

**APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 2) 2002**

*Second Reading*

Resumed from 19 June.

**HON GEORGE CASH** (North Metropolitan) [8.35 pm]: This Bill is described as -

**An Act to grant supply and to appropriate and apply out of Consolidated Funds certain sums for the capital purposes of the year ending 30 June 2003.**

The amount of \$449 253 000 is to be applied through this Bill for capital purposes in the 2002-03 financial year. That amount is sought in clause 4 of the Bill. However, an additional \$56 288 000 is to be expended by way of capital expenses. That expenditure is permanently appropriated for by special Acts of Parliament, which appropriate that money without any further requirement of this House.

It is interesting to look at the various budget papers to get a better understanding of the detail of the capital expenditure for this financial year. Under each division is a list of capital projects that each agency intends to carry out during this financial year. I intend to refer to some of those projects later. Schedule 1 of the Bill lists items numbered from 119 to 179 inclusive. Adjacent to those numbers is a list of the individual appropriations to the particular departments or agencies and the total amount of the appropriation to them that the Bill authorises. The grand total of those items is \$449 253 000 million.

Item 119, which is the first item, deals with the funds appropriated for Parliament. The budget papers estimate capital expenditure of \$4.16 million for the Parliament in this financial year. The various items that comprise that amount are set out on page 56 of the *Budget Statements*. I am pleased that the Government will agree to appropriate funds for additions to the northern elevation of Parliament House; some emergency stonework repairs that are required, particularly to the outer walls of Parliament House; the completion of the relocation of the parliamentary library; and the continuation of building refurbishment and upgrades. When I was the Presiding Officer, I sought funding for the addition to the northern elevation of Parliament House over a number of years. Regrettably, the then Government was not prepared to provide that funding. I commend Hon John Cowdell for being able to convince the Government to provide \$1.86 million this financial year for additions to the northern elevation of the House in only his second budget as President of the Legislative Council. Although the total cost is estimated to be in the order of \$2.45 million, the appropriation for that item is certainly welcome. I said that in the case of the Parliament, it is intended that \$4.16 million will be spent on the capital works program for the forthcoming financial year. In the accounts, under the heading "Capital Contribution", it should be noted that \$665 000 will come from internal funds and balances and \$700 000 from a holding account, and the Government's capital contribution for the Parliament is \$2 795 000, which is the amount set out in this Bill.

In recent years, the accounting presentation of the budget papers has changed somewhat to take account of accrual accounting. Therefore, the presentation of the budget papers this year is somewhat different from that of last year and the year before. In that regard, I strongly support the comments of the Leader of the Opposition and his suggestion to the Leader of the House that we are going to have to look at a different method of considering the appropriation Bills. At the moment, when the budget papers come into the House on budget day, a motion is moved noting the tabling of the documents to give the Legislative Council an opportunity to discuss what is in the budget and members make what are, in effect, budget speeches. We then await the two Bills from the Legislative Assembly. In recent years, those Bills have often arrived in the last week or, if not the last week, in the last two weeks of the session. It is often the case that the Leader of the House holds those Bills until the very end - that is, the last day of a session - no doubt in the hope that if they are held until the last moment, they will go through without great debate. I understand the tactic that is involved, but it prevents a proper examination of the capital works projects that are being considered in this and other financial years.

It could be argued that the estimates committee hearings are the time in which we should closely examine the various capital items. I do not think that the current estimates committee system is a suitable structure in which to closely examine the capital amounts. The members of the budget estimates committee, which is really the Deputy Chairmen and the Chairman of Committees, need to sit down and carefully consider how we can properly examine these matters. I say that because, if we were to properly examine these matters tonight, we would have to go into and stay in Committee for three days. I do not exaggerate that situation, because, if we were doing our jobs properly, we would have a number of Treasury officers here so that we could go through the various accounts that make up the amounts set out under the capital contribution area. I would not expect any minister to have a full understanding of what comprises those accounts. I say that with respect to the minister who is handling this Bill, Hon Nick Griffiths, because he is, without question, the most competent minister in this House and handles the Bills that he is in charge of with great diligence and with an understanding of what is

in them. I do not know if that extends to the total Treasury situation, especially as we have now moved to accrual accounting.

