

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2013–14 AGENCY ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
TUESDAY, 4 NOVEMBER 2014**

**SESSION THREE  
DEPARTMENT OF FINANCE**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

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**Hearing commenced at 2.19 pm**

**Mr BILL SULLIVAN**

**Acting Director General, examined:**

**Mr LIAM CARREN**

**Chief Finance Officer, examined:**

**Mrs SUSANNE HARRIS**

**Acting Executive Director, Corporate Services, examined:**

**Mr BENJAMIN FORD**

**Acting Executive Director, Government Procurement, examined:**

**Ms NICKI SUCHENIA**

**Acting Commissioner of State Revenue, Office of State Revenue, examined:**

**Mr SIMON MIDDLETON**

**Project Director, Electricity Market Review, Public Utilities Office, examined:**

**Mr GUIDO GADOMSKY**

**Director, Government Businesses, Public Utilities Office, examined:**

**The CHAIR:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Firstly, I will ask if all of the witnesses can confirm that you have read, understood and signed a document headed "Information for Witnesses"?

**The Witnesses:** Yes.

**The CHAIR:** Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard, and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private either of its own motion or at the witness's request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia. The committee values your assistance with this.

Do any of witnesses wish to make an opening statement? If not, we will go straight to questions.

**Hon ALANNA CLOHESY:** I wanted to turn to your role as leading in the planning and delivery of office accommodation and government services. Has the cost reconciliation on Hale House, which is now the Department of the Premier and Cabinet, been completed? I am sorry, it is not the Department of the Premier and Cabinet, is it; it is the Premier's office. How could I get that wrong?

**Mr Sullivan:** At this point the project is expected to be closed out by the end of November 2014. What I can tell you is practical completion was achieved on November 2012. The final certificate was, as usual, due one year later. That did not occur for a number of reasons, and the department and the superintendent's representative have been working with the builder, Diploma, for resolution

of defects, but a number of them have been still outstanding. Within the last couple of months we have reached agreement with Diploma to close that out. So at this point in time we are expecting late this month that we will be in a position to do a reconciliation. The initial budget, as you are aware, for the entire project was \$25.5 million. To date we have expended around \$23.1 million, and we are expecting the final anticipated cost to be in the order of \$23.4 million. So at this point we have not yet reconciled but we are expecting fairly shortly to have done so.

**Hon ALANNA CLOHESY:** What were some of the problems that you were having with Diploma in terms of the work?

**Mr Sullivan:** I actually do not have the exact detail. There were 34 claims, but they have been assessed from Diploma's point of view. I cannot give you that detail, but if you like we can take that on notice.

**Hon ALANNA CLOHESY:** Thank you.

*[Supplementary Information No C1.]*

**Hon ALANNA CLOHESY:** What about Colliers and any outstanding work of Colliers and cost reconciliation with Colliers?

**Mr Sullivan:** We are awaiting two minor works payment claims from Colliers. One relates to ventilation in the fire tanks, and the other relates to installation of the glass display case. So they are the only two. Again, in terms of the close-out of everything, that is still the time frame we are working to.

**Hon ALANNA CLOHESY:** The last time we met, I think we talked about office accommodation in Joondalup, Fremantle and Bunbury. Where are they all at? Let us start with Joondalup.

**Mr Sullivan:** Okay. You may or may not be aware that the Department of Finance put out an expression of interest to the market in August of 2014 for 11 000 square metres of office accommodation sites in Joondalup. That came on the back of a prior market sounding—so a more formal process in terms of the expression of interest. The purpose of that was to assist us in being able to advise government regarding the absolute costs associated with this. We are envisaging a two-stage process, and that was advised to the market respondents, the first being the expression of interest whereby they gave us their proposal in broad terms. We are now in the process of advising government of that. There is another stage of consideration by government, so ultimately it will be a policy question on whether to proceed or not. So, in the near future we expect that we will have an answer from government in terms of whether or not they wish to proceed further. If they do, we will then go to a restricted request for proposal, or RFP, from the market from a short-listed group from the EOI process. That will be a more detailed one. The reason that we use that two-stage process is to minimise the compliance costs for people who are actually coming in from the market and responding. So, the EOI is a much higher level process. The RFP process is a lot more detailed, which involves, I guess, a lot more cost for the people responding. So, at this point in time, subject to the government reaching the policy decision that they intend to proceed with Joondalup, I would expect that we would be going back to the short-listed proponents in the not too distant future.

**Hon ALANNA CLOHESY:** What does the “not too distant future” mean?

**Mr Sullivan:** That is really a question for government, because I cannot dictate the time frame in which government will make the policy decisions.

**The CHAIR:** Your comment there that you expect to go to stage 2 might answer my question, but are you able to give us any indication of whether the expression of interest process has come in at a market price that is competitive with the current prices in the CBD?

**Mr Sullivan:** I cannot at this point in time because of the commerciality around it. I am not trying to duck the issue, so maybe I will take the answer in perhaps a different way. Certainly the market

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has been improving over a period of time, both in general in the metropolitan area, but also particularly in terms of the CBD.

**The CHAIR:** When you say “improving”, the rate is coming down?

**Mr Sullivan:** Yes, because supply is increasing, and at the same time demand, as you would be aware with particularly the mining sector downsizing some of their office operations, has been reducing. So I cannot comment really in terms of the specifics.

**The CHAIR:** Right. I look out of my office at Parliament House and see an almost empty building and another one going up next door to it.

**Hon ALANNA CLOHESY:** What about Fremantle?

**Mr Sullivan:** Our brief is to take a portfolio approach to government office accommodation. Certainly the government has indicated they are committed to decentralisation of government office accommodation where it is appropriate to do so, so where there is not an operational need for an agency to be located within the CBD, because there is traditionally a differential between CBD rental as opposed to CBD fringe or, if you like, our suburban activity centres out further. Our job is to try to match up the opportunities for government to realise the value through that decentralisation process. The difficulty is it is not a three-dimensional—it is almost a four-dimensional exercise in terms of identifying lease expiry profiles; what agencies need to be located within the office accommodation space within the CBD; and, I guess, what opportunities exist outside, and in which metropolitan activity centre. At this point in time, it will be a policy decision for government in terms of whether or not they relocate further agencies into Fremantle. Again, I cannot comment on their time frame around that. What I can say is from the department’s point of view, the department has been actively working and identifying opportunities for government to consider as part of that process, as we have been doing for a range of other metropolitan activity centres. In terms of the relative prioritisation, timing et cetera, that really is a policy question for government that I cannot respond to.

