cost per unit of electricity will be moderated and its revenues will increase quite dramatically. We should bear in mind that a big part of its cost structure is fixed costs over variable costs. Along with a pick up in demand, while we have made

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some hard and unpopular decisions on electricity tariffs and raised the dividend ratios, the big factor will be an increase in electricity sales.

Mr B.S. WYATT: I would have thought that the increased electricity prices would be factored into the budget, so it is really the increased demand that has promoted most of that.

Mr C.J. BARNETT: Yes.

Mr B.S. WYATT: I wish to follow that up. My question is on a different page but it relates directly to Synergy. I turn to page 121 of the *Budget Statements* with respect to the community service obligation payments to Synergy. The CSO payment in the 2009–10 budget was

\$290 million but the actual is \$199 million, just over \$90 million less. Is that because the government has more revenue from Synergy than it expected?

Mr C.J. BARNETT: That is demand and price.

Ms R. SAFFIOTI: My question relates to project management on major projects on page 136. I wish to ask about some of the major projects that the government has embarked on, including the Oakajee and Northbridge Link projects.

Mr C.J. BARNETT: Perth City Link.

Ms R. SAFFIOTI: With respect to Oakajee, I understand a bankable feasibility study —

Mr C.J. BARNETT: A draft bankable feasibility study.

Ms R. SAFFIOTI: A draft bankable feasibility study was submitted a few months ago. Did that include a new estimated total cost for the project; and, if so, has Treasury undertaken any analysis of the total cost of Oakajee for the state government?

Mr C.J. BARNETT: We did not have a final figure on the total cost of that common-user infrastructure. I anticipate it will be higher because those figures relate to two years ago, but we are yet to reach that final agreement. That will go on. We will get final bankable documentation before the end of this calendar year and I expect that will include final cost estimates on construction.

Ms R. SAFFIOTI: Just to clarify, should the estimated cost of Oakajee be part of the midyear review deliberations?

Mr C.J. BARNETT: Yes, it could well be included in there.

Ms R. SAFFIOTI: Is it likely to be higher?

Mr C.J. BARNETT: Given that those figures are two years old, I expect there will be an increase.

Mr B.S. WYATT: Will that be a CPI increase or significantly more?

Mr C.J. BARNETT: I do not know. One of the risks to construction cost is obviously how much construction activity has taken place. One of the hesitations in the iron ore industry is the effort going into Gorgon at the moment. That is a reality. There will be some allowance for construction costs. The advantage of Oakajee is that it is in the southern part of the state so it is somewhat protected from the rising construction costs in the Pilbara.

Ms R. SAFFIOTI: With respect to Perth City Link, I understand that there are three components to the project, including the new Wellington bus station, the sinking of the rail lines, plus the East Perth Redevelopment Authority work above the rail line. What is the estimated total cost of the project, including those three components?

Mr C.J. BARNETT: Those tenders are going out now. The total cost of the project is public. It was in the media releases we put out a couple of months ago when tenders were starting to go out. I do not have the breakdown of the components in front of me. I am happy to provide by way of supplementary information—they are public figures—the estimated cost of sinking the rail lines, the busport and the development above ground.

The CHAIRMAN: The Premier has agreed to provide supplementary information relating to the cost of that particular project.

Mr C.J. BARNETT: The latest costs for the three components of the Perth City Link project.

[*Supplementary Information No A42.*]

Mr C.J. BARNETT: The total cost is estimated at \$656.3 million, as shown in the budget papers. I will provide the breakdown of each component.

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Ms R. SAFFIOTI: Does that include the EPRA cost?

Mr C.J. BARNETT: Yes.

Ms R. SAFFIOTI: I have a final question on the Perth waterfront project. Has a decision been made by cabinet to undertake that project?

Mr C.J. BARNETT: No, we have not made the decision yet. The cabinet submission on the detail of the project is in preparation and probably will go to cabinet in the next few weeks. We have allocated money for planning, which is going on at the moment. I anticipate that construction would start early in 2012. There may be some preliminary work before then in relocating some of the services that need to be moved.

Ms R. SAFFIOTI: Is there an estimated total cost of that project?

Mr C.J. BARNETT: Not yet.

Ms R. SAFFIOTI: When will we know the estimated total cost?

Mr C.J. BARNETT: Cabinet will look at that first. There will be two aspects of that: first, the costings of the project; and, second, how it will be financed. I anticipate that a large component of private sector finance will go into this project.

Ms R. SAFFIOTI: I would like to follow that up.

The CHAIRMAN: You have just had three follow-up questions by way of interjection. I am keen to move on.

Mr A. KRSTICEVIC: I refer to the first dot point on page 126 of budget paper No 2 under “Significant Issues Impacting the Agency” and the reference to the final report of the Economic Audit Committee. What progress has been made in addressing and implementing the report’s recommendations?

Mr C.J. BARNETT: The Economic Audit Committee has been important in the decisions that the government has taken in a number of areas. For example, a couple of weeks ago we announced the new partnership arrangement for the non-government sector, which, by my interpretation, was very warmly supported by it. The Economic Audit Committee has made recommendations about some cuts that were made as part of the midyear review that preserved a budget surplus. Suggestions and work on improving the approvals process is part of that. There is a broader reform agenda going through the public service as a result of those recommendations. The approach that the government is taking to the Economic Audit Committee is to look at all the recommendations one by one and deal with them. At the end of the day, I would expect that the vast majority of those recommendations will be adopted by this government. We are progressively working through them portfolio by portfolio.

Mr B.S. WYATT: With respect to the government following it up, will a report be prepared on the government’s response to the various recommendations?

Mr C.J. BARNETT: I answered a question on the same thing—I am not sure whether it was from the member—the other day. While it is a report to government and we are acting upon it, and I anticipate we will act on and probably implement most of the recommendations, it is not a report such as a parliamentary report that comes to the government that demands a response. There is no obligation on government to formally respond to this report. It is the government’s report. However, in terms of public accountability, at some stage, maybe towards the end of this term of government, we will make a statement on which of those recommendations we have implemented and which ones we have not. I think that is a fair thing. There is no obligation on the government to respond formally to the report. It is the government’s internal report.

Mr B.S. WYATT: I did have a question on this so it is good that I can get it in with the dorothy dixer! Part (b) of recommendation 28 states —

establish a remuneration policy for GTE board members and their executives, administered by the Salaries and Allowances Tribunal.

I think this came out of the controversy over Michele Dolin’s pay last year. The then Treasurer made the point that he was very keen for this to happen. I would have thought that would be an easy recommendation to implement. I would not have thought any legislative change would be required, unless the Premier can correct me. Is this something that the Premier can make any comment on now and is he acting in a matter of haste?

Mr C.J. BARNETT: That is of concern to government and it does require legislative change because remuneration of some, if not all, of the government trading enterprises is set by the board. I know a little about this from my experience as an energy minister some time ago. They are large and complex organisations. When we get private consultants and the like to compare salaries of comparable organisations, we end up with recommendations that salaries of \$500 000 or \$600 000 are in the ballpark. They may well be in a sense but I

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make the observation that the level of responsibility of the head of, for example, a private energy company is very different from the level of responsibility of the head of a state-owned energy company.

Mr B.S. WYATT: I agree entirely.

[10.10 am]

Mr C.J. BARNETT: That is missed in those salary comparisons. At the end of the day—I am sure that one day the member might be a minister when that opportunity finally comes in 20 or 30 years —

Mr B.S. WYATT: If these sorts of dorothy dixers are coming up, it might be sooner than the Treasurer expects.

Mr C.J. BARNETT: It is a reality that some of the government trading enterprises start to get a life of their own and start to reward themselves—both their chief executive officers and those at board level—at higher rates than the required rates. They do not have the responsibility of being accountable to a shareholder, and when something goes wrong—the member is not listening. Member for Victoria Park, I am trying to give you guidance.

Mr B.S. WYATT: I am listening.

Mr C.J. BARNETT: No, you are not, and I am trying to give you —

Mr B.S. WYATT: I always listen, Treasurer. My eyes may glaze over and I may moan, but I am listening.

Mr C.J. BARNETT: I am trying to give you pearls of wisdom for your future.

When something goes wrong with a GTE, despite the fact that it has its CEO and despite the fact that it has its board, it will be the minister of the day who has to deal with it, and that is the big difference between a government-owned enterprise and a purely private enterprise.

Mr B.S. WYATT: I agree entirely. When I made some comments about Michele Dolin's pay at the time of the global financial crisis, I got a cranky letter from the chair of GESB about my comments. I responded almost in those words—perhaps I cc-ed the Treasurer a copy of that letter. But I think it is something to which the people of Western Australia expect a quick response from the government in light of the public comments that came out of that example. I do not want to continue to point out the issue of Michele Dolin's pay, but there was a lot of commentary at the time about that issue, and the Treasurer has made the argument very well.

Mr C.J. BARNETT: It is being addressed, and GESB's issue was addressed probably more quickly than the others, but it takes time in some cases and it takes legislative change, and there is a lot of resistance.

Mr B.S. WYATT: Does the Treasurer think that we will see some of that legislation brought before the house this year?

Mr C.J. BARNETT: We may well.

Mr W.J. JOHNSTON: I refer to page 144 of the *Budget Statements* and to taxation revenues. My question is about the tax competitiveness that is set out on page 36 of budget paper No 3. I note that in last year's budget, there were three issues for tax competitiveness. There was tax revenue as a share of gross state product, tax revenue on a per capita basis, and tax effort calculated by the Commonwealth Grants Commission. In this year's budget, there are only two parameters for judging tax effort. I just want to know when the decision was made to not target the tax effort calculated by the Commonwealth Grants Commission as a criterion for judging the government's tax effort. I understand that there has been an undertaking from Treasury that that information would be provided to this forum, and I wonder whether that information can now be provided.

Mr C.J. BARNETT: I think one of the strong aspects of this year's state budget is that there are virtually no increases in taxes. Yes, there are increases in electricity and water prices. However, small businesses will share in a \$100 million tax rebate on payroll tax over the next few months.

Mr B.S. WYATT: There was a delay in tax cuts to the value of \$511 million.

Mr C.J. BARNETT: Tax cuts delayed is not new taxation.

Mr B.S. WYATT: I think the small businesses would dispute that.

Mr C.J. BARNETT: The previous Labor government was the greatest gunna government: it had everything in its forward estimates; it had everything in the future. Unfortunately, member for Victoria Park, governments are judged on what they actually do, not on what they say they will do.

Mr B.S. WYATT: The legislation had gone through Parliament, Treasurer.

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Mr C.J. BARNETT: The member can make his point, but there are no tax increases in this budget. We have maintained taxation levels broadly where they were, in sharp contrast to what Labor did in government, when there were massive increases in payroll tax rates, land tax rates and stamp duty rates. There were massive increases in its first, second and third budgets.

Mr B.S. WYATT: Is the Treasurer going to cut them at some point?

The CHAIRMAN: Thank you, member.

Mr C.J. BARNETT: This is a government that has not been increasing taxation. We have held it. We have a policy of decreasing taxation, and we hope we can deliver that in some of the coming years. In terms of the actual measure, I will ask the Under Treasurer to comment, because there has been a change in the way in which the commonwealth tax treats this data.

Mr T. Marney: The reason that indicator is no longer included is that it is no longer produced by the Commonwealth Grants Commission. Although we would have liked to continue to publish that measure, the Commonwealth Grants Commission no longer compiles that measure.

Mr B.S. WYATT: During the Public Accounts Committee briefing to members of Parliament on the budget, a staff member from the Department of Treasury and Finance undertook to provide it to me, and I dare say Treasury was going to calculate that and provide that graph. I ask for that now officially by way of supplementary information.

Mr T. Marney: If we can produce it, we will produce it.

Mr B.S. WYATT: Sorry?

Mr C.J. BARNETT: I think the point is that there is some doubt about whether that can be produced. I cannot commit to something that I am not sure I can deliver, but we will endeavour to provide that information if it can be prepared.

The CHAIRMAN: If the member is happy to take up the Treasurer's undertaking, rather than have me allocate a supplementary information number if there is no guarantee that it can be done —

Mr C.J. BARNETT: We will endeavour to provide it, but I will not commit to do it by way of supplementary information. However, if it can be done with reasonable ease, we will do it.

The CHAIRMAN: The member for Cannington has a further question on this issue.