Definitions are provided on page iv of volume 1 of the *Budget Statements*. They are very useful definitions. For instance, the definition of the capital works program reads -

**Capital Works Program** details the agency's planned capital works program for 2002-03 and provides financial information against Works in Progress, Completed Works and New Works for 2001-02 and 2002-03.

The definition of capital contribution reads -

**Capital Contribution** information is presented on the capital contribution required to meet an agency's equity needs. The total cost of an agency's capital works program plus working capital requirements is adjusted for other sources of funding to derive the capital contribution. Reductions in leave liability that are not funded from credits in the agency's holding account will be funded through output rather than capital appropriations as from 1 July 2002.

That definition is understandable; that is, if people have the accounts in front of them and they are prepared to work slowly through them so that they fully understand the amount of capital contribution, which just happens to be the amount that is reflected in schedule 1 of the Bill. I want to go through some of those accounts to show the House why we need to change the system so that we can better analyse where this funding is coming from. Before I do, I note that budget paper No 3 indicates that the capital works program for 2002-03 will amount to \$3.1 billion or 3.8 per cent of gross state product. At page 28 of that budget paper, table 6 titled "Public Sector Capital Works Program" indicates that in the financial year 2000-01 an amount of \$3.1087 billion was expended on capital works. This year it is anticipated that \$3.1365 billion will be expended on capital works, and for the next financial year that begins on Monday it will be \$3.1084 billion. We can deduce from that, that funding for the capital works program for this forthcoming financial year is almost the same as the amount expended in 2000-01. Any increase that should have occurred due to inflation or other matters will not be occurring this year. More than that, the budget papers indicate that capital expenditure in the forward estimate years is in fact estimated to decline progressively because there will be a decline in the capital works programs of public corporations. Public corporations such as the Water Authority, Western Power and the other substantial public corporations that are owned by the Government are cutting back on their capital works programs. That will have an impact on the economy as a whole. I remember that, if not this year's Appropriation (Consolidated Fund) Bill (No 1), certainly last year's Bill indicated that, when we were going through the Asian financial crisis, the then Court Government intentionally increased its capital works over a period of at least two years to take into account the need to generate employment opportunities during that time. As far as the funding sources go, the 2002-03 capital works program will be financed from a number of areas. The first is the capital contribution of 10 per cent, which I will deal with in a moment. The funds included in the output appropriations will amount to four per cent, holding account draw-down amounts to five per cent; borrowings by authorities, 20 per cent; commonwealth grants, seven per cent; asset sales, six per cent; internal funds and balances, two per cent; and other funds generated by the agencies, 46 per cent. That last item is a huge amount of the capital budget and needs further elucidation. In table 7 on page 31, under the heading "Funding - Public Sector Capital Works Program", those various amounts attributed to the sources that I just mentioned are set out to give the \$3.1084 billion worth of capital expenditure anticipated for 2002-03.

The major question I have at the moment concerns the make-up of both the holding accounts and the internal fund balances that are being applied to capital works, and I will deal with that in a moment. However, I note in passing that there is an estimated \$585 million increase in public sector net debt for 2002-03. That will take the net debt up to \$5.9 billion. I mentioned yesterday during my speech on the Stamp Amendment (Budget) Bill that when the Court Government came to office in 1993, net debt was about \$8.5 billion. That had been reduced to \$4.5 billion or thereabouts by the time it lost office. In the 16 or 17 months that this Government has been in office, net debt has increased by more than \$1.3 billion, and it is anticipated that that will blow out over the next couple of years. In fact, the 2003 budget estimate is \$5.8573 billion. Next year it will blow out to \$6.1624 billion, and then to \$6.331 billion. They are huge increases. Another half a billion dollars of debt is anticipated over the next two years on top of the \$1.3 billion that has been added in the first 16 months of this Government's term in office.

Hon Murray Criddle: Does that cover the rail contribution?