**Hon ALANNA CLOHESY:** It is a pity the government is not here. Is that the same answer for Bunbury?

**Mr Sullivan:** Yes, and probably even more so. In the context of Bunbury, you are talking about the announcement by the government previously about potentially locating DPaW’s headquarters down there. That is not something that we are directly involved in. If I could just explain, generally speaking we look after general government agencies. In terms of DPaW, that would be something that the department would actually make a call on, because part of that is office accommodation space and part of it is actually their operational space. Where the Department of Finance does get involved is advising them in terms of things like fit-out et cetera. So we really are not strictly involved in that.

**Hon ALANNA CLOHESY:** Okay. I might move on.

**The CHAIR:** Before moving off that issue of office accommodation, in somewhere like DPaW, they would have existing offices in Perth—some very nice ones down on Crawley, if I remember correctly—amongst other potential locations. Would you then become involved in backfilling those, or what would happen to those? Who is responsible? If you are saying it is DPaW’s decision as to the move to Bunbury, do you get involved in backfilling any of their existing office leases in Perth, or, if they own the offices, rationalisation of those offices in Perth?

[2.30 pm]

**Mr Sullivan:** It is difficult for me to answer because I am not familiar with premises that you are talking about. What I can answer is in the hypothetical—I do not know whether that is of any use to you. If it is owned or vested in the name of the agency or —

**The CHAIR:** Yes, it is crown land—a state-owned building.

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**Mr Sullivan:** If government makes a decision that that is to be vacated and the people there moved elsewhere and it became vacant space, there are probably two questions for government. One is whether or not they wish to have that taken up by us and put into the mix that we look at in terms of the portfolio approach on moving agencies into there. The other issue is whether or not they would view that building as being surplus to requirements and whether they would then consider it for sale by government. Again, I am sorry I cannot answer.

**The CHAIR:** Maybe it is a question for DPaW, and I have got them coming in on Friday. In terms of their office accommodation, when would you or the Department of Lands become involved? Not until the very point where the decision is made to move to Bunbury and build a new office in Bunbury, or would you be involved in it earlier than that as part of the designing of whether or not to go to Bunbury?

**Mr Sullivan:** We would provide expertise probably in the area of office fit-out or building design, were they to ask us to do so. It would not be something necessarily we have a mandate to get involved in. It would ultimately be the agency who would ask us to assist them in that space, so I think the question is probably best directed to DPaW.

**The CHAIR:** I will direct it to DPaW but I will put as supplementary information what conversations, if any, you have had with DPaW about relocation. I expect that you may not know here, but you could check whether within your agency there already have been any conversations at any level about what happens to their old offices or design or fit-out of a new office in Bunbury.

**Mr Sullivan:** Certainly.

*[Supplementary Information No C2.]*

**The CHAIR:** The other one was Murdoch, and I think that was going to be a police facility. Are you involved in that or is that a police issue?

**Mr Sullivan:** That was certainly one of the market soundings that were undertaken. At this point in time the policy question is one still with government in terms of whether they wish to proceed with that. What we are doing, certainly outside of that option, is working with police in terms of their future accommodation requirements.

**The CHAIR:** The last time the department came before the committee, I am sure they said it was back in the police's court to work out what they wanted to do rather than a policy decision. Has that now been resolved as to what they want to do?

**Mr Sullivan:** At the time that answer was given, police were certainly looking at their requirements, because I think they were looking at the structure of their operations, and to come up with an accommodation solution we actually do need that; it cannot be a moving feast. That side of it is largely settled, I believe, but what we are doing is looking at a range of options for police.

**The CHAIR:** If police do not move to Murdoch, what are the other options available for them?

**Mr Sullivan:** I do not want to be glib, but they innumerable. It really comes down to a range of questions around operations. They have a number of city leases, but over and above that they have police headquarters down in Plain Street. In addition, state crime and intelligence are in Curtin House. It is a question of the extent that they wish co-location. That comes down to operational requirements and, again, it comes back to this question of whether they need to be located in the CBD for operational reasons. Those are all of the things that we have to factor in in looking at the various options. We are in the process of doing that. We are still working through with them to try to get this agreement between ourselves, looking at it from a whole-of-government value proposition, and from police, in terms of, I guess, what would be their ideal accommodation outcomes. We hope we can bring those two together or, if not, closer together.

**The CHAIR:** I was going to say that with police has their land in Adelaide Terrace not already been identified for future sale?

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**Mr Sullivan:** I believe it has made its way onto a list, but I do not know the timing that came about that. That would be a question that would need to go to Lands.

**The CHAIR:** Finally, do you have a list of current office accommodation that we lease that is either partially or fully vacant?

**Mr Sullivan:** I am sure that we could access that. What I can say is that we are very, very mindful of ensuring that vacant space is kept to a minimum in relation to government-leased accommodation and also owned accommodation that is within the purview of the Minister for Finance. What we as a department do not have is oversight in relation to government buildings owned by or vested with other ministers or agencies, nor where those agencies have the power themselves to enter into leases, and there are other agencies that have the power. What I can probably give you is an indication in terms of our performance, and it is something we are very mindful of, in relation to the vacant space we do have in terms of the leases in the name of the Minister for Finance and also the 20 buildings in the name of the minister for works. In terms of the minister for works' portfolio, we are talking 560 000 square metres of government office accommodation throughout Western Australia. Of that, 92 000 square metres is in 20 buildings that are under the control of the minister for works; 467 000 square metres are in 524 privately leased premises, some of which involved more than one agency within that lease. Those where we have got agencies in place, we have MOUs with them. As at the end of September, the vacancy rate for the minister for works' portfolio was 0.37 per cent. The vacancy rate generally, in terms of a standard across the government and private sector, is about 2.5 per cent so we believe we are doing a reasonably good job in terms of working with that.

**The CHAIR:** Is that 0.37 per cent on the 560 000 square metres or the 92 000 square metres?

**Mr Sullivan:** It is on the 560 000 square metres.

**The CHAIR:** Are you able to take on notice and provide us with a list of any accommodation that is either partially or fully vacant? You have given us the percentage, but can you give us what the address is, how many square metres it is and what the current lease rates for that property is?

**Mr Sullivan:** I can do that. It will be based on the information that we hold.

**The CHAIR:** And, if you are aware of any agencies that have notified you of space that is known to you—so the 92 000 square metres on your leases. If you could also provide us of the list of the 20 buildings you say are under your control.

[*Supplementary Information No C3.*]

**Hon PETER KATSAMBANIS:** On that same issue, do you get regular reports, monthly or otherwise, indicating which of that space is vacant?

**Mr Sullivan:** Ultimately, as I indicated, there is an MOU between ourselves and the agencies, if we are talking owned accommodation. In terms of leased accommodation, with the lease in place, we do not get reports on a monthly basis from agencies, to the best of my knowledge. However, it does not mean that we do not keep abreast of what is going on, because we are always searching for opportunities when leases expire in terms of where we can perhaps keep that vacant space to a minimum, which I think is evidenced by the performance that I just reported.