Mr W.J. JOHNSTON: Yes. What is the actual increase in tax as a share of GSP between last year and this year, and what is the increase in tax per capita from last year to this year?

Mr C.J. BARNETT: With tax as a percentage of GSP, does the member want to make a cross-spatial or cross-temporal comparison? It matters.

Mr W.J. JOHNSTON: It is a very easy question. There are these tables in the documents. I am just asking: what has been the increase in tax take as a share of GSP from 2009–10 to 2010–11, and what is the increase in tax per capita from 2009–10 to 2010–11? It is a very simple question.

Mr C.J. BARNETT: But it was badly expressed, if I can say so.

Mr W.J. JOHNSTON: The Treasurer can do what he likes, but I would not mind an answer to the question.

Mr C.J. BARNETT: The member needs to ask an accurate question. Does he want to make a temporal or spatial comparison?

Mr W.J. JOHNSTON: I asked a very simple, very accurate question. Go and read the *Hansard*.

The CHAIRMAN: Thank you, member for Cannington.

Mr C.J. BARNETT: We can get the member the figures, if he would like, on tax as a share of GSP. Does the member want 2009–10 and —

Mr W.J. JOHNSTON: What I want is the increase in the GSP —

Mr C.J. BARNETT: No, we will give the member the figures and we will let him calculate the increase.

Mr W.J. JOHNSTON: Okay.

Mr C.J. BARNETT: Tax as a percentage of GSP will vary more because there are more movements in GSP than in tax.

Mr W.J. JOHNSTON: So what is the answer?

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Mr C.J. BARNETT: I am telling the member that we will give him the answer in —

Mr W.J. JOHNSTON: So it is supplementary information.

Mr C.J. BARNETT: I am just making the observation that the GSP movement is the greater movement, not the tax movement, in that ratio.

Mr W.J. JOHNSTON: If the Treasurer cannot answer the question, that is cool by me, but are we getting a commitment that the answer will be provided by supplementary information?

Mr C.J. BARNETT: No. The problem is that the member does not know his question. That is why I am trying to help him.

Mr W.J. JOHNSTON: It is a very easy question, Treasurer. If the Treasurer does not understand it, it is not my problem.

The CHAIRMAN: I am going to give the Treasurer the opportunity to speak.

Mr C.J. BARNETT: We will give the member, if he likes, the actual figures of tax as a percentage of GSP. Does the member want it for this year and the past two years?

Mr W.J. JOHNSTON: No. It is a very simple question—2009–10 and 2010–11. There is a table on page 18 of last year's budget and on page 38 of this year's budget. They have the same information. All I want is the answer to the simple question: what was the increase in the two measures?

Mr C.J. BARNETT: Yes; okay. We will give the member the tax as a percentage of GSP—the actual dollar amounts, if the member likes—for 2009–10 and the forecast for 2010–11, but I make the observation that the forecast will vary according to what the GSP is, not what the tax rates are. That is a mathematical truism. If the member does not understand it, the member for Riverton will give him a little lecture outside and help him along the way.

Mr W.J. JOHNSTON: Treasurer, given that the rate —

The CHAIRMAN: Thank you, member for Cannington. The Premier has agreed to provide the information as discussed.

[Supplementary Information No A43.]

Mr W.J. JOHNSTON: It is amazing that the Treasurer could not answer it.

Dr M.D. NAHAN: I refer to pages 75 to 77 of budget paper No 3. On those pages, two tables show the net fiscal impacts on Western Australia of commonwealth funding and otherwise. Can the Treasurer give some estimate of or discuss the potential impact that the resource super profits tax will have on the state's net fiscal subsidy?

Mr C.J. BARNETT: Treasury estimates that over the forward estimates the commonwealth government derives about \$10.8 billion more in revenue from Western Australia than it will spend in this state, so we are becoming a massive net contributor to the commonwealth. The resource super profits tax will fall heavily on this state. We basically have half of the Australian mining industry here—and it is not just half of the Australian mining industry; we tend to have the more profitable part of the Australian mining industry. I do not know the exact figure, but I can guess that probably half or more of the resource super profits tax will be taxed out of Western Australia; 40 per cent is the estimate, so close to half of 40 per cent. That may account for something like \$2 billion. If we are making a net contribution to the commonwealth of \$10.8 billion, we can add another \$2 billion to that as the commonwealth take from Western Australia above the amount the commonwealth will put back into Western Australia. That will be, therefore, another \$2 billion taken out of the Western Australian economy.

[10.20 am]

Dr M.D. NAHAN: Will that be \$2 billion on top of the royalty payments that the commonwealth government is supposedly going to reimburse?

Mr C.J. BARNETT: Yes, if the member wants to treat it in that way. Again, as I have said publicly a few times, I think it is an absolutely ludicrous proposition to refund mining companies for the royalties they pay. It will put the effective cost of using a finite natural resource at zero, which is just illogical. Interestingly enough, the Greens (WA) and those who want to conserve finite resources do not seem to comment on that aspect.

Mr B.S. WYATT: I come back to the tax rises we were talking about a little while ago. In the midyear review the government made a decision to defer legislated tax cuts in respect of the abolition of duty on non-real property, and in respect of payroll tax deferring the harmonisation of grouping provisions. That is expected to

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raise an extra \$511 million over the forward estimates. At the time we debated the legislation, I put a question to the then Treasurer and again to the current Treasurer about any expected increased revenue in light of the fact that the economy had shifted upwards, compared with what the midyear review had suggested both for the current year and over the forward estimates. Does the Treasurer have a figure for which the decision was based on to defer those tax cuts in terms of the extra revenue now expected to be generated beyond the \$511 million? Perhaps the Under Treasurer has that figure.

Mr C.J. BARNETT: No, we do not.

Mr B.S. WYATT: Has the Treasurer considered looking at it?

Mr C.J. BARNETT: No. Again, the member may choose to describe it as a tax rise. Yes, we have deferred a tax cut, but the tax regime has remained the same.

Mr B.S. WYATT: The Chamber of Commerce and Industry of Western Australia has described it as a tax rise.

Mr C.J. BARNETT: It may well have done, but the taxation regime has remained the same.

Mr B.S. WYATT: I think everybody who is paying that tax is considering it a tax rise when they factor it into their own forward estimates.

Mr C.J. BARNETT: As I said, the member considers it a tax rise. It is a tax cut that we have deferred. The point is that we have not put up taxes. If the member likes: we have not lowered taxes, as we had hoped to do. The timing of the removal of that deferral will comply with the intergovernmental agreement.

Mr B.S. WYATT: Maybe! Can the Treasury provide that information?

Mr C.J. BARNETT: What information?

Mr B.S. WYATT: The revenue expected to be generated by that.

Mr C.J. BARNETT: No, I am not going to do that exercise.

The CHAIRMAN: A further question from the member for Cannington on this issue.

Mr W.J. JOHNSTON: There was a commitment from the Treasurer during the passage of legislation through the Parliament to provide that information in the budget estimates. If the government is now going to renege on that undertaking, that will be a great surprise. It was a specific promise by the Treasurer that the information would be provided in the estimates process. The Labor Party was very concerned that this tax rise —

Mr C.J. BARNETT: It is not a tax rise; is it?

Mr W.J. JOHNSTON: The Labor Party was very concerned that this tax rise would be hidden and would actually deliver more than the estimated income in the out years; and so there was an undertaking by the Treasurer to provide that information.

Mr C.J. BARNETT: I am not going to provide it.

Ms R. SAFFIOTI: My question relates to the statement of risks provided in budget paper No 3, *Economic and Fiscal Outlook*, in respect of capital expenditure for Western Power. At page 56 the document states in the statement of risks under the heading on Western Power's capital expenditure that greater capital may be required by Western Power to undertake its essential upgrades to the network. Have estimates been made of the capital exposure for the budget year and the following years in respect of Western Power? Also, will that have an impact on the expected tariff regime for the upcoming years?

Mr C.J. BARNETT: Most of that relates to the access determinations. In the past 15 years there has been a progressive program of allowing third-party access to the powerline system. It is pretty easy to do that for high-use energy customers who can initially access off high-voltage power. As we come down to low-voltage power and access points right throughout the distribution system, there are far more customers who would potentially wish to access the network. The cost of providing that in terms of both technology and management is very high relevant to the amount of electricity that they are likely to feed into or feed out of the grid. What I am saying is basically that there are diminishing returns from access as they go down to lower levels of consumption and potentially more customers. There is a fair bit of experience in the other states that people do not actually care too much about access once they get down to those levels. It is the bigger electricity users that are more likely to trade in electricity and therefore want access. Therefore, the economic regulator has laid down in recent determinations the level that he thinks is appropriate. To allow access will impose massive costs on Western Power. I stress that access will be a decision of government, not of the economic regulator. I am not convinced that hundreds of millions of dollars should be spent for fairly low returns from extra access. Although a decision

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on that would in a sense be desirable, I would not assume that we are going to charge ahead with large capital expenditure simply to improve access to the grid for low-use energy consumers.

Ms R. SAFFIOTI: My question was in respect of the exposure. The Treasurer is saying hundreds of millions of dollars of potential increases —

Mr C.J. BARNETT: That is, if the state government were to simply rubber-stamp the access regime as laid down by the Economic Regulation Authority. I am saying that we are probably not going to do that.

Ms R. SAFFIOTI: Is that likely to have an impact on investment throughout the state?

Mr C.J. BARNETT: I do not think so; not at the small-use level. The high-use energy consumers have had access progressively since 1995.

Ms R. SAFFIOTI: Will that disadvantage small users, though?

Mr C.J. BARNETT: The experience is that small users do not usually take it up. It has come down; it started off at consumers above 10 megawatts and it has come a long way down; but we get diminishing returns. The cost of providing the opportunity for access increases the level of consumption we get to, for a number of reasons, one being that potentially more customers could access but the returns are minimal. It is simply an issue of diminishing returns. The big advantage of access is among high-use energy consumers; they have had it for a number of years. Now mid-level energy consumers have got it. What I am saying is that I question the benefits of going a lot further. Progressively we might do that in time, but when capital expenditure is constrained—it is pretty tight—it is not at the top of the government's hot priorities. What I am saying is that I would rather spend money on a lot of other projects around the state ahead of increasing access to the energy grid for low-use energy consumers.

Ms R. SAFFIOTI: So it is not something that is likely to come in front of cabinet before the budget next year?

Mr C.J. BARNETT: Unlikely.

Mr A.P. JACOB: I refer to page 121 under item 23 on the payroll tax rebate. Can the Treasurer please explain this scheme and its benefits to the businesses of Western Australia?

Mr C.J. BARNETT: Yes. Many small businesses in the electorate of the member for Ocean Reef will be very pleased. In last year's budget the government made a decision, recommended through the Economic Audit Committee, to make a \$100 million rebate to small to medium-sized businesses. They were aware of that, and there was an implicit social contract with members of the business community of this state that we would rebate their payroll tax. In exchange we asked them to maintain employment, particularly employment of young people going through training programs and apprenticeships. That has worked well. There is no doubt that the small business sector has been very responsible and has gone the extra yard to maintain employment. The maximum amount of rebate that any one small business will receive is \$46 750—a substantial amount of money—on a payroll of \$1.6 million. The rebate gets phased down between \$1.6 million and \$3.2 million. Payments are expected to start in August–September this year, and will go to 6 700 employers. I am confident they will use that to grow their business and hopefully take on more young people for training. It has been a successful policy. Interestingly enough, Western Australia was the only state in Australia that took a taxation measure to help get through the difficult economic times over the past 18 months. The other states looked at it but did not implement it. We had two major components in last year's budget—a big capital works program and a similar sized one for this coming year—but in particular the payroll tax rebate. That is one of the reasons Western Australia has done better than most other parts of the Australian economy.

[10.30 am]

Mr B.S. WYATT: Is it still likely to be paid in September?

Mr C.J. BARNETT: The payments will go out in August–September, yes.

Mr B.S. WYATT: I refer to page 163 of budget paper No 3. In respect of revenue, the *Pre-election Financial Projections Statement* had \$563 million, from memory, brought into the budget revenue for removing the concession on iron ore. I have been told that at some point the expected revenue has been reversed out of the forward estimates after a decline during the global financial crisis. When was that reversed out of the forward estimates? I have been told that at some point it was taken out, but there has been no reference to it in the midyear review or any of the budget papers since.