Hon GEORGE CASH: Hon Murray Criddle asked me whether that would cover the rail contribution. I do not know whether it does. The reason I say that I do not know is that I am fast coming to the view that the southern railway extension may be nothing more than a figment of the Government's imagination. I anticipate that in due course millions and millions of dollars will have been spent on consultants' fees and the drafting of the engineering and master plans that are required. I believe that there is a strong possibility that in due course the

Government will come to the realisation that the capital cost of building that railway will have blown out so far that it must call a halt to the whole job. That is why I am extremely disappointed that the Government did not take the advice of a lot of consultants and use the original Kenwick route, which would have serviced many more areas than will be the case under the proposed southern rail extension.

On page 73 of budget paper No 2, volume 1, the table under part 2 sets out the summary of portfolio appropriations for the Premier's area of control. Under the item "Premier and Cabinet", the capital contribution is nil for this year, and a nil amount is reflected in the Bill before us. However, the various capital works programs set out in division 3 show that the Premier's area will spend \$8.769 million this year. That \$8.769 million is made up of funds included in the output appropriations of \$6.65 million, a holding account transfer of \$1.36 million, and internal funds and balances that are being used of \$759 000. When those three figures are added up, one gets the \$8.769 million. If we were having an extended committee stage on this Bill, I would ask to see the figures that represent these areas. I would want to know where the appropriation is and what was the break-up of the \$6.65 million for output appropriations. I would want to know what the holding account represents, how the \$1.36 million was accumulated and what items and balances comprise the unexpended amounts referred to in the internal funds and balances. Where did the \$759 000 come from? What does it represent? I would want to know the unexpended capital works funds that were rolled over from the last financial year, which jobs, for instance, were not fully expended and which jobs provided for some rollover funds.

Under the present structure that is not possible. I raise that issue with the minister because at some stage, if the House does not consider it, I want to sit down with the minister and, if necessary, some Treasury officials, to work out how this place can be better informed on some of these accounts. I am not disputing the accuracy of the figures. However, there is certainly insufficient detail to know why a holding account of that magnitude exists and what funds comprise the rollover funds.

I am also aware that there is a definition of holding account within the documentation. It is an adequate definition. It refers to depreciation being accounted for, being placed in a holding account and being used to fund some capital programs. That is a change in the accounting procedure for depreciation on public accounts in Western Australia. The House must get on top of that.

The next item on the Premier's list is the Royal Commission Into Whether There Has Been Any Corrupt or Criminal Conduct by Western Australian Police Officers. No capital contribution is intended and an examination of the figures indicates that it is not intended to do any capital works in that area. However, \$480 000 is allocated as a capital contribution. Under the capital works program of that agency, \$550 000 worth of capital works is allocated for this financial year. That is made up of computer hardware and software to the amount of \$100 000 and operational equipment replacement of \$450 000 giving a total of \$550 000. The funding is \$480 000 out of the capital contribution, again reflected in the schedule of this Bill. However, \$70 000 of the \$480 000 comes from a holding account. The footnote indicates that it represents a draw-down from the holding account. What does the \$70 000 comprise? How was that amount created? Is it depreciation?

I refer to the Governor's establishment for which there is a capital contribution intended of \$1.325 million. The capital works program amounts to \$1.51 million made up of the capital contribution of \$1.325 million and a holding account of \$185 000. The same questions apply.

It would be impossible to refer to all the accounts. However, in some areas, the holding accounts represent hundreds of millions of dollars and the transfer of internal balances represents hundreds of millions of dollars. If we are to do our job properly, we should know much more about those accounts. For instance, page 191 of budget paper No 2, volume 1, Western Australian Treasury Corporation, indicates that the total cost of the capital works program for this financial year is \$1.254 million. No capital contribution is reflected in this Bill, which is reflected in the accounts, because that amount of money is being generated through a transfer of internal funds and balances. The House is entitled to know what that \$1.254 million represents. It is a huge amount of money. I am sure there is a logical explanation, but the accounts in their present form do not adequately explain what is represented within the holding accounts of the various organisations.