**Hon PETER KATSAMBANIS:** Sure, but I would like information that would indicate to me over a period of time how the vacancy rates fluctuate. I am not even sure whether that is available or not, from your answer. I am specifically talking about the leases held in the names of the Minister for Finance or the minister for works. Is there no regular reporting on the status?

**Mr Sullivan:** We monitor that status based on the information we have received on a regular basis.

**Hon PETER KATSAMBANIS:** Who actually monitors that? Is there a section within the department that monitors that?

**Mr Sullivan:** Yes, we have a division within Building Management and Works called government office accommodation and that is certainly something that they see as one of the key things that they have got to deliver on terms of delivering value for money. When one thinks about it, the concept of centralising government office accommodation is predicated on the concept that we can extract greater value through a portfolio approach than leaving individual agencies to organise their own affairs. Logically, if an individual agency has vacant space available, it is also in its interests to notify us of that. By doing that, notwithstanding the cost, that vacant space will stay with the agencies at the time we are notified of it. If we can then identify another tenant to move in and occupy that space, that cost will go off the books of the agency that is currently holding it. In the context of government-owned buildings by the minister for works it is a slightly different situation in terms of that being a cost that the Department of Finance needs to manage. So, again, it is in our interests to make sure that we get any vacant space there occupied, or a plan for it. There is always going to be some level of vacant space because you are constantly juggling a range of leases and tenants, and the size of tenants going up and down. Our job is to keep that as low as possible for government.

**Hon PETER KATSAMBANIS:** I understand all that, I accept all that and I think that is prudent, but my question still remains. This particular organisation within Building Management and Works that looks after government office accommodation, does that provide a regular report monthly, quarterly or annually on occupancy, whether it is vacant or not?

**Mr Sullivan:** Part of the prior and current requirements with the new government office accommodation policy—it has been expanded recently to include all general government agencies now; it used to be a limited number in the 60s and I think it is now up to around 119—is that each of the agencies covered by that policy is required to provide us with a strategic office accommodation plan—a SOAP. That includes not only their current occupancy, but the vacant space that exists within that current occupancy and their future accommodation needs. That way we can actually take that information, and we can only operate on what the agencies tell us.

**Hon PETER KATSAMBANIS:** How often do they have to provide that plan?

**Mr Sullivan:** Once a year. It is an annual exercise that helps us look forward in terms of planning the office accommodation requirements for government.

**Hon PETER KATSAMBANIS:** You mentioned that there are holdings of land, be it in ownership or in leasehold, across other agencies. Is there a central register of government-owned or government-leased land? Is there one central register where we can say, “Here is a list of all land owned by the government. Here is a list of all land leased by the government”?

**Mr Sullivan:** That would be a question you would probably need to put to the Department of Lands. It is certainly not something that we have got in terms of government asset holdings in total.

**Hon PETER KATSAMBANIS:** So from your perspective do you report what you hold to the Department of Lands? Would they be aware of what you hold?

**Mr Sullivan:** They certainly are.

**Hon PETER KATSAMBANIS:** You have pointed me in the right direction, thank you.

[2.45 pm]

**The CHAIR:** Do you know what the current average per square metre rate is per staff member in government accommodation?

**Mr Sullivan:** I do not. I am just thinking how difficult an exercise —

**The CHAIR:** A target was set and I am interested to know whether it is higher than it was a couple of years ago when it was 15 square metres.

**Mr Sullivan:** I am sorry—so you are talking density as opposed to the cost per square metre?

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**The CHAIR:** Yes; the actual square metre per staff.

**Mr Sullivan:** We actually measure not so much by staff member but work points. The reason for that is that sometimes work points can be shared, particularly with part-time officers et cetera in terms of job-sharing.

**The CHAIR:** But could you also then have vacant ones as people move around from office to office, so you have lots of spare space not being used?

**Mr Sullivan:** That is possible. That is an agency management issue but, in terms of density, it is certainly something that we are managing and we recognise that it is important that we improve in that area. Part of the new government office accommodation policy has actually set a new target for government in terms of the agencies that we manage to look at density per work point of 13 square metres. If I can just explain, however, that is after taking into account specific operational needs, so we look at an agency's needs; if they have specific operational needs, be it storage space or in terms of particular meeting rooms, training rooms or things like that—depending on what services they are providing. After that, we basically look at what is their density, and the target is currently 13 square metres.

**The CHAIR:** What are we currently achieving?

**Mr Sullivan:** As at 30 June 2014, the space per work point 15.6 square metres. The year before that it was 15.9 square metres. The 13 square metres is a directional target. We cannot achieve that because people are in existing densities. However, when opportunities arise, be it a new lease that requires a new fit-out or the like —

**The CHAIR:** I understand it is about what you seek to achieve. You do not want to be spending millions on fit-outs just to achieve that and still have a spare lease to run.

The final one is about the lease at the old Treasury building. The office space in that will be coming available in the next 12 months. Are there any other offices that you have got leases that you are waiting for construction or the building to become available? With the old Treasury building—I cannot remember its formal name, but I think you know the one I mean—on William Street where the old R&I bank used to be. I cannot think what it is called.

**Mr Sullivan:** Yes. Hopefully, it is going to get a formal name shortly, but the old Treasury building office tower and you are talking about the 33-storey construction.

**The CHAIR:** How much of that have we taken the lease for as a government?

**Mr Sullivan:** The whole tower, but I cannot answer your broader question regarding how many buildings under construction that we are currently waiting on to fill.

**The CHAIR:** Either construction or waiting for them to become available to put offices in.

**Mr Sullivan:** Right; that is something I would have to take on notice.

[*Supplementary Information No C4.*]

**Mr Sullivan:** Coming back to the old Treasury building, it is going to be fully occupied by government. A large chunk of it is taken up by the Supreme Court civil arm, so part of it is being fitted out for the court. The Department of the Attorney General will also be moving into there. We are still working through the final pieces in terms of occupying it, but it will be fully tenanted at the time.

**The CHAIR:** The offices that current staff are located in, will they be vacated and the leases expire to coincide with that building being completed or is there a crossover period or do we need to find people to backfill into their old offices?

**Mr Sullivan:** Yes; there will be a backfill that we are currently working our way through.

**The CHAIR:** So, we do not know what that is at the moment?

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**Mr Sullivan:** We have got a range of options that we are putting to government in terms of how they can backfill that, again, in terms of value-for-money propositions.

**The CHAIR:** I guess if you backfill into there, then that raises the question that they are coming from either an existing leased premises or from a premises that is government owned, which then goes through the scenario we talked about earlier about being considered whether it is surplus to requirement. Do we have that chain?

**Mr Sullivan:** Yes. If we look at those options, we take into account the full knock-on effect. We do not look at something in isolation; if we are doing the financial analysis around it, we will take into account what would be the consequences of moving those people.