Mr C.J. BARNETT: They were taken out as part of this budget. I am told that page 82 of the *Budget Statements* describes that. They were taken out as a deliberate decision, but it is reflected in this year's budget, for the simple reason that they were not in place.

Mr B.S. WYATT: I am not disputing that, but it seemed to have disappeared.

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Mr C.J. BARNETT: I am not critical of what the previous government did, but the deal was not consummated, yet the figures were put in the budget.

Ms R. SAFFIOTI: In the discussions on Tuesday, the Treasurer outlined that the expected revenue from this will now be about \$300 million a year and that revenue is expected to flow from 1 July.

Mr C.J. BARNETT: Yes.

Ms R. SAFFIOTI: Is that still true?

Mr C.J. BARNETT: That is true. That is what I expect. I am proposing it will be on all production, not future production. It is on all production of BHP Billiton and Rio Tinto. That is where the \$300 million comes from.

Ms R. SAFFIOTI: Is it on all production rather than just those agreements?

Mr C.J. BARNETT: All of their production is under agreement acts but it is not just future mines or expansion projects; it is all of their production.

Ms R. SAFFIOTI: That is why the number is a lot bigger.

Mr C.J. BARNETT: Yes.

Ms R. SAFFIOTI: That \$300 million a year will be quite significant over the forward estimates.

Mr C.J. BARNETT: Yes; and if that arrangement is agreed over the next few weeks, that will come into the forward estimates at the midyear review. That agreement is very close but it is not in place; therefore, it is not included in this budget.

Mr B.S. WYATT: If it is agreed to and companies start paying from 1 July, the Treasurer will need to bring to Parliament some amendments to various state agreement acts.

Mr C.J. BARNETT: Yes, there will be.

Mr B.S. WYATT: Is that something the Treasurer would expect to do this year?

Mr C.J. BARNETT: There are two aspects. One would be the adjustment of the royalty rate within quite a number of agreement acts—that is pretty simple—but there are likely to be some compensating trade-offs, and they will be more complicated. We may actually need two goes at it. We might see a simple increase in the royalty rate and we might see a subsequent bill that deals with some amendments. Those agreement acts date back to the early 1960s. Many parts of them are quite antiquated. There are all sorts of reporting requirements that really do not make much sense today. It may take some time to negotiate all those. The important thing for the companies is that they want a commitment from the government that we will do that—and we will.

Mr B.S. WYATT: The Treasurer has stated a desire to move all iron ore to 7.5 per cent —

Mr C.J. BARNETT: No. The issue we are talking to BHP Billiton and Rio Tinto about is increasing the fines rate —

Mr B.S. WYATT: To the lump rate.

Mr C.J. BARNETT: No; the member really must listen rather than guess answers.

The issue we are looking at is increasing the fines rate. In the Mining Act, that rate is 5.625 per cent. Under the state agreements, BHP and Rio pay 3.75 per cent for fines. The \$300 million is what the state would collect if the agreement act rate of fines goes from 3.75 per cent to 5.625 per cent. That gives us \$300 million. There is a second argument or issue; that is, whether the fines rate should now be the same as the lump rate. That issue is not being addressed at present. I do not rule that out for the future because I think there is a pretty strong argument that fines now are equally attractive in the market as lump. Most of our iron ore industry is progressively becoming more fines than lump. There is no discrimination in the market so they command a similar market price.

Mr B.S. WYATT: It seems that my guess was correct: the Treasurer indicated that he wants to get fines to the lump rate at some point. I am not saying the Treasurer wants to do it now, as it is not part of the negotiations, but is that something the Treasurer wants to do in this term of government?

Mr C.J. BARNETT: No, not necessarily. If the fines rate was to be increased to the lump rate, it would probably be done in small steps over a number of years. Bear in mind that it would affect not only BHP and Rio, but all iron ore producers. I think there is an argument. Some say there is some slight discounting for fines because when fines go into a steel mill, they have to go through a sinter plant first. Maybe there should be some

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discount. Is 5.625 per cent to 7.5 per cent too big a gap? It probably is. Maybe there is some narrowing of that gap. That would be done, if it is done, in stages over a number of years.

The CHAIRMAN: Before we move to the member for Cannington, I think the member for Riverton had a further question on this issue.

Dr M.D. NAHAN: It is a really interesting issue. If we were to negotiate that increase in fines, how will it be treated in terms of the resource super profits tax reimbursement from the commonwealth? I understand the federal Treasurer has made it clear that he will reimburse existing tax rates—moneys collected from royalties—but not allow future increases. South Australia increased its royalty rate as soon as it heard the existence of the super tax. There is some argy-bargy there. Is the Treasurer concerned that the resource rent tax will basically nullify any increases in fines that the Treasurer might negotiate with the iron ore producers?

Mr C.J. BARNETT: It is certainly making the negotiations here more difficult. Companies are trying to get some sort of assurance out of the federal government as to how that would be treated. My understanding is that if the federal resource super profits tax comes in, removing a concession would be accepted as refundable. I do not think going from 3.75 per cent to 5.625 per cent would be an issue, but the federal government may well interpret taking the fines rate up to the lump rate as an increase in royalties. I have said publicly that that will not affect any decision the Western Australian government makes. That is the point: we are not going to determine our selling price of iron ore, or any other mineral, according to a federal government company tax component. Clearly companies do not know where they stand. That is another aspect of the uncertainty created by this proposal.

Ms R. SAFFIOTI: The additional revenue will not come in until 2010–11 because the legislation will need to be passed—or will it?

Mr C.J. BARNETT: I am proposing it will apply from 1 July; so it would be in the 2010–11 year. Companies will pay that in anticipation. We have an agreement in the form of an exchange of letters between the government and the companies. That would come in from 2010–11.

Ms R. SAFFIOTI: In relation to the removal of the concession to existing mines rather than just future mines—which was, as I understand, the initial discussions that were held—did any of the companies raise sovereign risk issues in respect of these discussions?

Mr C.J. BARNETT: We did not start talking about future mines; I have always talked about all iron ore production. I know the previous government talked about future mines; my discussions have always been about all iron ore production. Sovereign risk —

Ms R. SAFFIOTI: The question was about removing a concession on existing mines.

[10.40 am]

Mr C.J. BARNETT: A couple of, I think, minor parties made the argument that this was a change in the arrangement. However, we must bear in mind that this was sparked by the BHP Billiton and Rio Tinto announcement of their intent to merge their iron ore operations. That is where this debate started a year ago. I made the comment that if they wished to merge their operations, they could only do it if the government and the Parliament of Western Australia agreed to it, and that there will be a cost.

Ms R. SAFFIOTI: Has this been applied to existing mines, after the announcement of the merger, as a way of clawing back the anticipated stamp duty revenue that will now not be forthcoming.

Mr C.J. BARNETT: No; stamp duty is a separate issue.

Ms R. SAFFIOTI: I know that that is a separate argument, but initially the government said that it wanted to try to grab —

Mr C.J. BARNETT: No.

Ms R. SAFFIOTI: Initially, the government wanted to try to recover some of the stamp duty on the transfer of property. Is this application to existing mines a way of clawing back some —

Mr C.J. BARNETT: No. I had a concern initially that this might be a way of trying to avoid stamp duty, as the merger was presented, instead of bringing the companies together in an indirect or de facto management change to achieve the same result. However, I made it very clear in public statements that there were three issues: first, royalties, second, the stamp duty issue, and, third, access to rail lines. They are the three issues. As far as stamp duty is concerned, we have basically agreed that that will be determined by law, as it should be. Interestingly —

Mr B.S. WYATT: That is very kind of the Premier!

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Mr C.J. BARNETT: The companies accept that. If stamp duty —

Mr B.S. WYATT: Of course they do.

Mr C.J. BARNETT: It is very interesting. Although the companies were promoting this as a production merger, it may well be that the European Union will deem it to be a merger. Therefore, if the companies wish to proceed, they will have to accept the EU determination that it is a merger; quite interestingly, that will mean that they will have to accept the application of stamp duty, because it is a merger, not a production arrangement.

Mr B.S. WYATT: According to law!

Mr C.J. BARNETT: The companies will just have to cop that. I guess, in a funny sort of way, the EU decision may determine whether stamp duty is liable. However, that will be left up to the legal process and stamp duty law.

Mr B.S. WYATT: We are delighted that it will be done according to law, Treasurer; we are very relieved by that!

Mr C.J. BARNETT: There are substantial benefits in this. By the company's own assessment, there is something like \$10 billion worth of gain to BHP Billiton and Rio Tinto. Remember, these same great companies and great contributors to our economy made all sorts of commitments back in the 1960s about steel mills and all sorts of things that have not happened. If anyone wanted to talk about sovereign risk, there is corporate risk to the state, because the companies have not honoured their agreements. Accordingly, if those companies want to change an agreement that has not been fully honoured, there is room for negotiation. That is what I am doing. I am not behaving from some high mountain of policy; I am simply behaving commercially in the interests of the state.

Ms R. SAFFIOTI: So they are happy to —

The CHAIRMAN: Member for West Swan, if you want a further question, seek the call and I will give you a further question. I am not going to allow you to continue to ask questions by way of interjection. I call the member for Cannington.

Ms R. SAFFIOTI: Chair, can I have the call?

The CHAIRMAN: Member for West Swan, I have just given the call to the member for Cannington.

Mr P. PAPALIA: Does the Chairman not realise what estimates is all about?

The CHAIRMAN: Absolutely, I do. I am just saying, member for Warnbro, that if members want a further question, they should seek the call and I will give them a further question. I call the member for Cannington.

Mr P. PAPALIA: Is he looking weak? I have been away from the room; he might have gone down since then.

Mr W.J. JOHNSTON: In respect of the proposed transaction between Rio Tinto and BHP Billiton, I want to clarify whether the question of application of stamp duty was always a matter of law. If the merger goes ahead, could the government test that matter by issuing an invoice? If the commissioner for taxation believed that stamp duty applied, he would issue an invoice and the matter would then be tested in court. That is my understanding of what the law has always been.

Mr C.J. BARNETT: Yes; that is the case. If the Commissioner of State Revenue believes that duty is liable, he will levy that duty. If a company wishes to contest that, it can do so.

Mr W.J. JOHNSTON: Yes; there is no opportunity for the involvement of government ministers in that decision because it is a statutory process in which a statutory officeholder applies the law of the state.

Mr C.J. BARNETT: That is correct.

Ms R. SAFFIOTI: In respect of —

The CHAIRMAN: Member for West Swan.

Ms R. SAFFIOTI: Thank you, very much.

Back to the sovereign risk issue, can the Treasurer confirm that some parties, in discussions about removing the concession, raised sovereign risk with respect to —

Mr C.J. BARNETT: In the early days, the issue with this was changing the agreement. I do not know that the term “sovereign risk” as such was used. However, I pointed out that it was the companies and their joint venture partners who were initiating the change because they wanted to change their agreement acts. I told them that if

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they wanted to open up agreement acts for negotiation, I was putting on the table stamp duty, royalties and access.

Mr W.J. JOHNSTON: I have a further question. When the Treasurer says that, as Premier, he put on the table the question of stamp duty, what does he mean by that? I thought that the Treasurer just said —

Mr C.J. BARNETT: I am —

Mr W.J. JOHNSTON: Sorry, if I could just finish my question. Did we not agree a moment ago that the question of stamp duty was a matter for a statutory officeholder and that there was no role for ministers to play in that issue? Could the Treasurer clarify what he is now saying about having put stamp duty on the table?

Mr C.J. BARNETT: Yes. I was thinking that the companies might not have thought of the stamp duty issue, and I pointed out that stamp duty may well apply.

Mr R.F. JOHNSON: Yes. But it was not a question of negotiation about stamp duty.

Mr C.J. BARNETT: It may well be that there would be a lump sum payment.

Mr R.F. JOHNSON: But how would a lump sum payment set aside the law of the state?

Mr C.J. BARNETT: It would not set it aside on the question of stamp duty, but there may well be a lump sum payment if the companies were to buy out the obligations that they have not met.

Mr R.F. JOHNSON: Is that in respect of stamp duty?

Mr C.J. BARNETT: No; in respect of the whole agreement.

Mr B.S. WYATT: The Treasurer made the point about corporate risk, effectively, in which companies have not honoured various things.

Mr C.J. BARNETT: Yes; the opposite of sovereign risk is corporate risk to government.