Page 152 of budget paper No 2 lists amounts represented as administered capital. For instance, item 124, Forest Products Commission, shows an amount of \$1.287 million for administered capital. Page 301 of the budget papers relating to the Forest Products Commission indicates that the total cost of capital works for this year is \$6.42 million, including borrowings of \$5.12 million. A question was asked during the estimates hearings about that and it was explained adequately that that was where certain funds were derived from. Specific contributions are set at \$500 million, but internal funds and balances indicates an amount of \$800 million. Maybe a reasonable explanation can be offered for that \$800 million, but the House is entitled to have that information. The way this debate is structured, it is impossible to get the information to enable members to adequately understand what is going on. One of the reasons I am keen to find out where those funds are coming from is that there is every

likelihood that it represents rollovers from the previous year - unexpended amounts from either capital works or perhaps other sources of funding. It is important to look at that. The minister nods, I think in appreciation of some of the matters I am raising, and in that regard I do not intend to go through the balance of the accounts that I have researched, because it would be almost a repetition of what I have said. However, there has to be a better way of examining the Appropriation (Consolidated Fund) Bill (No. 2). It is a relatively short Bill in terms of words, but a huge amount of information is required if we are to adequately understand what is included in schedule 1, which is the area setting out the amount to be appropriated in this Bill. With those comments, we support the Bill and it is up to the House to work out a better system of properly analysing these accounts.

**HON MURRAY CRIDDLE** (Agricultural) [9.04 pm]: I would like some more information on a couple of issues. I notice that Main Roads is getting something of the order of \$66 million and the Department for Planning and Infrastructure is getting \$18 million. I am very interested to know the background of that money. I would like a briefing on the Main Roads Western Australia budget. I asked questions about that issue yesterday and the answers did not fully explain the situation. I would like a briefing so that I know exactly what the figures mean. I would also like some information on the capital funding of in excess of \$3 billion, because it has been in excess of \$3 billion for two years in a row. I would like to know where that money flows through and where the income is coming from.

Another issue that I will raise is the dividend that is paid by various organisations, and the variations in the dividends. There is an indication that in some instances dividends will rise for port authorities and the like, and that will impact on their ability to carry out capital works in the future. That is a very important issue that will affect the provision of facilities in those areas. The main brief of port authorities is to facilitate trade. If they have the income in the first place, obviously they will not need to borrow and repay the money. That issue needs to be addressed. If the dividend is taken away, obviously they will not have the opportunity to expend the money. It is a never-ending circle if that method is used. I know that Treasury uses that method to raise the funds, but it would be better if they were not gathered in the first place. I support the Bill.

**HON N.D. GRIFFITHS** (East Metropolitan - Minister for Racing and Gaming) [9.06 pm]: I thank Hon George Cash and Hon Murray Criddle for their support of the Bill. On the comments made by Hon George Cash, I agree that the process of dealing with the appropriations, particularly in this appropriation Bill, does not provide what could be considered appropriate scrutiny. I will be very keen to have a discussion with Hon George Cash in the near future on how that can be improved. The Leader of the House is also interested in ensuring that this process can be improved, because a few of us have been here for some years and we know the circular nature of politics. In the end, the public interest is served by the Opposition and non-government parties having the opportunity to scrutinise the Government properly. Apart from anything else, that improves the Government's game.

Hon George Cash made a number of other observations of interest and they will be taken on board. If there are specific areas that require an answer, I would appreciate the member dropping me a short note. He raised issues that should be given proper scrutiny. However, if he raises with me the specific matters to which he wants answers, I will endeavour to provide those answers. If they are within my portfolio responsibilities, he will have those answers. I am sure my other colleagues will provide answers as well, but I am speaking only for myself in a direct sense.

I note that Hon Murray Criddle has raised matters in which he has a longstanding interest and about which he has a great degree of knowledge. In particular, he wishes to have a briefing on those matters, and I will bring that to the attention of the Minister for Planning and Infrastructure.

I thank members for their support of the Bill.

Question put and passed.

Bill read a second time, and by leave proceeded through remaining stages without debate, and passed.

Hon KIM CHANCE: Mr Deputy President (Hon George Cash), I ask that you leave the Chair until the ringing of the bells to allow members to discuss matters pertaining to the conduct of tonight's business.

*Sitting suspended from 9.10 to 9.36 pm*