**The CHAIR:** Do we know now what that is going to be, because that building opens next year—does it?

**Mr Sullivan:** The old Treasury building office tower should reach practical completion in mid-2015. We then will require a year to fit it out, so it should become operational—if you like, agencies moving in—in mid-2016.

**The CHAIR:** At the end of all of that, will it be existing leases expiring that fill that up with all of that backfilling or is it that we are likely to create existing government offices becoming surplus to requirement and being available for sale?

**Mr Sullivan:** These are the options put to government and ultimately their decision on that will be a policy question that I cannot answer. What the department has been doing is working through the financial analysis and the potential options for government.

**The CHAIR:** Are there sufficient enough leases coming to an end at that time for that to be able to occur?

**Mr Sullivan:** My understanding is yes.

**The CHAIR:** So there is enough—33 000 square metres, I think you said?

**Mr Sullivan:** No, 33 floors.

**The CHAIR:** Thirty-three floors. So allowing for the growth and the court and all the rest of it, there is enough leased space expiring in 2016 or thereabouts to be able to backfill all the appropriate accommodation that we still have ongoing leases on.

**Mr Sullivan:** Either leased or owned; what I am saying is it is not one or the other. It could be a mixture of them or it could be one or the other.

**The CHAIR:** That is what I am trying to find out. Are there enough leased or will it also require some existing offices that we own to become surplus to requirement? Even if you do all the leases that you can find, you will still have to find agencies that are in their own accommodation to move out of those —

**Mr Sullivan:** I understand the question. The difficulty that I have in answering it is I do not want to mislead you in the context of what the likely solution is going to be. In terms of the leased accommodation that is out there, we have a range of options that government can choose to take on or not. Most of them are around expiries within that time frame or ones where they are close enough that —

**The CHAIR:** You could extend them out on a monthly basis —

**Mr Sullivan:** Or truncate them at the other end.

**The CHAIR:** Maybe what I will do then is ask: can you provide as supplementary information a list of the leased buildings that you are aware of that their lease will be coming to a conclusion from 2016 or 2017?

**Mr Sullivan:** Yes.

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[*Supplementary Information No C5.*]

**The CHAIR:** If you can add into that also any other offices that you identify that we are waiting to either finish construction or be handed over for whatever reason that will provide new government accommodation—if there are any sites that we are waiting for them to become available?

**Mr Sullivan:** Yes.

**Hon RICK MAZZA:** I have a couple of questions on the Grand Palace lease dispute at Elizabeth Quay. I see that there was an initial advance payment of \$5 million with a further \$2.2 million but the situation is not resolved yet. Is that being negotiated to a conclusion any time soon? Any idea how much that might end up being?

**Mr Sullivan:** The response I can give you is: it is not something that the Department of Finance is dealing with.

**Hon RICK MAZZA:** Is it not? Okay.

**Mr Sullivan:** To be honest, I do not know who is, but it may well be the office of strategic projects within the Department of Treasury. I cannot confirm that. That is certainly not a project that we are involved in.

**Hon PETER KATSAMBANIS:** Page 11 of your annual report talks about the new energy concession system delivery for pensioners and seniors. It specifically highlights a concession to help pensioners and seniors pay their electricity bills where they are not being directly billed by Synergy or Horizon but where they live in a retirement village or an apartment that aggregates the energy purchase. Can you tell me how many people it was foreseen or budgeted would apply for this concession when the concession was extended to those people living in non-individually built accommodation?

**Ms Suchenia:** When the scheme was announced, we were in discussions with Synergy and it estimated that up to 50 000 households in its service area were subject to electricity onselling arrangements. Assumptions were then made that the same proportion that applied to Horizon Power customers would be based on Synergy customers. Those estimates were then used to estimate that around 15 000 households would receive the payment who received the COLA—cost-of-living assistance—payment would also receive the rebates under the energy concession extension scheme. Those estimates have proven to be incorrect and the payments that are being made under the scheme have been substantially less.

**Hon PETER KATSAMBANIS:** How many were paid under the scheme in 2013–14 and how many is it envisaged will be paid in 2014–15?

**Ms Suchenia:** The number of claims that were received in 2013–14 was well below the estimated numbers; 4 133 applications were received with payments totalling just under \$900 000.

**Hon PETER KATSAMBANIS:** It was estimated that around 50 000 people would be eligible in the Synergy area and 15 000 in the Horizon area, so it was estimated that around 65 000 people would be eligible?

**Ms Suchenia:** No. The Synergy estimation of households that received a payment was then used to try to make the estimate in relation to Horizon Power and the payments that are being made are based on the Horizon Power customers who are not directly billed, so the estimate was 15 000.

**Hon PETER KATSAMBANIS:** So 15 000 were estimated to be eligible for the payment, yet only around 4 000 have applied for it. What is the explanation for the discrepancy?

**Mr Sullivan:** In terms of the estimate or in terms of why the low take-up rate?

**Hon PETER KATSAMBANIS:** The low take-up rate. Why such a low take-up rate?

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**Mr Sullivan:** That is something that has been exceedingly hard to explain. The scheme itself was where there was basically group billing. The area where it was expected the most take up would be, because of the nature of the concession, was in the area of retirement villages where they had a single meter that, ultimately, those costs were provided through to individual tenants. We did quite an exercise with contacting the owners of these retirement villages where we knew that they were bulkbilled, from information that Synergy was given, and provided information through to them. At the end of the day, we had a number of iterations through the Office of State Revenue in terms of that and trying to raise awareness, but this is the result that we have got. We are a little puzzled ourselves. All I could put it down to is that the original estimation methodology whilst based in logic did not bear through in terms of reality.

[3.00 pm]

**Hon PETER KATSAMBANIS:** I do not have any great confidence that the estimation was wrong. Can I ask you: is a pensioner able to apply for this concession in any other way other than an online application via the internet?

**Ms Suchenia:** The issue in relation to the energy concession extension scheme deals with those pensioners who do not already get the discount through their direct billing arrangements. In terms of the numbers that —

**Hon PETER KATSAMBANIS:** Yes, I understand that, because they do not have a direct bill.

**Ms Suchenia:** That is right.

**Hon PETER KATSAMBANIS:** These are the people who do not get a direct bill. This was a concession targeted just for those people. We thought 15 000 ought to take it up, and only 4 000 have. I am asking you: is someone able to fill out a piece of paper—a form—put it in the mail, mail it to you and obtain this concession, or are they forced only to apply for this online?