Mr B.S. WYATT: Yes; so that is the money the Treasurer is talking about. He is saying to the companies they have not met all their obligations and if they want this to happen, they will need to pay the government \$1 billion as compensation for not meeting those obligations. Is that what the Treasurer is saying? I am just trying to clarify.

Mr C.J. BARNETT: No. There is an agreement. There are obligations. If we were to take away a whole lot of obligations under the agreement act, they have a value.

Mr B.S. WYATT: True.

Mr R.F. JOHNSON: Yes.

Mr C.J. BARNETT: They have a value. If the companies are going to gain \$10 billion, I would think that the people of Western Australia might share in that.

Mr B.S. WYATT: Is that currently part of the discussions the Treasurer is having about —

Mr C.J. BARNETT: Indirectly—yes. But that is not the discussion over the royalty rate as such.

Mr B.S. WYATT: I understand that.

Mr A.P. JACOB: I refer to budget paper No 3 again and to the table headed “Key Budget Aggregates” on page 5, and to the projected expense growth of 3.9 per cent in 2010 and 2011. Are the previous measures implemented by the government to rein in spending growth starting to slow the rate of expense growth?

Mr C.J. BARNETT: It has been interesting. If this budget can be delivered throughout the next 12 months, its greatest achievement will be to constrain the growth in government spending. The Under Treasurer has already explained how health spending has come into control—and we need to hold it there. There has been some commentary that the target for total government spending of an increase of 3.9 per cent is unrealistic. A number of factors have resulted in that number of 3.9 per cent coming out; it is only a number. Expenditure over the 2009–10 financial year has been inflated by a number of factors, but particularly by some of the commonwealth stimulus spending that has flowed through. If we allow for that, the spending increase in 2010–11 is closer to seven per cent. In other words, the underlying growth in government spending has come down from 10 per cent or 12 per cent to about seven per cent. I think most people would concede that that is a very realistic figure. The 3.9 per cent figure is simply because the base has been exaggerated by the federal government stimulus spending that came through. Therefore, spending is realistic. It is not 3.9 per cent. The underlying rate is about seven per cent. The measures that have been taken, including the three per cent efficiency dividend, have largely been achieved. I know that there is continuing debate about that, but the efficiency dividend has played a big role. The economic audit and in particular the cuts to a number of programs and grant programs as part of the midyear

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review have also played a big role. The ceiling on public sector staff numbers is a huge factor. We have brought into control the growth in public service numbers. Also, the voluntary severance arrangements have seen around 490 people leave the public sector—with probably another 300 or so to leave—on a voluntary basis. That has been a big factor. The wages policy has been held. All of those things have worked together to bring spending under control. I know the Under Treasurer is very strongly of the view that to simply put out a budget showing that spending is in control is one thing; it actually requires a lot of continual hard work and hard discipline to maintain that throughout the year.

[10.50 am]

Ms R. SAFFIOTI: I have a question about government accommodation. We discussed this on Tuesday, Treasurer, during the Department of the Premier and Cabinet estimates hearing, and the Treasurer, as Premier, asked that we ask it again today because the Department of Treasury and Finance is handling the project. I have a question about the expiry of the existing lease on Governor Stirling Tower in 2012 and the need to put in place some interim arrangements. What will be the interim arrangements for ministers and the core part of DTF and DPC; will there be upgrades of Dumas House, and what is the expected cost of those upgrades; and, are they budgeted or expected to come into the budget soon?

Mr C.J. BARNETT: I will ask the Under Treasurer to give some detail, but I will make a couple of comments. We had hoped, as I am sure did the Labor Party when it was in government, that the lease on Governor Stirling Tower would be extended. It appears that that will not be the case, so time has become fairly precious. Some decisions have been made to take more space at 140 William Street—in fact the whole building—and some moves are taking place out to the Optima building in Osborne Park. There is the prospect of relocation in the future maybe to Joondalup, but that is not definite. With respect to ministerial offices, it is proposed that most ministers will be located into Dumas House, which will require some remodelling and refurbishing.

Mr B.S. WYATT: Of the ministers or the building? I have a suggestion!

Mr C.J. BARNETT: I am sure the member has!

The offices in Dumas House are strange, spread out, elongated things; its layout is not particularly functional and some work will be done on Dumas House. Members may have noticed that the state architect has been charged with the responsibility of looking at the parliamentary precinct. He is doing that for both the executive and presiding officers. What is in mind there is building a government building, which will probably be, I imagine, primarily a Treasury building. We will have Treasury, the Public Sector Commission and the Department of the Premier and Cabinet, and a cabinet room may be built—that is something that is being looked at. That work is being done and we are looking at how that parliamentary precinct is used. There are some planning issues around using that as a greenbelt connecting the city and also to Kings Park, and members are aware that there has been some speculation about maybe even covering the freeway. That is not immediately part of it, but I think that is a project that ultimately would be a good addition to the City of Perth. I will ask the Under Treasurer to comment on some of the detail of the specific moves underway.

Mr T. Marney: In essence, Dumas House will be retained as a key government office building for the executive of government and central agencies, which is pretty much what it is now. As members are aware, some of the fit-out of that building is quite dated and some of the plant and service aspects, such as lifts and security, are also problematic. As evidenced by the soot that falls onto my desk on a daily basis out of the air conditioning, we need to do something about it. The plan is to spend approximately \$23 million to refurbish the existing fit-out of about 60 per cent of that building. The remaining 40 per cent is fine and a reasonably current fit-out. It is proposed that another four or five ministers, in addition to the nine ministers currently in the building, be relocated to the building as the leases expire on St Georges Terrace. The predominant catalyst there is the expiry of the lease of Governor Stirling Tower in June 2012, I think. Between now and June 2012 we will progressively refit floors of that building to accommodate ministers and house central agencies as appropriate. The Department of Premier and Cabinet and the Public Sector Commission, in the short term, would be the proposed agencies, but as the Treasurer indicated, a longer term strategy is being developed for the parliamentary precinct. We have taken the entirety of 140 William Street, which will give us the flexibility to manage our accommodation needs within the central business district as that fit-out progresses and as the Governor Stirling Tower lease expires. It is a fairly large logistical exercise—we are talking about hundreds and hundreds of people having to relocate—so work is commencing on that immediately, given that we are only 24 months out from not having a home in Governor Stirling Tower. The prospects of renegotiating an extension of that lease are virtually zero.

Mr C.J. BARNETT: To add to that, the movement of the building and works side and the Department of Training and Workforce Development out to Osborne Park is good and it has been popular in those agencies, and it has continued with the movement of the Department of Regional Development and Lands to Midland. I think it makes sense for some of these departments to move out of the city centre, they maybe could even move to a

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regional area. Members recall Max Evans, who was a finance minister—Max has still probably got his first dollar! He was a very good tax accountant, Max! Every time I see him he makes the comment to me that government does not pay tax; government should always own its own buildings, and he is right on that.

The CHAIRMAN: There has been an indication that members may want to take a five-minute comfort break.

Mr B.S. WYATT: Chair, we have one follow-up question.

The CHAIRMAN: If the Treasurer is happy to take the question.

Ms R. SAFFIOTI: A process was underway for the construction of a new government building on the terrace, but it was cancelled when the current government came to office.

Mr C.J. BARNETT: I think that fell through, to be honest. Is the member talking about a second building?

Ms R. SAFFIOTI: Bishops —

Mr C.J. BARNETT: I think that fell through; I do not think it was cancelled as such—I might be wrong on that. I think the deal actually fell through. The member will have to ask the Under Treasurer about that.

Ms R. SAFFIOTI: I thought that was being built on the expectation that the GST lease would be extended, and now that the GST lease cannot be extended it puts government in the difficult situation of trying to relocate the executive within two years.

Mr C.J. BARNETT: It does, and part of it was that the proposal to build that second building was caught up in the global financial crisis at the time. It just basically fell apart. Would the Under Treasurer like to comment on that?

Mr T. Marney: I think, yes, the Bishops See building was being pursued at the same time as the extension of the lease of Governor Stirling Tower. Bishops See was looking marginally better for lease rates, but that fell away. The project proponents decided not to proceed with the second tower. That was at about the same time as finance got pretty difficult, so we could assume that they were not able to finance that second tower or were not prepared to take the risk. I do not know the commercial reasons behind their decision, but whatever they were, they decided not to proceed. At that point I think, essentially, the owners of Governor Stirling Tower went for our throat on lease rates, and we sought very quickly to identify alternative options to ensure that the state did not get—what is an appropriate word—a raw deal out of that process.

Mr B.S. WYATT: A stronger bargaining position.

Mr T. Marney: At the same time we were looking at the additional space at 140 William Street, which we have been able to secure at not far off half what a renewal of the lease of Governor Stirling Tower would have cost. The economics of this were pretty clear.

As I indicated, the fit-out of Dumas House is in need of some attention. This is a significant logistical exercise, so somehow there has to be a circuit-breaker. The circuit-breaker is that government procurement currently occupies two and a half floors of Dumas House. By it going to Osborne Park, we free up two floors to do a refit. Then we can start to bring ministers into that building and we can start to shuffle the accommodation, including using 140 William Street as a long-term centre for government accommodation, but using that to roll the agencies in and out of that facility as required. It may be that Treasury goes there for a period of time ahead of longer term parliamentary precinct determinations. That was a bit longwinded, but that is the back ground to where we are at today.

[11.00 am]

We have short-term moves in place and a longer term strategy that guide our decisions around leasing and, hopefully, that will consolidate the government's accommodation presence in the CBD into discrete areas of activity. For example, currently the state development agencies are spread across the CBD, down to the end of Adelaide Terrace. Having them consolidated into one site would make sense. The same applies to the justice agencies and the direct service delivery industries. For example, commerce has numerous sites and a lot of its activities are actually better based outside the CBD, given the mobility of its workforce—inspectors and so on. We are trying to draw all those things together in a holistic strategy. It is really a five to 10-year road map for decision making around government accommodation.

Mr M. McGOWAN: Is the Under Treasurer saying that there is not sufficient room inside 140 William Street and Dumas House to house all those officers and bodies funded out of GST?

Mr C.J. BARNETT: Part of this is, I guess, in the longer term to move the central agencies into a parliamentary precinct. Therefore, we would have Premier and Cabinet, Treasury and the Public Sector Commission in a

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central area. The number of leases across the CBD is ridiculous. This would be a consolidation. The Under Treasurer might like to add to that.

Mr T. Marney: Part of the reason for moving government procurement and building management and works out of their existing accommodation is that government procurement and building management and works have a lot of synergies in what they do. One purchases goods and services and the other purchases and constructs assets. Their skill sets are complementary and their processes and governance are complementary. I see a lot of merit in having them co-located. At the moment government procurement is in Dumas House and building management and works is, I think, predominantly at the end of Hay Street, East Perth, and in another four buildings as well. We have people in one function area spread across numerous locations, which is dysfunctional. Part of this strategy is to bring greater consolidation and have complementary businesses co-located.

The CHAIRMAN: Members, the committee will suspend for a comfort break for approximately five minutes.

Meeting suspended from 11.03 to 11.12 am

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

The CHAIRMAN: Member for Victoria Park.

Mr B.S. WYATT: I refer to current assets at page 142 of budget paper No 1. The cash assets have declined considerably. Is that becoming an issue for the department in respect of payment of its own bills? Are the bills being paid on time? Is it becoming a cause of concern for the government or the department's creditors?

Mr C.J. BARNETT: That has been raised. It is not an issue for the management of Treasury. I will ask the recently arrived Under Treasurer to comment.

Mr T. Marney: My apologies. I gather that the question relates to a cash balance issue. The short answer is that we have sufficient cash to meet our obligations to our creditors and to pay all invoices. Accounts payable runs every Wednesday. We skipped a run recently for a number of reasons, one of which was discrepancies in some of the invoices that were in that accounts payable run. We chose not to run those accounts and, instead, to get to the bottom of those discrepancies before paying the invoices, which I am sure the member would expect us to do.

Mr B.S. WYATT: I assume that skipping the run would have affected creditors' invoices for which there was no discrepancy.

Mr T. Marney: There would have been minor payments amongst that.

Mr B.S. WYATT: Is the time frame in which bills are paid by the department increasing or is the traditional term of payment being maintained?