**Mr Sullivan:** The answer to that is yes, they can apply, but it is strongly —

**Hon PETER KATSAMBANIS:** “Yes, they can apply” what?

**Mr Sullivan:** They can apply on a paper form.

**Hon PETER KATSAMBANIS:** Is there an application form?

**Mr Sullivan:** There is, but it is not sent out to people.

**Hon PETER KATSAMBANIS:** Is it available under any mechanism or method at all?

**Mr Sullivan:** Yes.

**Hon PETER KATSAMBANIS:** How?

**Mr Sullivan:** A person making a phone inquiry to us can ask for it to be sent to them.

**Hon PETER KATSAMBANIS:** So when my office inquired to be given one of these forms, why were we unable, after many, many inquiries, to get a form such as this?

**Mr Sullivan:** I cannot answer that.

**Hon PETER KATSAMBANIS:** I am sure you would not be able to answer this today, but I would like you to take on notice: how many of the 4 133 people who are receiving this concession applied for it online and how many applied for it by paper form? It strikes me as absurd that a concession directly targeted at pensioners in retirement villages, who are the people most unlikely to have access to the internet and to online email and the like, would primarily be directed to apply for the concession online.

**The CHAIR:** Especially when the—what is that program to help them work out how to use the internet?—has been cut.

**Hon ALANNA CLOHESY:** First Click.

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**Hon PETER KATSAMBANIS:** I know thousands of elderly people who access the internet. I am not saying that there are people out there who do not do it, but it is a concession targeted at retirement villages. I would have thought the primary way of getting to these people would be a paper-based form so that they could use something that is familiar to them. I would put it to you that that is probably one of the strongest explanations for the discrepancy between the estimated take-up and the actual take-up.

**Mr Sullivan:** Let me just make one observation in relation to that. Firstly, we have found that people in that age group are reasonably computer literate. I do, however, accept that there are a group of them that are not. The other thing is that quite often what we have experienced is that someone within the village itself will actually go around and organise this on behalf of residents and will actually walk them through it. So it is not like each person is individually left there able to do it themselves or not. We have actually worked with the owners of the retirement villages and nominated people within them in specific examples to actually work through what is, I acknowledge, a possible hurdle for some of them. But in terms of getting back to you in relation to that inquiry, certainly.

**Hon PETER KATSAMBANIS:** I would appreciate it. Thank you.

*[Supplementary Information No C6.]*

**Hon PETER KATSAMBANIS:** That was all I had in that area. I am not sure if this is directly the responsibility of the Department of Finance, but when agencies have laptops and mobile phones that are issued to their employees, are those assets owned by the Department of Finance or are they owned by the agency?

**Mr Sullivan:** I am sorry; I do not understand the question.

**Hon PETER KATSAMBANIS:** The Department of Education issues laptops and mobile phones to teachers. Are those assets owned by Finance or by Education?

**Mr Sullivan:** They would be owned by the agency that is making the purchase.

**Hon PETER KATSAMBANIS:** Is there any sort of guideline on a whole-of-government basis as to how those sorts of assets ought to be cared for and looked after so they are not lost?

**Mr Sullivan:** If I can refer this to our chief financial officer, he could probably give you an idea.

**Mr Carren:** There is coverage on that issue in the Financial Management Act. There is a Treasurer's Instruction on asset management—I cannot recall the number off the top of my head—but it provides agencies with some high-level rules around what they have to do. Effectively, they have to keep a register of portable and attractive items, so things like laptops and mobile phones fit into that category. Each agency is required to keep that register.

**Hon PETER KATSAMBANIS:** So they just keep it within their agency, and there is no collation of it? For instance, your agency does not report it on to somebody else?

**Mr Carren:** No.

**Hon PETER KATSAMBANIS:** Okay; so it would have to be agency by agency.

**The CHAIR:** The opposition collects that data from time to time.

**Hon PETER KATSAMBANIS:** I am aware of that. That is not to mean it is not of interest to other members of Parliament.

**Hon KATE DOUST:** I am looking at page 10 of the annual report for the Department of Finance, which makes reference to the 14 recommendations that arose from the “Construction Subcontractor Investigation” report done by the SBDC commissioner. It talks about how 12 of those recommendations have been implemented but there are still two that remain to be progressed.

Can you explain what those two recommendations are that still have to be implemented, and why the delay?

**Mr Sullivan:** Perhaps I will deal with this question. If you just bear with me; I need to find my appropriate notes. The first relates to the trial of project bank accounts. The second relates to the exploration of the potential to make use of greater use of qualitative data when engaging contractors, and really that is, I guess, what we are talking about in terms of two-stage tendering. Both exercises are currently underway. Probably the one that I can give you greatest information on is in relation to project bank accounts. I believe the government announced that it was trialling project bank accounts. So, this is around security of payment for subcontractors, and that is acknowledged as a longstanding issue in the building and construction industry. Project bank accounts are but one way of looking to improve the situation regarding security of payment. The trial is currently underway. Six trial projects have been awarded and a further two projects are in the procurement stage at this point in time. We have, as part of the trial, established some success criteria and we are expecting to provide preliminary outcomes to the minister for his consideration at the end of 2014. During the development of the trial model, we consulted with the Master Builders Association, the Housing Industry Association and other industry body and key head contractors, and we also offered briefings as part of going to tender for these projects—briefings so they actually understood how the mechanism would work. We are one of two jurisdictions currently trialling PBAs in Australia, the other being New South Wales. They certainly have been extensively used in the UK, but for different reasons; theirs is more around timing of payment as opposed to security of payment. I can give you details of the particular projects involved.

**Hon KATE DOUST:** I already have that information, thank you. What was the second recommendation that has not yet been finalised?

**Mr Sullivan:** That is in relation to employing greater use of qualitative data when looking at head contractors to engage. That for us is being explored through the use of two-stage tendering where, in the first instance, we take into account a greater range of qualitative data rather than merely price outcomes.

**Hon KATE DOUST:** Where is that one at?

**Mr Sullivan:** I do not have specific details, but I am happy to take that on notice.

*[Supplementary Information No C7.]*

**Hon KATE DOUST:** I am just curious, given the period of time it has taken to get these 14 recommendations up and working, is it just restricted to the Building Management and Works section of the Department of Finance or are these recommendations going to be rolled out across government? I specifically refer to that strategic projects unit within the Department of Treasury, which now, I think, looks after eight to 10 quite high-profile projects. Have they adopted these recommendations as well?

**Mr Sullivan:** I cannot answer that question in terms of whether they have adopted it. What I can indicate to you is the Small Business Commissioner's report was specific to BMW and the Department of Finance, and the recommendations were specifically directed to us, so we have been actioning them. The question of its broader application to other construction activities of government is really a question for government.

**Hon KATE DOUST:** Has there been any discussion between BMW and that particular unit about these recommendations?

**Mr Sullivan:** I cannot answer that, I am sorry. I am not being evasive. I have been with BMW since March, and it is quite possible that those discussions predated my time.

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**Hon ALANNA CLOHESY:** I just noticed that out of the seven of your best and brightest that you have around the table today, five are in acting positions. Why is that? That is quite a lot, really, for senior management, out of seven.