Mr T. Marney: As much as possible we always seek to meet government policy, which is payment within 30 days. From time to time there are reasons why payment within that period is not feasible or appropriate. Our internal processes and policies are to adhere to that broader government policy, which is payment within 30 days.

[11.10 am]

Mr B.S. WYATT: Through the Treasurer again, is where that cash asset level is at now causing that 30-day payment option to be pushed out over the past couple of months?

Mr T. Marney: Our current cash position is sufficient to meet all our payments, both wages and salaries and creditors, through to the end of the month.

Mr B.S. WYATT: In line with the 30-day requirement?

Mr T. Marney: Yes.

Mr W.J. JOHNSTON: Is there a particular reason that the estimated actual will be \$45 million, whereas the budgeted amount was \$63 million?

Mr C.J. BARNETT: I refer that question to the Under Treasurer.

Mr T. Marney: Sorry, in which item?

Mr W.J. JOHNSTON: On page 142 of the *Budget Statements*, which the member for Victoria Park referred to. The cash assets budget was \$63 556 000 and the estimated actual is \$45 097 000. I wonder whether a particular issue led to the \$18 million difference.

Mr C.J. BARNETT: I refer that question to the Under Treasurer.

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Mr T. Marney: That cash amount—this is testing my memory slightly—is highly dominated by the cash that is carried in the building management and works business, which is around the \$50 million mark. That is associated with payments to building contractors on major projects. If we like, it is a float carried in that business to deal with substantial flows in and out for payments. From memory that level of annual payment is around \$1.5 billion, so a cash float is needed for that purpose. Those payments can bounce around, particularly in the context of the Building the Education Revolution program, which injects, I think, \$1.2 billion over an 18-month or thereabouts period. We have seen some significant movements in our cash position associated with the works business due to the highly accelerated program that we are dealing with in that space. In fact, I suspect that reduction in cash reflects the fact that we are progressing ahead of schedule on the Building the Education Revolution program. It took us a little longer to get that program started; we spent a bit more time in the planning and procurement processes than other jurisdictions. Having invested that time, we have been able to accelerate past them in our delivery and indeed past the commonwealth's provision of cash to us for that delivery, so we have to dip into our own cash resource a little to deal with that. That is not causing me any concern at this point, nor is it causing the department more broadly any financial difficulties.

Mr B.S. WYATT: I have a follow-up question. Was the run that was missed in May or April? How recent was that? Does the Treasurer know how many creditors were not paid as a result of that? I assume salaries et cetera are still being paid; it is the creditors who missed out being paid in that run.

Mr C.J. BARNETT: I refer that question to the Under Treasurer.

Mr T. Marney: The run was last Wednesday.

Mr B.S. WYATT: The one that was missed?

Mr T. Marney: Yes, sorry, Wednesday of last week. It was fully tidied up and run through on Wednesday of this week.

Mr B.S. WYATT: Were there complaints from creditors?

Mr T. Marney: Not that I am aware of; certainly nothing has come through to me.

Mr B.S. WYATT: I have another follow-up question. Does the Under Treasurer expect to miss any other runs of payment in this financial year?

Mr T. Marney: No, we are not anticipating any but if we had concerns about a range of payments, we would not process the invoices. As I said before, my chief finance officer goes through the accounts payable runs and ensures that it is all in order. If he discovers something that is not in order late in the process, he will put a stop to that run. That is what occurred last week.

[11.20 am]

Mr B.S. WYATT: I have one more follow-up question.

The CHAIRMAN: This your final question.

Mr B.S. WYATT: Thank you, Mr Chairman.

What was the nature of the concerns that the chief financial officer had with the invoices?

Mr T. Marney: Some payments to the Government Employees Superannuation Board associated with our superannuation obligations had discrepancies in them; that is, payments were listed for superannuation for persons who were no longer employed by us. We were not prepared to make that payment on the invoice, so we needed to go through that. It may be that GESB was aggrieved by that or sought to communicate its grief more broadly, but that is the nature of the issue.

Mr A. KRSTICEVIC: I refer to page 127 of budget paper No 1 the *Economical and Fiscal Outlook*. The third dot point refers to planning the new Midland health campus. Can the Treasurer please update me on the progress of this project?

Mr C.J. BARNETT: This is an important project. In May 2009 the state and commonwealth governments each committed \$180.1 million, giving a total project cost of \$360.2 million. In December 2009, cabinet endorsed the project scope and approved the release of \$6 million for project development. Various procurement options are being examined. They range from a traditional government-funded and operated model through to outsourcing under a public-private partnership. That probably will be the way it goes, although that is yet to be finally decided. The project planning development is progressing towards an expression of interest for the design, construction and operation of the Midland health campus late 2010 or early 2011. The target of construction commencement and completion is expected mid-2015. That will be a very important and much welcome project. It is a good example of commonwealth-state cooperation.

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Ms R. SAFFIOTI: Public-private partnership is a term used to describe a lot of different types of contracts and arrangements. If it is going to be privately built and privately run, will it be on the government's balance sheet and will the asset investment be under the health department's budget?

Mr C.J. BARNETT: It will certainly be on the government's balance sheet. Accounting rules in public finance mean that, even if it is a PPP, it is shown in the government accounts as a liability.

Ms R. SAFFIOTI: It depends on the contract. With the PPP as an ongoing expenditure where we pay off the capital as well as the operating expenditure, will the Treasurer require the \$360 million up-front as currently shown through the budget papers?

Mr C.J. BARNETT: I am sorry; I am not quite sure what the member is asking.

Ms R. SAFFIOTI: I am trying to describe it simply. Basically, there are different forms of paying for projects with PPPs —

Mr C.J. BARNETT: I am sorry to interrupt, but with a PPP, the building and the operation can be split, so it may be that government builds the building and a private operator delivers the public health services.

Ms R. SAFFIOTI: Yes. Sometimes a PPP arrangement requires the private sector to build and finance a project, and, through annual payments, the government to pay off the capital and pay the operating costs.

Mr C.J. BARNETT: Yes; that is right.

Ms R. SAFFIOTI: I am asking whether that is the model being pursued for Midland; if so, is the capital funding required currently on the books?

Mr C.J. BARNETT: A range of models are being considered for Midland but there are quite strict accounting requirements. I will ask the Under Treasurer to comment on that. Even if a PPP arrangement is used, it is brought fully into account on the government's books.

Mr T. Marney: The existing policy is that if a project is approved by government, the estimated capital cost of that project is written into the books. That is done so that the default position is that the government builds it and owns it. But, if through the procurement process an alternative model is established, it does not bias the decision in the procurement process against government own-operate versus off-balance sheet treatment under some sort of private arrangement.

The reality is that Australian Accounting Standard B117, I think, determines the accounting treatment around the future lease payments and the capital obligations with respect to privately financed or operated facilities. We would treat that within the constraints of that accounting standard. It is most likely that it would remain on the balance sheet. Very little off-balance sheet financing is allowed for under current accounting standards.

Ms R. SAFFIOTI: Another example is Acacia Prison, which is privately run. I understand that it was privately built. Is that on the government balance sheet? The Treasurer might have to provide the information by way of supplementary information.

Mr C.J. BARNETT: I refer that to the Under Treasurer.

Mr T. Marney: I understand it is on-balance sheet, as is the CBD court facility, which is a PPP. The accounting standards were changed to avoid the use of PPPs to basically get financial obligations off the state's balance sheet. It is mostly fully on the balance sheet.

Mr B.S. WYATT: I refer to the Department for Child Protection on page 122 of the *Budget Statements*. The 2008–09 actual expenditure is \$15.3 million; for the 2009–10 budget, \$14.2 million; and for the 2009–10 estimated actual, \$14.2 million. Paragraph (f) on page 123 indicates that it basically reflects global funding that was provided in response to the Ford review recommendations. The previous year's *Budget Statements* show for the 2010–11 year, \$28.3 million, which has obviously been transferred from Treasury to the department. In his budget speech, the Treasurer said that the Department for Child Protection was given an additional \$47 million for the 2010–11 financial year. Can he confirm that, of that \$47 million, \$28.3 million held by Treasury was the money that had been already allocated to child protection?

Mr C.J. BARNETT: The member may well be right. This money paid through Treasury was mainly identified under the Prudence Ford report, and that continues. I assume that was included within that total figure the member quoted. Both through last year and this year there has been significantly increased funding and staffing for the Department for Child Protection. The measure of that is shown by the fact that there has been less incidence of neglect and abuse and even fewer deaths among children who are known to the state. I will have to defer to Treasury about whether that is included in that figure. If we cannot answer it now, we will provide it by supplementary information.

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Mr T. Marney: We will provide it by supplementary information.

Mr C.J. BARNETT: I think the member's assumption is right.

We agree to provide supplementary information on the total increase of funding to the Department for Child Protection and what part of that was accounted for as funding under the Ford review.

[Supplementary Information No A44.]

[11.30 am]

Mr A.P. JACOB: My question relates to the fourth dot point on page 129 of budget paper No 2, which specifically mentions the Queen Elizabeth II Medical Centre. What progress has been made on construction of a new car park at the QEII hospital site?

Mr C.J. BARNETT: It is an important issue. As members are aware, the new children's hospital will be built on the QEII site; and in a subsequent time frame, hopefully, a new women's hospital will be built on that site as well. To start that, some space has to be created. The space is taken up by car parking, which has been the big issue for staff and also visitors to the hospital. The car park project will see Perth's largest multi-deck car park constructed on the north east corner of the site next to Sir Charles Gairdner Hospital. It will increase the existing car parking capacity of 3 000 bays by more than 50 per cent. The government has approved the car park project under a build-own-operate and transfer model as a form of public-private partnership. The private sector, which will be a consortium of some sort, will be contracted to design, construct and operate the car park over a concessional period. The private operator will be the beneficiary of car parking fees and the state will incur no capital or recurrent cost. I understand that tenders are going out now or have gone out. It is important to get on with that project. There is a lot of interest in it. That will improve the parking situation at QEII and create the space so that we can start construction of a new children's hospital. For football fans, as I said, a children's hospital comes before a football stadium. They may take some heart as they see the car park start and the basement foundations go in for the children's hospital.

Mr W.J. JOHNSTON: With regard to that, I did see the media release the other day from the Minister for Health on this topic. What income is expected from the letting of that contract by the government?

Mr C.J. BARNETT: The income accrues primarily to the group that builds, owns and operates the car park. There will be a concessional period. How long the concession is will be negotiated. Ultimately, the group will recover parking fees to fund the cost of the car park. Once that concession period runs out, a portion of those fees will flow to government. I understand that that contract is yet to be negotiated. That is basically the structure. A private group will build, own and operate it and it gets the parking fees for a period of years and then it will be phased out and some part of that revenue will come back to government.

Mr W.J. JOHNSTON: That is the issue I am asking about. Does the Treasurer have an expectation? Are there targets for what he might think will be generated from that car park?

Mr C.J. BARNETT: The concessional period is not expected to be greater than 20 years. How many years that ends up is a matter of negotiation between whoever is the preferred bidder and the government.

Mr W.J. JOHNSTON: So is the government not expecting any income in those 20 years?

Mr C.J. BARNETT: It might not be 20 years. We are not expecting much income. Most of the income during a period of up to 20 years will go to the group that builds, owns and operates the car park. It gives the government another 1 500 bays plus space for the new children's hospital.

Mr W.J. JOHNSTON: I have one final question. Is there an expectation of the cost that people will pay to park in that facility?

Mr C.J. BARNETT: I am sure Treasury has an approximate view of what it might cost but that will be something for a competitive bidding process. The group that comes in with the lowest cost and the best deal will win the contract. The Under Treasurer just said that the Minister for Health has announced a parking policy. I am not aware of the details of that but that would apply across that and other sites. Parking is a big issue for hospitals and congestion has been a big issue in Nedlands around QEII.

Dr M.D. NAHAN: How large is the car park proposed to be and can university students use it? Is it open to the general public, not just restricted to users of the hospital?

Mr C.J. BARNETT: It is designed for users of the hospital. It will be a problem if we find it fills up with students' old bombs from the campus. I do not know how that will work. I understand that the parking area is primarily for staff. I do not know whether there will be a pass arrangement. It will predominantly provide good quality undercover parking for staff at the hospital. That has been a big issue, particularly for nurses. It is not

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designed for university students. The member raised the issue of university students. While it has been evolving over several years, we are seeing a university medical campus evolve. I have recently been in Houston, looking at the MD Anderson Cancer Center at the University of Texas and the Texas Medical Center. It has an extraordinary array of integrated university and medical research and studies and treatment, and we are starting to see that happen at the QEII precinct.

Dr M.D. NAHAN: It is the same in Melbourne.

Mr C.J. BARNETT: It is a very good way to go. The physical and intellectual collaboration between the university and the hospital is excellent.

Mr B.S. WYATT: I go back to the comments made by the Under Treasurer about the health minister's parking policy. I know the Treasurer said that he is not familiar with the details but will that policy include some form of concessional arrangement for nurses who drive there and work there so that they are not paying \$30 a day to park their car?

Mr C.J. BARNETT: Yes, it does. I think that is delivered through the remuneration of nurses. I do not know whether the Under Treasurer has the details of that.

Mr T. Marney: I understand that the pricing policy puts a cap on the amount employees would be charged for parking on site. That would differ from the full rate of pricing for a commercial operator on site.

Mr B.S. WYATT: Does the Treasurer have the details of that cap or is it still being worked out?

Mr C.J. BARNETT: The policy put out by the health minister is publicly available. I could not provide it by way of supplementary information.

Mr B.S. WYATT: I am not asking for supplementary information. I want to know whether the work has been done and whether there is a formula that will work that out or whether it is still a work in progress.

Mr C.J. BARNETT: The intent is that it would be affordable parking for medical staff and some visitors. It is primarily for staff parking.

Mr W.J. JOHNSTON: I turn to page 143 of the budget papers and draw the Treasurer's attention to "Cashflows from Financing Activities". There is a line item for repayment of borrowings in the 2009–10 budget but then not in any of the actuals or the out years. Why has this occurred?

Mr C.J. BARNETT: Is the member talking about the line item "Other proceeds"?

Mr W.J. JOHNSTON: No, I am talking about "Cashflows from Financing Activities" on page 143 and the line item "Repayment of borrowings". The 2008–09 actual was negative \$44 745 000; the 2009–10 budget figure was negative \$1 833 000; then the estimated actual for 2009–10 is zero; the 2010–11 budget estimate is zero; and the forward estimates for 2011–14 are all zero. I am wondering why there has been a change to those items and why there is no budget item in the out years for 2010–11 either.

Mr C.J. BARNETT: Part of this has to do with the operation of State Fleet. I will have to refer to the Under Treasurer on how that flow of money goes. It obviously relates to the size of the deficit and the size of net debt.

Mr T. Marney: Yes, this is associated with the borrowings of State Fleet, which are the borrowings to purchase, lease and manage the government's vehicle fleet. Essentially, the reason there are no borrowings in the out years is because it reached its existing approved borrowing limits and therefore its capacity to borrow further is nil. Essentially, it is just taking it up to the full capacity of its operations.

Mr W.J. JOHNSTON: So it is just the State Fleet, not any other matter.

Mr T. Marney: Yes.

Ms R. SAFFIOTI: My question to the Treasurer relates to the asset investment program for this financial year, 2009–10. The estimated actual is listed at \$7.16 billion.

The CHAIRMAN: What page is that on?

Ms R. SAFFIOTI: It is on page 5 of *Economic and Fiscal Outlook*. Is the government on track to spend that amount this year, given that it is now two months after the cut-off date? Is there likely to be an underspend in the asset investment program; and, if so, to what degree will that underspend be?

[11.40 am]

Mr C.J. BARNETT: My understanding is that there is an underspend—not a particularly large one, but there is an underspend—for the 2009–10 financial year. That is not to say projects are not happening. The money simply has not been spent in that year. I will have to ask the Under Treasurer to comment on the size of that.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr T. Marney: We did have a substantial underspend built in at midyear review time—I think in the vicinity of \$700 million to \$750 million. The specific details of that underspend have been factored into all of the agency budgets, so basically projects have been recalibrated as part of the budget process. Therefore, any underspend now—I assume the member is talking about budget to actual outturn—should be pretty minor.

Ms R. SAFFIOTI: In respect of the estimated actual, there will not be a huge degree of difference.

Mr T. Marney: There should not be a huge difference between the estimated actual as in budget and the actual as we report in the “Annual Report on State Finances” at the end of September. In the vicinity of \$100 million to \$150 million on a \$7.5 billion program is probably a reasonable assumption.

Mr C.J. BARNETT: One example may not show up large in total, but the commonwealth funding of school projects, for example, has on some school sites pushed back some of the state government projects. A school in my electorate has about two projects going on on the one small site. So there has had to be some readjustment of some capital works projects around schools to accommodate the situation, because we can have only one construction happening on the site and not two at the one time. So there are practical things like that, but there is no cancellation or slowdown or lack of commitment to capital works.

Ms R. SAFFIOTI: As a follow-up, in respect of royalties for regions, is there expected to be an underspend on both the capital and recurrent fronts of that fund for this year compared with what was produced in the budget papers?

Mr C.J. BARNETT: There is an amount that was not expended for the current year. What happens in the future remains to be seen. There could well be a similar underspend; that is possible. Under the Royalties for Regions Act, 25 per cent of royalty income must go into the fund, and we are looking at mechanisms as to how that is preserved into the long-term future if it is not spent in a current year.

Ms R. SAFFIOTI: As I understand the operation of the royalties to regions fund, 25 per cent is allocated at the beginning of the year.

Mr C.J. BARNETT: Into the fund, yes, but on estimates of what royalties are thought to be and then corrected as to what they actually are when they come in, yes.

Ms R. SAFFIOTI: Let us say, for example, \$600 million is allocated at the beginning of the year to the RTR account and that somehow royalties are higher than expected, then another \$100 million, for example, is input into that account. Is that correct?

Mr C.J. BARNETT: That is basically the mechanism. I will ask the Under Treasurer to comment.

Mr T. Marney: The appropriation into the royalties for regions account is based on 25 per cent of the estimated royalty take for that year. So the appropriations are set when the budget bills are passed. There are no unders and overs and there is no reconciliation or true-up at the end of the year. It is as set at budget time.

Ms R. SAFFIOTI: As I understand it, that appropriation lapses at the end of the financial year. Therefore, as I understand the account, the actual appropriation lapses. The fund is not like a holding account whereby money can be held over. As I understand it, the appropriation lapses, and money in that account that is not spent is basically used to pay off debt or whatever happens at the end of the financial year. That is how I understand it. Can I ask for that to be clarified?

Mr C.J. BARNETT: Some money from royalties for regions was returned to the consolidated account as part of cost cutting in the midyear review. What is the mechanism, Under Treasurer, if there is an unspent balance? Where does it reside?

Mr T. Marney: My understanding is that it resides in the royalties for regions account until such time as that account hits a cap of \$1 billion.

Ms R. SAFFIOTI: Is it a holding account, for example? Is that the technical —

Mr C.J. BARNETT: The point that the Under Treasurer made then is important. It is capped at \$1 billion.

Ms R. SAFFIOTI: Yes. Let us say, for example, there is an underspend, and \$300 million or \$400 million is sitting there at the end of this financial year.

Mr C.J. BARNETT: It would never be of that scale. It might be \$50 million or \$60 million.

Ms R. SAFFIOTI: I am just using that as a hypothetical example. Say \$400 million is sitting in the account. Twenty-five per cent of royalties next year will be \$800 million, so only \$600 million will be credited to that account. Am I correct? No?

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr C.J. BARNETT: No. I think, as the Under Treasurer said—I was wrong in my understanding; it is not correct—it is based on the estimated royalty at the beginning of the financial year, and that is the appropriation, so that is paid into the royalties for regions fund. If it is not all expended, the balance remains in that fund, but the fund itself cannot rise above \$1 billion.

Ms R. SAFFIOTI: Yes, that is right. That is what I am asking. Say next year, for example, \$400 million is sitting in the fund, and 25 per cent of royalties is estimated to be \$800 million.

Mr C.J. BARNETT: I see.

Ms R. SAFFIOTI: The \$800 million cannot be credited to the \$400 million because there will be \$1.2 billion. Is that correct?

Mr C.J. BARNETT: I will ask the Under Treasurer to answer that.

Mr T. Marney: Technically, 25 per cent of royalty revenue must be appropriated to the fund. If that puts the fund over the balance, it is a question of the balance at year end. So we could run a balance in excess of \$1 billion during the year. If the balance were to sit at over that \$1 billion cap at year end, consideration would have to be given to how that fund would be brought back to be consistent with the legislative cap of \$1 billion.

Ms R. SAFFIOTI: On any given day throughout the financial year, the account can sit at over \$1 billion.

Mr C.J. BARNETT: The answer is yes, during the course of the year.

Dr M.D. NAHAN: I refer to page 27 of budget paper No 3 and to the section entitled “Red Tape Reduction and Regulatory Gatekeeping”. Can the Treasurer give a description of the key issues and what progress has been made in that area?

Mr C.J. BARNETT: Work was undertaken by the member for Scarborough and the upper house member Hon Ken Baston, and they did a good job. A number of those measures have already been acted upon. There is further work to be done. There were 107 recommendations made, and out of that we are seeing a whole lot of regulations being simplified and some gotten rid of. It has also led to the work that has been done to reduce the number of committees and boards within government. We intend to prepare a formal response to that report, basically to give to the Parliament and the public a report on how well it has worked and what remains to be done. There is also a fair bit of work being done on simplifying business regulation in accordance with the Council of Australian Governments partnership agreement for the so-called seamless national economy. I think some good progress has been made on that. There is a lot to go. I do not know how the member sees it, but one of my frustrations, I guess, in public life is that often organisations out there, while they will complain about government regulation and interference, are not very good at actually articulating what we should do to fix it. It is very easy to have a grizzle. That committee came down with practical measures about what we can do within government to simplify regulation. I think that has to be an ongoing role of government. Every day we sit in this place we put in place more laws and more regulations. We are good at that; we are not very good at getting rid of them. I see that as a continuing task to go forward with.

Mr W.J. JOHNSTON: On that topic, I am looking at that page 27 that was referred to by the member for Riverton. I will read a sentence on that page. It states —

The Government is working to reduce the number of boards and committees from more than 1,300 to approximately 650.

I wonder what the definition is of the boards and committees that are referred to. It mentions reducing the number of boards and committees from 1 300 to 650. What is the definition being referred to in the budget papers?

Mr C.J. BARNETT: The 1 300 were all the boards and committees we could find, and they were everywhere.

Mr W.J. JOHNSTON: So what is a board; what is a committee?

Mr C.J. BARNETT: The member has this annoying habit of not listening to an answer.

Mr W.J. JOHNSTON: That was actually the question. The Treasurer seems to have the annoying habit of not listening to the question.

Mr C.J. BARNETT: I understand the member’s question, but unless he allows the answer to go for more than 15 seconds, there is very little chance that he is going to either hear or comprehend the answer.

Mr W.J. JOHNSTON: There is very little chance of getting an answer.

Mr C.J. BARNETT: There he goes again. This is why he is never going to succeed in this place.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

When we came to government, we said there were, in our view, far too many boards and committees. We simply went around every agency, every portfolio, and said, “How many boards and committees have you got?” I think in agriculture there were something like 135 committees; virtually every fruit and every vegetable had a committee. It was the same in fishing: every fish had a committee. There were multiple committees for crayfish. On and on it went.

[11.50 am]

Mr P. PAPALIA: The whole defence industry had one and the Treasurer got rid of that.

Mr C.J. BARNETT: The member for Warnbro should make a case for re-establishment if he thinks it has merit.

The point is that there were approximately 1 300 committees; about 300 have been or will be abolished and others have been merged. We intend to bring in omnibus legislation because to abolish others requires a formal act of Parliament. I hope that all members will agree to vote to abolish these committees. There is a series of trade-related committees in the building industry, instead of a general building industry committee. It goes on and on. This week in cabinet we appointed members to a very small, obscure, country cemetery board. I do not even know the name of the town, to be honest. I think I have visited most towns in Western Australia.

Mr T. Marney: Merredin?