**Mr Sullivan:** I was just confirming the number; I was not thinking of the reasons.

**Hon ALANNA CLOHESY:** I am pretty good on my numbers.

**Mr Sullivan:** I just wanted to be sure I was being specific. Our director general is currently on annual leave, helping us deal with our management of leave liability within the organisation. The deputy director general in relation to the Public Utilities Office is currently on an executive development course, hence his absence. The acting Commissioner of State Revenue is in that role because it is my substantive role, but I am currently covering for the previous occupant of the deputy director general, Building Management and Works, who has left and taken up a position in another agency. I think that is the full list. I cover, if you like, two of—I am sorry; our acting executive director, corporate services, her predecessor has gone to another role, so she is currently occupying that position.

**Hon ALANNA CLOHESY:** I just wanted to check that there was not sort of, like, a systemic kind of—it is just unusual and needed to be commented on. While we are on staffing matters, I am looking at full-time equivalents, where there has been a decrease. It is on page 21 of the annual report. The annual report says that it is “mainly due to the decommissioning of Shared Services”. Of those 223 FTEs, how many were actually from the Office of Shared Services?

**Mr Carren:** I do not have the exact number. Give me a second just to find the right page. There is some coverage of this within the actual annual report. It is a bit hard to find. I will just have a quick look for it. Page 79 on the left-hand side talks about the “change in Shared Services FTEs as a result of decommissioning”. That was a KPI of the Department of Finance. The objective of the decommissioning program was to make sure that all the FTEs were found a home. So, that provides some coverage there. In 2012–13, 113 FTEs were moved in one way or another. In 2013–14, 194 FTEs were moved in some way or another.

**Hon ALANNA CLOHESY:** Moved where? Were they transferred to another department? Were they made redundant—voluntary redundancy? What happened to them?

**Mr Carren:** I do not have the complete list in front of me. There was a combination. There were some that were moved to —

[3.15 pm]

**Hon ALANNA CLOHESY:** Do you think I could get that?

**Mr Carren:** Certainly.

**Mr Sullivan:** We might have that information, if we could pause for a moment. No; we will take it on notice.

**Hon ALANNA CLOHESY:** If we said of the 223, how many were —

**Mr Sullivan:** Sorry, I think we can answer it now.

**Mrs Harris:** I will just make sure that I am answering the question in total, because my numbers are a bit different from the 223. But in the allocation, I have a number of staff. There were 160 staff allocations going out to agencies. Transfers and targeted opportunities was 129 —

**Mr Sullivan:** We are looking at the total workforce of Shared Services as opposed to the movement just in 2013–14. Would you prefer data around 2013–14?

**Hon ALANNA CLOHESY:** Yes.

**Mr Sullivan:** In which case we will have to take that on notice.

**Mrs Harris:** That is in our budget estimates.

[*Supplementary Information No C8.*]

**Hon ALANNA CLOHESY:** But that sounds interesting too. Can I come back to that in a minute?

**Mrs Harris:** Yes.

**Hon ALANNA CLOHESY:** I do not want to get it confused. I do not want to lose track of where I am at. It will be: How many were from the Office of Shared Services? How many transferred? How many were redundant—voluntary and involuntary?

**Mr Carren:** Is this in reference to page 21?

**Hon ALANNA CLOHESY:** Yes. How many were not from the Office of Shared Services? That is the difference, basically. If they were not from the Office of Shared Services, what unit did they belong to in the department? It would also be useful to have, for each unit, the total redundancy. Coming back to those figures over the last 12 months by unit: How many were transferred to other departments? How many were made involuntarily redundant? How many were made redundant?

**Mr Sullivan:** Can I just clarify: that 223 figure was a movement in FTE over the year. That is a net position after a whole lot of movements with people coming on board to our agency and leaving our agency. Certainly Shared Services would dominate that. To actually reconcile the 223 position with all movements would be quite an exercise in terms of that. I am trying to clarify so we can give you the information that you are seeking.

**Hon ALANNA CLOHESY:** One part is about the Office of Shared Services.

**Mr Sullivan:** Yes.

**Hon ALANNA CLOHESY:** And then other movements.

**Mr Sullivan:** Or is it, in terms of the reduction from 2012–13 to 2013–14, which parts of the business had that reduction in their FTE number?

**Hon ALANNA CLOHESY:** That is right; other movements.

**Mr Sullivan:** Yes. That is fine.

**Hon ALANNA CLOHESY:** And how they did that.

**Hon PETER KATSAMBANIS:** In your organisational chart on page 6 of the annual report there is an economic reform unit. The ERA delivered its microeconomic reform inquiry report in July this year. What recommendations in that report do you consider are relevant to the Department of Finance and what action has been taken, or is proposed to be taken, in relation to actioning any of those recommendations?

**Mr Sullivan:** When you say “are relevant to”, are you talking about recommendations that would directly impact on the Department of Finance?

**Hon PETER KATSAMBANIS:** That either would impact on the department or would require the department to be involved or take the lead in implementing?

**Mr Sullivan:** Perhaps I will refer the question to Guido.

**Mr Gadomsky:** I am not sure how far the Department of Finance is actually affected and is reacting in terms of implementation. I am aware that the economic reform unit that has migrated over from the Department of Treasury to the Department of Finance is working to help implement recommendations and is also collaborating with the ERA on these matters. I am not aware of the statistics around that in terms of the number of recommendations. That might actually be touching the policy space as well. I am not sure whether it is —

**Hon PETER KATSAMBANIS:** I understand that some of it will impact on the policy space; I have no doubt about that. Are you able to provide, perhaps on notice, the areas that you may be working on through that unit?

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**Mr Gadomsky:** Yes, I am happy to do that. Maybe it is worth pointing out that in principle it is all of those areas.

**Hon PETER KATSAMBANIS:** Hence the name of the unit.

**Mr Gadomsky:** With some limitations around policy guidance, I would assume.

[*Supplementary Information No C9.*]

**The CHAIR:** I am still unclear as to what the role of your economic reform unit is.

**Mr Gadomsky:** It has several functions. For one it is also the regulatory gatekeeping unit and prepares or assesses regulatory impact statements. Beyond that, it attempts to reduce red tape and help economic reform towards a more efficient public sector. In very general and broad terms, helping to implement the ERA's recommendations is one of those activities.

**The CHAIR:** In terms of the ERA recommendations, what are they doing? In terms of the 100-odd recommendations, what is that unit actually doing in regards to those?

**Mr Sullivan:** I guess we are providing advice to government and agencies where government have made decisions in relation to implementing those recommendations. We have got that —

**The CHAIR:** Once the government has made a decision, it is about how to help implement it, or are you providing advice about what decision government should take on the recommendations?

**Mr Sullivan:** I guess it is both. In relation to the policy aspect, it is where government seeks views or alternative views in terms of that. But in terms of where the government has made a decision to implement, we assist the agency as best we can, where we can.

**The CHAIR:** Are you involved in any public consultation about any of those recommendations to get community views?

**Mr Gadomsky:** I am not aware.

**The CHAIR:** If there is anything, you can add it to C9.

I refer to first home buyers. I have been looking at some of the stats that you made available about first home owner grants. It strikes me that since the new tax and the like have come in, there has been a decline. Am I right in that? I know they do fluctuate over time.

**Mr Sullivan:** Can I clarify whether you are talking in value or in numbers?

**The CHAIR:** In numbers. I notice that in value, it has dropped off well below what you had predicted in the budget papers. I think that is in your annual report. Since the changes have been brought in for first home owners, am I right in the assumption that it has seen a decline in the number of first home owner grants being paid?

**Ms Suchenia:** Yes. There is some information listed on page 72 in relation to the numbers and touching on the trends since the introduction of those changes. Part of the issue with the Department of Finance is the estimates in relation to first home owner grant payments are done through the Department of Treasury as part of the budget process. They are also responsible for looking at the trend analysis in relation to how effective that budget initiative actually is. We monitor the statistics. Historically, as set out in the note, the grants that were paid for established homes have accounted for the majority of the total grant cost. Over 2013–14, the proportion of established home grants averaged around 65.7 per cent compared to around 73 per cent in 2012–13. It is starting to drop off in number.

**Mr Sullivan:** In terms of your observation, further included on page 72 are notes that there has been an increase in the number of grants. In 2012–13 there were 19 277 grants. In 2013–14 that had increased to 19 806. In terms of activity, it had certainly increased, not a huge amount, but the composition of those quite clearly is there was a swing away from established to new grants.



**The CHAIR:** I will not get into the locations of all of those being out in Baldivis and places that add extra costs to buy more railcars for the train service; there has also been the subsequent changes about what you can claim—the changes in the values of the properties. In your annual report you are talking about the changes in terms of \$7 000 and \$10 000. Have we not subsequently also had a change to the threshold for the value of the property?

**Hon RICK MAZZA:** No; that was stamp duty.

**The CHAIR:** That is only with stamp duty, is it?

**Ms Suchenia:** It is a duties concession that is linked to the first home owner grant.

**The CHAIR:** Has that had any impact on the number of first home owner grants applied for?

**Ms Suchenia:** As I mentioned earlier, we do not look at the modelling and the impacts in relation to the trends. That sits within the Department of Finance. We pay the grants in terms of —

**The CHAIR:** But from your payment, you do not in any way monitor whether you have seen a reduction in the number of first home owner grants being paid?

**Mr Sullivan:** Perhaps if I could clarify—Nicki can correct me if I am wrong, which I might well be—what we have is a regime whereby ability to access the duty concession is contingent on you being able to access the first home owner grant. To the extent that the first home owner grant concession can be accessed, that is the first-order hurdle that a person must get over. Then you are into the duty concession. The changes that have been made are limiting the associated number of duty concessions. In terms of causality, I am not quite sure if it would actually be there.

**The CHAIR:** So you are saying we need to ask Treasury if we want to understand what the impacts of those changes are on the number of first home owners?

**Ms Suchenia:** Yes.

**The CHAIR:** Again you may tell me I have to go to Treasury for this one: on page 71 is the vehicle licence duty. I saw a note about the big drop. Is that just the drop-off in the sale of new vehicles?

**Mr Sullivan:** It is the value of the vehicle, and the duty applies to the transfer of the licence, not the actual sale of the vehicle itself. There is a note on page 72, which I think points to the primary driver. Again, Treasury could perhaps better comment on it. As you may recall, the federal government of the day in mid-2013 made changes to the fringe benefits tax legislation and that had a significant impact in terms of the purchase of new vehicles and hence the licensing and hence the duty. That, to our understanding, is the primary driver. I think there are also some notes in the actual budget papers themselves, but it would take some time to locate them. It is probably best directed to Treasury because, as Nicki indicated, they really are the ones who determine not only the policy in relation to revenue, but also monitoring in terms of the drivers, or the revenue growth.

**The CHAIR:** With the land tax—again you may refer me off to Treasury on this one—part of it was a 12.5 per cent increase, but it says the other \$19 million was due to an increase in the number of taxpayers. Is that because of bracket creep, that properties that were previously exempt have now become captured by a \$300 000 threshold? If so, how many additional taxpayers were captured by the land tax collections?

**Ms Suchenia:** I do not have that number off the top of my head, but that would be one of the factors in relation to having additional taxpayers in the base. The other factors that could impact on that deal with policy changes that might bring new taxpayers into the base but they are essentially the value changes across the threshold and then any measures that would introduce new taxpayers into the base, although, from memory, there are not that many of those.

[3.30 pm]

**Mr Sullivan:** I will just to add that. It is very, very hard to disaggregate this because, as you would be aware, the \$300 000 threshold that brings someone into the base, once the land itself is used for a

purpose where it is taxable, is an aggregated value. So, if I own a particular block of land worth \$150 000 and I go and purchase another block of land worth, say, \$300 000, all of a sudden I will become a taxpayer. So, it would not have been driven by any bracket creep as such, but rather the fact that an individual owner could have purchased another property and hence comes into the tax net, not because of value movements but because of that. Over and above that, as Nicki has mentioned, you have value movements. The fact that the threshold has remained at \$300 000, the increase in the unimproved value of land, may take an individual lot or an aggregated value —

**The CHAIR:** But you must be able to tell from your valuations how many individual properties break through the threshold of \$300 000, though, would you not?

**Ms Suchenia:** We would have a number; it is attributing the reason to that number that becomes the difficult —

**The CHAIR:** You would have the number of the increase in people paying land tax, and that could be an aggregation, but also would you not be able to tell us how many properties went from being below \$300 000 to now being above \$300 000?

**Ms Suchenia:** Again, the aggregation issues come into play here because it is not necessarily a direct one-to-one relationship on the basis of every single property. So, you might have a property portfolio whose value has increased, and we will not then necessarily be able to relate that back to each individual property. But we do have a number and I am able to provide that.

*[Supplementary Information No C10.]*

**The CHAIR:** If you could provide us the number of additional taxpayers, and any other information you can provide that sort of provides any further information. I am not asking for the names or anything for confidentiality, just purely the numbers. When was the last time the \$300 000 threshold was increased?

**Ms Suchenia:** How good is your memory?

**The CHAIR:** It is a long time; those were my thoughts as well. If you could confirm for us when it was last increased.

I guess also with payroll tax, your annual report covers 2012-13 and 2013-14, how many additional people are paying payroll tax each year?