Mr C.J. BARNETT: Not, it was not Merredin. Dandanning was one. I think I do know about Dandanning. Why is the government of Western Australia appointing people to cemetery boards in tiny wheatbelt towns? That work, therefore, goes on, and we must make administrative changes. What we have settled on is that there will be two categories for boards and committees. They will be entities with external members who are paid, and I have also said that we should have a second list of entities that include external members who are not paid but are formally appointed. There are some committees for which there is no remuneration; often they are in the medical area, comprised of external consultants and so on. They are external boards and committees but they do not receive any payment. Therefore, a lot will disappear by that definition. Some committees listed in the budget were basically internal within government—workforces, task forces, whatever. We have therefore got rid of some and defined some out of existence. We will get rid of a lot more and I hope we will come down to somewhere in the range of between 400 and 600.

Mr W.J. JOHNSTON: Mr Chairman, could I just get an answer to the simple question? When the Treasurer presented the budget papers and wrote down 1 300 boards and committees, how did he define those 1 300 board and committees?

Mr C.J. BARNETT: They were committees that we asked the departments to identify. Basically they were committees that in most cases had external membership.

Mr W.J. JOHNSTON: So, that is not the definition that the Treasurer has now discussed in the answer?

Mr C.J. BARNETT: No. I am trying to explain to the member that when we came into government, no-one—I say no-one—had any idea how many boards and committees there were, and no-one had a definition of a board or a committee. We have made a list of everything that was thought to be a board or a committee and we have now adopted a formal definition. We have abolished about 200 or 300 boards or committees and identified another couple of hundred that will go. We will do another round and get rid of another 100 or so, because there are far too many of them.

Mr W.J. JOHNSTON: Mr Chairman, I am still seeking an answer to a very simple question. The Treasurer says that nobody knew what a board or committee was until he created this definition.

Mr C.J. BARNETT: We did not know how many we had.

Mr W.J. JOHNSTON: I just want to know what definition was used to get this number at 1 300, because if the Treasurer is saying that it was a list that was provided by others and there was no definition applied to it, then that is an answer.

Mr C.J. BARNETT: No, there was no list. No-one knew. No-one had any idea how many committees there were. I took a guess initially that there might be 800. I was pretty quickly told no, it would be above that; and, before we knew it, it was up to 1 326.

The point to the member for Cannington is that when we came into government no-one knew how many committees there were, no-one had a list of them, no-one knew whether they were external or internal and no-one knew whether or not they had paid members. The whole thing was a complete shambles, and it is still taking some time to sort out. When the member for Cannington was in government—you were not there, fortunately —

Mr W.J. JOHNSTON: I was never in government.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr C.J. BARNETT: When the Labor Party was in government, had I asked a question of it in Parliament to tell me the number of boards and committees, it would have been totally incapable of answering it. I struggle to answer that question now because we are still finding some; they are all over the place.

Mr W.J. JOHNSTON: Okay. Mr Chairman, I will take up the challenge issued by the Treasurer and ask a question.

Mr C.J. BARNETT: There is no challenge.

Mr W.J. JOHNSTON: Using the definition that the Treasurer has used in the budget papers today, how many boards and committees are there? Tell me!

Mr C.J. BARNETT: If the member for Cannington had been concentrating in Parliament —

Mr W.J. JOHNSTON: I listened to the answer.

Mr C.J. BARNETT: See!

Mr W.J. JOHNSTON: I would appreciate an answer to the question I have asked.

The CHAIRMAN: Member for Cannington, let the Treasurer answer, please.

Mr W.J. JOHNSTON: I will, if the Treasurer is prepared to answer the question that I have asked.

Mr C.J. BARNETT: I concede through boredom!

If the member for Cannington had been concentrating in Parliament last week, he would have heard me give a brief ministerial statement listing the definition and number of committees. I also tabled documentation listing the committees; they are all on the public record.

Mr W.J. JOHNSTON: With respect, Mr Chairman, I do not understand why the Treasurer is not being asked to answer the question.

The CHAIRMAN: This is the member for Cannington's final question.

Mr C.J. BARNETT: I have answered it.

Mr W.J. JOHNSTON: I asked the question about what the Treasurer wrote down in the budget papers—these are not my papers, they are his papers. He wrote down that there were 1 300 committees.

Mr C.J. BARNETT: Yes.

Mr W.J. JOHNSTON: I am asking, on the basis of the criterion the Treasurer used to write down that number in the budget papers, how many committees and boards meet that criterion today?

Mr C.J. BARNETT: It was in the brief ministerial statement.

Mr W.J. JOHNSTON: No, it was not. That is unrelated to this question. The question I am asking is related to the definition that the Treasurer used—not the new definition—to give us these budget papers. How many boards and committees does the Treasurer have today?

Mr C.J. BARNETT: I will never appoint the member for Cannington to a board or committee!

Mr W.J. JOHNSTON: I am glad of that because I would not want to serve in a government that cannot answer a simple question. I only asked a simple question.

Mr C.J. BARNETT: For the third time I will say to the member that when we came into government there was no definition. There was none. There was no definition.

Mr B.S. WYATT: There is one now

Mr W.J. JOHNSTON: There is one now.

Mr C.J. BARNETT: There was no definition, so what I —

Mr B.S. WYATT: You do not know how many there are.

Mr W.J. JOHNSTON: The Treasurer said there were 1 300. How many are there today? It is a simple question.

Mr C.J. BARNETT: The simple thing is we contacted every agency and asked how many boards and committees —

Mr W.J. JOHNSTON: Yes, 1 300. See?

Mr C.J. BARNETT: Yes, show the document you are holding in your hand to the media. They might notice the member for Cannington. They have not noticed him so far in his parliamentary career!

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr W.J. JOHNSTON: That is the answer. What is the answer today? If the Treasurer does not know, he should just tell us: “I don’t know.” It is very easy.

The CHAIRMAN: Members!

Mr C.J. BARNETT: Mr Chairman, I have answered it. I will answer it one final time.

Mr W.J. JOHNSTON: Do you know?

Mr C.J. BARNETT: I will answer it one final time. When we came into government and we raised the issue of boards and committees —

Mr W.J. JOHNSTON: So, the Treasurer does not know. Just say it: “I don’t know.” That is all the Treasurer has to say.

The CHAIRMAN: Member for Cannington!

Mr C.J. BARNETT: As I said, Mr Chairman, when we came into government, I raised the issue of the number of boards and committees. I was stunned to find that there was no list, there was no definition and there was no idea of how many boards and committees existed. I therefore had every department through every minister in each portfolio report on the number of boards and committees. In some case it took ministers some time to find out how many boards and committees were in their portfolios. The heads of departments did not know. They simply did not know. I think the number in agriculture—it is on the public record—was more than 130. The member for Cannington is not even listening, so why am I bothering?

Mr P. PAPALIA: The Treasurer still does not know.

Mr C.J. BARNETT: Mr Chairman, there was no definition. We made up a list according to the list supplied by the heads of the various departments through their ministers. They provided a list of all the boards and committees that they were aware of, and it came to in excess of 1 300. We then adopted a process of abolishing the ones we thought were unnecessary and could be abolished administratively, and around 300 or so went or will go. We identified another group that had limited terms so that when they ran out, we would not re-appoint them. We identified another group that would require legislative change to abolish, and we intend to bring in an omnibus bill to do that. We also then did what had never been done in this place: we adopted a definition. There was no definition before. There was simply a list of committees and boards that various departments identified. That definition is that boards and committees have external members who are paid. I have said there should be a second listing of those that have external members who are not paid. Internal working parties, groups and committees within the public service are not boards and committees; they are part of the internal operations of the public sector.

So, yes, the member is right: there was no definition and there was no list, because the Labor government had no definition and had no list. It did not know. We now know how many there are, but we will require some legislative change to get to that final list. Once we get down to around 600 or 700, we will have a second round and go through them and get rid of more, because there are still far too many boards and committees in government.

Mr B.S. WYATT: I have a question about one of the Treasurer’s committees. I refer to the second bullet point on page 127, which states —

DTF will continue to support the State Supply Commission in ensuring that there is an appropriate level of procurement governance and that the supply policy framework continues to focus on outcomes and promote efficiencies.

Looking back at the debate we had on this during the estimates hearings last year, it is my understanding that the State Supply Commission was abolished. At some point that has obviously changed because it is still referred to in the budget papers. It was to be replaced with—to quote the former Treasurer—“a high level industry consultative group”. The former Treasurer also talked about what that group would do in place of the State Supply Commission. Has the State Supply Commission been abolished? Has a consultative group been established? Who sits on that group?

[12 noon]

Mr C.J. BARNETT: The State Supply Commission has not been formally abolished by Parliament. I understand that it will take a bill before Parliament to do that. It has been absorbed within the operations of Treasury but, technically, it still continues to operate because that is the law until Parliament changes it.

Mr B.S. WYATT: In respect of the high-level consultative group, which, at estimates last year, was about to be appointed and operating—I assume that is now up and operating.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr C.J. BARNETT: No; it is not in place yet.

Mr B.S. WYATT: When can the Parliament expect legislation to abolish the State Supply Commission, which was announced quite some time ago?

Mr C.J. BARNETT: This will be one of those issues. I hope there will be a little debate about a lot of the so-called boards and committees that have been abolished. There might be some debate from a policy point of view, and the State Supply Commission might be one of those, but we are trying to determine—and we would appreciate the cooperation of the opposition—which of the groups to be abolished are not controversial so that we can put through an omnibus bill. The opposition may have a view about state supply and there may be other issues. If that is the case, we would need to deal with them individually.

[Mrs L.M. Harvey took the chair.]

Mr B.S. WYATT: At the time it was announced that the State Supply Commission was to be abolished, my comments related specifically to the Buy Local issue. My understanding was that the high-level industry consultative group—I will look at the Under Treasurer to see whether he nods yes or no—was to mediate the relationship between government and suppliers, or words to that effect. Will there still be a focus through this consultative group to drive home or push the Buy Local policy, or has that been removed elsewhere?

Mr C.J. BARNETT: That is the intent. The supply function is now absorbed within the Treasury operation. There is a broader role in terms of Buy Local and equal access to local tenders and suppliers. We have a trend of doing more, probably through organisations like the Chamber of Commerce. That also happened under the former government. I will ask the Under Treasurer to comment on where that is all going.

Mr T. Marney: The State Supply Commission Act still exists so we still need to discharge the responsibilities and requirements under that act. That responsibility falls with me. I have a very small team of people dedicated as State Supply Commission employees. The board of the State Supply Commission still meets. It is internal to government, but it nonetheless still meets to discharge those responsibilities. As the member pointed out, to a significant extent it is about ensuring that suppliers' issues are understood and fed into the formulation and implementation of the state's procurement policies. There is still a need for that feedback mechanism; and also to resolve any issues. The resolution of any complaint or conflict in that process will be handled not so much by the State Supply Commission but through the Ombudsman, for example, whose job it is to investigate complaints and issues of that nature. In that context, the State Supply Commission, going forward, will be a means of getting information from suppliers about emerging issues or opportunities in the procurement space. It makes the task more efficient and effective for both them and us. Once the State Supply Commission Act is repealed, we will still need some sort of mechanism to ensure that we do not get out of sync with suppliers and we are not missing any opportunities. We will look to that industry forum.

Mr B.S. WYATT: I refer to the discussion we had before on the cash position of the department in paying the bills. Has this issue been considered by the State Supply Commission? Has anyone raised any complaint through the commission?

Mr T. Marney: No. Just to clarify, I indicated previously that we had bounced an entire accounts payable run. We did not bounce the entire run; we bounced payments to the value of \$398 000 out of a total run of \$3.7 million. We still ran \$3.3 million worth of accounts through but there were \$398 000 worth of accounts that had some anomalies or discrepancies that we needed to sort through. I have not had any complaint come through, as I am aware, to the State Supply Commission or myself; only complaints raised indirectly through the media or through Parliament.

Mr B.S. WYATT: I have one final question through the Treasurer. How many complaints has the State Supply Commission dealt with in the past financial year? The Under Treasurer may not know off the top of his head.

Mr C.J. BARNETT: Does the member want to know how many complaints were received through the State Supply Commission process in 2009–10?

Mr B.S. WYATT: Yes.

Mr C.J. BARNETT: We will have to take that as supplementary information.

The CHAIRMAN: Treasurer, could you please restate exactly what you will provide?

Mr C.J. BARNETT: The number of complaints received through the State Supply Commission over the 2009–10 year. Presumably the member also wants to know the nature of the complaint attached to that; some sort of broad category as to what the complaint related to, whether it was a late payment or whatever it is.

Mr B.S. WYATT: Yes; that would be good.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

[*Supplementary Information No A45.*]

Ms R. SAFFIOTI: My question relates to “Financial Management and Reporting” on page 131 of the *Budget Statements*. An error in the budget papers under the education section was drawn to our attention today. There was a significant error in the budget papers tabled in the Parliament on 20 May. I seek information as to when the Treasurer became aware of the error in the budget papers and why no information has been provided to the Parliament until today to correct the incorrect tables?

Mr C.J. BARNETT: My understanding is that there was an error in the way some information was presented relating to education. On checking, there was no error or discrepancy in the appropriation made. I will ask the Under Treasurer to comment more. I became aware of that 24 hours or so after the budget was presented. The concern was as to whether there was an error in the appropriations, and there was not.

Mr T. Marney: Unfortunately, there was an error in one of the detailed tables in the education budget statements. It did not affect any of the bottom-line presentation of the department’s total expense. It was a compositional error in one of the lists of detail that go to the construct of total expense. Obviously, we regret that error. We issued a corrigendum to correct the record on Friday afternoon post budget; so it was within 24 hours of the tabling of the budget.

Ms R. SAFFIOTI: Did the Minister for Education seek the Treasurer’s opinion as to whether she should correct the record in Parliament?

Mr C.J. BARNETT: She raised that with me. Had it been a significant error, I would have been of that view. It was my opinion, as Treasurer, that it was a detail that did not affect the appropriation; therefore the process that the Under Treasurer just outlined was put in place. Had it been a major error, there would have been a statement to Parliament, but it was not of that nature.

Ms R. SAFFIOTI: So the Treasurer gave advice —

Mr C.J. BARNETT: I am the Treasurer; I took responsibility for that.

Ms R. SAFFIOTI: The Treasurer gave advice not to table —

Mr C.J. BARNETT: No. Bear in mind the budget is presented by the Treasurer. If anyone were to make a correction, it would be me. I decided it was not necessary. The process the Under Treasurer outlined was followed.

Ms R. SAFFIOTI: There was an amendment put on the website and no information provided to Parliament about that correction.

Mr C.J. BARNETT: Parliament does not sit on a Friday.

Mr B.S. WYATT: We sat the week after.

Mr C.J. BARNETT: I did not regard it as necessary. If it had been a significant error or something that affected appropriations, we probably would have done so, but it was not.

[12.10 pm]

Mr B.S. WYATT: I have a follow-up question.

The CHAIRMAN: Member for Victoria Park, my understanding of further questions is that they should be put by the proposer of the original question; however, I understand that earlier in the day the Chairman of this committee said that she would take further questions from other people, so in that context I will allow a further question.

Mr B.S. WYATT: Treasurer, surely, regardless of whether it was a simple or major error, the duty would be to provide the Parliament with that information as soon as possible, not on the day that the minister is sitting in the estimates hearing and being questioned on her departmental spending.

Mr C.J. BARNETT: I do not consider that it was a major error in the budget at all.

Mr B.S. WYATT: The Treasurer would not because he is the Treasurer.

Mr C.J. BARNETT: I do not; it is a detail in a table and it makes no difference to any of the bottom lines or appropriations at all.

Mr B.S. WYATT: Surely that would mean that it would be no trouble to table it the week after, during budget reply speeches. Both houses sat in the week after.

Mr C.J. BARNETT: The correction was made and it was put on the Treasury website. It was there for public information.

Mr Ben Wyatt; Mr Colin Barnett; Ms Rita Saffioti; Chairman; Mr Bill Johnston; Dr Mike Nahan; Mr Tony Krsticevic; Mr Albert Jacob

Mr B.S. WYATT: I am glad it was put on the website, but the Parliament was not told.

Mr C.J. BARNETT: These are the papers that accompany the appropriation bills.

Mr B.S. WYATT: Correct; and that is what the opposition looks at to hold the government to account.

Mr C.J. BARNETT: The *Budget Statements* are not an act of Parliament.

Mr B.S. WYATT: They are still reports of the government, not just for the opposition —

Mr C.J. BARNETT: They are reports—just understand what a budget is.

The CHAIRMAN: Members! Members!

Mr C.J. BARNETT: The budget is the appropriation bill; the *Budget Statements* are documentation.

Mr B.S. WYATT: They are documents that the Treasurer tabled at the end of his budget speech.

Mr C.J. BARNETT: It is documentation; it is not part of the legislation. It is documentation tabled in support of the budget, and the documentation has an error.

Mr B.S. WYATT: Surely it would be expected that if a minister —

The CHAIRMAN: Members, this is not an opportunity for debate. You need to frame your comments as questions.

Mr B.S. WYATT: I have a question: when the Treasurer was sitting on this side of the house in opposition, would he not have expected that a minister who had made an error in a tabled document would let the Parliament know as soon as possible?

Mr C.J. BARNETT: The minister did not make an error. There was an error in the final compilation of that table. As the person who tabled the documentation—I am the Treasurer—I accept responsibility.

Mr B.S. WYATT: If an inaccurate document had been tabled in the Parliament, would the Treasurer not expect, if he was sitting on this side, that the Parliament would be told as soon as possible, not just have the information stuck on the website?

Mr C.J. BARNETT: No. I think there is no secret about it; it was made public; it is on the website.

Mr B.S. WYATT: Standards have changed.

Mr C.J. BARNETT: That is a matter of opinion. The minister was presumably asked about it and she presumably answered questions about it.

The CHAIRMAN: The member for Carine has the call.

Mr A. KRSTICEVIC: I refer to the first dot point on page 129 of the *Budget Statements*, which is about the Building the Education Revolution program. How does Western Australia's experience compare with that of other states and territories?

Mr C.J. BARNETT: Western Australia is doing well. There has been a lot of controversy about the Building the Education Revolution program. The BER program has provided \$1.28 billion for Western Australian schools—583 primary schools and about 22 high schools have benefited from that program. It is going well. I think the program is largely in place in this state. I have not heard any adverse comments of any particular nature. I know that in my electorate virtually every school has a building project. The only problem I faced in my electorate was that one of the schools that had a building program about to start was about to be merged with another school, so we had to intervene to make sure that we did not build something where there would be no kids. I think it has gone well and I think most members and schools appreciate the improvements to the school facilities. I think this was the best part of the whole federal stimulus program. I said, when it was announced at the Council of Australian Governments meeting, that this was the part that did make sense; I do not think the cash payments to individuals ever made sense. To give due credit to the federal government, this was a good program and I think it has been well managed in this state—certainly far better than in the other states and territories—and it will help education across the sector.

The CHAIRMAN: Member for Riverton, do you have a further question on this topic?

Dr M.D. NAHAN: Yes. We have read in the newspaper about the problems in New South Wales with overspend; we do not have those in Western Australia. There have been no complaints about gouging or overspending in WA yet we read about it in New South Wales on an almost daily basis, at least in *The Australian*. What is the difference between New South Wales and Western Australia?

Mr C.J. BARNETT: I will ask the Under Treasurer if he can comment on how the program has been managed. It has been well managed. One fortunate aspect in this state was that an inventory of all school sites had been

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done beforehand, so there was good knowledge. Also, I think the Department of Education—with Building and Works now within Treasury—had a good handle on the contractors and how it was done. I know bureaucracies have been blamed for some of the problems in the other states, but from my experience as an education minister, when responsibility is given to school principals there are some who are very good at it and there are some who simply are not trained to handle it and are really put in an invidious position. I suspect some of the problems on the east coast may stem from the fact that teachers who are now school principals suddenly found they had millions of dollars allocated to them to handle a construction project right out of their area of experience and expertise. Maybe some of those projects were taken advantage of by contractors—I suspect that may have happened. I will ask the Under Treasurer to comment, because it has gone well and I congratulate Treasury and Education for the way they have handled this.

Mr T. Marney: Some other jurisdictions had problems with price gouging in the contracting up-front that led them to have to trim back the scope of what they could provide. If we look at some of the projects at face value, we may think that the amount of money for a science block seems expensive, but it must be borne in mind that the occupational health and safety standards that apply to those sorts of buildings are quite rigorous, and therefore they cost more a square metre than for, for example, residential or basic commercial construction. There are price differentials there.

The contractors did get quite excited initially, and our initial round of tendering had some pricing in it that we were not particularly happy with; however, we basically did not accept that pricing and we asked the market to do better. That made me and John Tondut particularly unpopular in the building industry for a month or two, but the market quickly settled and realised fair things fair, and away we went. I think a key element of what we have done differently in Western Australia is our direct involvement in the management of the contracts. I might ask John Tondut, who led this program and had a team of about 15 people from Building Management and Works, to comment on how we have managed it differently from other jurisdictions, and the cost differential in that as well, which therefore can go through to greater scope and delivery in the school projects.

Mr J. Tondut: I think it is good to look at the program in three elements. There was the program of maintenance of every school. There was about \$100 million around that, and we got maximum value by focusing it on a maintenance program based on the work programs we already had in place around doing school maintenance. That program was fully expended and done on time, and was completed pretty much at the start of the school year.

The main area where there has been a fair bit of contention is around the process of building in primary schools. Our process was to use standard-pattern schools wherever we could, so 87 per cent of the schools chose a standard-pattern building. Special buildings—heritage sites or difficult sites—have been done on a one-by-one basis. But the main advantage of going for a standard pattern was an important part of the process. We used our own best people to coordinate the program, and we pulled together a team of project managers and architects to go out and plan the work—we used the competitive market, really. We have awarded contracts for about 99 per cent of 1 008 buildings, which is the full program, and about half of those are under construction. The prices have come in a bit under what we were expecting, so we are pretty confident we will bring it in within the budget.

[12.20 pm]

Mr B.S. WYATT: I come back to the cut-off date question we debated previously. The Treasurer said it was in respect of tourism. What was the decision that cabinet had to deal with after the cut-off date in respect of tourism? Why was it not dealt with in the normal process before the cut-off date?

Mr C.J. BARNETT: The policy issue is a restructure of the Tourism Commission to give a greater focus on marketing, and it is strongly endorsed by the tourism industry. To do that does require a significant reduction in staff over three years. It is going to be phased out and, therefore, some transitional funding will be required. The circumstance was that the restructure of the Tourism Commission was foreshadowed in the budget papers. The additional funding for the transition had not come to cabinet. It needed to be a cabinet decision so it could be included in the budget papers and the complete tourism package could be presented. The details of the transition had to take place, otherwise we would have had the restructure component without the transitional process included. It was done out of fairness to staff.

Mr B.S. WYATT: The tourism budget has an appropriation of \$61.374 million. I assume that is inclusive of the budget decision for redundancies et cetera?

Mr C.J. BARNETT: Would the member repeat that question?

Mr B.S. WYATT: The 2010–11 appropriation for delivery of services for the Tourism Commission is \$61.374 million. Is that inclusive of that decision? The Treasurer said that extra money will be required for, I

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assume, redundancies applicable to the restructure the Treasurer talked about. Does the figure in budget paper No 2, volume 2, for the Tourism Commission incorporate that decision?

Mr C.J. BARNETT: I will ask the Under Treasurer to clarify that.

Mr T. Marney: The allocation relates to \$12.3 million and my understanding is that it is included in that total cost of service.

Mr B.S. WYATT: Was the policy decision that resulted in the allocation of \$12.3 million the decision that was made after the cut-off date?

Mr T. Marney: The policy decision was taken during the EERC deliberations prior to the cut-off date. The cabinet decision clarified the funding arrangements and the timing of provision of funding, which, quite frankly, was a little bit vague out of the EERC decision at the time the policy decision was taken. On that basis, my sense and judgement was that it was appropriate to reflect that amount in the budget as the full disclosure of the financial implications of that policy decision taken prior to the cut-off date. While there was clarification of that decision out of cabinet, it was my sense that that clarification in the budget papers was in the interests of transparency. That is the reason it is included in the statements.

Mr C.J. BARNETT: One reason that happened—I do not know how the Labor government operated—is that while EERC will discuss and make policy decisions, I insist that any decision goes through cabinet. As Premier, I do not delegate financial decisions to EERC; I only accept recommendations. Therefore, it needed to go through cabinet. I am not making a comment either way, but previously decisions have been made at an ERC level rather than cabinet level. I insist that they also come to cabinet.

Ms R. SAFFIOTI: Under the previous government all EERC decisions went through cabinet.

The appropriation was recommended.