**Ms Suchenia:** Can I just explain in relation to payroll tax? There are some difficulties in actually pointing to additional. While we keep a track of the number of registered taxpayers over the course of the year, that fluctuates because people come into the tax base, but there is also the offs, in that people cease business or they fall below the threshold. We can give you the movement in terms of the net position, but they are not all attributed as being new taxpayers.

**The CHAIR:** If you can give us what you can, we will make that all part of C11 in terms of the payroll tax.

*[Supplementary Information No C11.]*

**The CHAIR:** Does anyone do any research on trying to identify how many businesses are sort of engaging in unusual practices to avoid paying payroll tax? When I speak to small business, it is a regular issue that they will go out of their way to avoid being captured under payroll tax, so offshore—there will be a whole range of issues to avoid it. Whether it is one of those ones where if you actually reduce the rates or change the rates you might actually get more revenue—like I think we did with betting taxes a few years ago—in because people will actually say, “I can afford to pay that; what I can’t pay is a five per cent jump on my whole payroll tax once I hit that threshold.” Does anyone do that work?

**Ms Suchenia:** That sort of modelling capacity sits within Treasury in terms of looking at those issues. Specifically if they relate the question of avoidance to how that might impact on the rates,

then that is not necessarily a specific research project that I am aware of. In terms of compliance and the effort in relation to compliance, there is —

**The CHAIR:** I am sure these people are doing it quite legally. They are actually making business decisions that prevent them paying it. So it is not like they are seeking to avoid it by lying to you or creating false structures, but they are actually taking deliberate decisions to avoid paying.

**Mr Sullivan:** It is an interesting question. Certainly our compliance area—I will not go into the various techniques that they use—has close monitoring in terms of what is actually happening out there with individual taxpayers but also more generally. We have a range of data sources both in terms of other jurisdictions and also in terms of the ATO, and we work cooperatively with them because, quite clearly, there are impacts that flow through across jurisdictional tax bases; a business may operate not just in Western Australia but across Australia. To actually get down to attribute causality to a person's behaviours is a difficult thing. All one can do is really observe and see if there is any logical reason. I have had discussions with people who have said they are offshore in their operations because of their employment costs. Quite clearly, part of that is payroll tax, but there are a range of other matters that come into play when one looks at employment within Australia vis-a-vis, say, offshoring your workforce into Thailand. You have the industrial relations situation, you have commonwealth employment taxes, fringe benefits—a whole range of things. So, to actually attribute something to payroll tax is fraught with danger without talking to the individual.

**The CHAIR:** That is why I am saying it, because they tell me it is payroll tax.

**Hon PETER KATSAMBANIS:** Can I ask something along the lines of avoidance of payroll tax or any tax really? I tend to find that, and I think experience bears out, that people in the SME space are far more interested in running their business and working either on or in their business than they are in working the internecine workings of the tax system. What historically we have found throughout all tax systems in Australia is that there are “product spruikers” who come up with an idea, commoditise it and sell it as a product. Have we seen, in the last few years, any emergence of new “products” driving at reducing, either legitimately or illegitimately, a business's payroll tax liabilities; and, if so, what action are we taking to combat that?

**Ms Suchenia:** I would suggest that the charities legislation that is in the Parliament at the moment is in response to something along those lines, where there is a particular type of exemption that would not necessarily be available just by running your organisation. I think that is one example that I could quote of recent times. In this area it is very clear that the main game in terms of promotion is commonwealth taxes, and the thresholds and manner in which the state taxes are levied is far narrower than what you see in a commonwealth sphere. So, in terms of a return on investment for effort in that area, the scope is far less in the state tax arena. That does not mean that it does not happen, because from time to time we do see examples of it.

**Mr Sullivan:** We do monitor it, we do report it to Treasury, and Treasury then brings those things, in terms of proposed policy changes, to the attention of government. One of the roles of State Revenue is to actually report to government on the efficacy of the existing tax legislation. Is it a growing trend? I would not say it is a growing trend; I would say it is an ongoing one and it is something that we will continue to focus on, because to the extent that someone steps out of the tax net due to creativity that happens to exploit a loophole, it means the burden goes onto the rest of the community.

**The CHAIR:** Do you do any work on trying to identify bracket creep and what the cost of that is or the benefit of that is?

**Ms Suchenia:** Not within the Office of State Revenue.

**The CHAIR:** Do you get the property values, though, for every property in the state?

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**Ms Suchenia:** There are around 1.3 million land items in the state, and for the purposes of land tax and the information exchange that goes backwards and forwards between the office and the Valuer-General, there is certainly a value for every taxable property in the base, and there is generally a value that sits for exempt land and land that is below the threshold, although the manner in which that is dealt with is a little different. There are specific items, some in relation to crown land, that we do not retain values for in the system, but generally we would have or could get access.

**The CHAIR:** As part of the supplementary information, are you able to provide us with a copy—if you still have the data—of when the \$300 000 threshold was set, what was the average land value in the state of taxable properties?

**Mr Sullivan:** I am not trying to duck the issue, but those decisions would have been around modelling that Treasury did; Treasury would have modelled that.

**The CHAIR:** That is why I asked whether you would get the land values.

**Mr Sullivan:** We would provide those for Treasury for their modelling purposes.

**The CHAIR:** Yes. I am not asking for the detailed modelling; I am asking: what was the average value of property when the \$300 000 was set, and what it was in the last financial year?

**Mr Sullivan:** The average value of taxable property?

**The CHAIR:** Taxable or those that were taxable but did not meet the \$300 000 aggregate figure.

**Mr Sullivan:** We can look for it; I cannot guarantee that we hold it.

**The CHAIR:** If it is your private residence, that is not taxable. So long as taxable property is anything that if it was combined with other properties, combined they would all be taxed, if they came to more than \$300 000.

**Mr Sullivan:** We will certainly do best endeavours to try to find that information.

[*Supplementary Information No C12.*]

**Hon RICK MAZZA:** Just with the motor vehicle registration fees, of recent times you have changed it to a quarterly payment. Is there any data on how much extra revenue that is bringing in, considering that the quarterly payment has actually slipped in a little bit of a levy compared with paying six-monthly —

**Mr Sullivan:** We are not involved in motor vehicle registrations; we are involved in duty on the transfer of a licence. The Department of Transport would be the agency —

**Hon RICK MAZZA:** So you are only involved in the actual transfer duty of the vehicle itself?

**Mr Sullivan:** Correct, of the vehicle licence.

**Hon ALANNA CLOHESY:** The directors general ICT committee on page 13, when was that established?

**Mr Ford:** My understanding is that the directors general ICT steering committee was formed in March 2014.

**Hon ALANNA CLOHESY:** How many times has it met?

**Mr Ford:** I do not have that information in front of me, but it would not be a problem to get it for you on notice.

**Hon ALANNA CLOHESY:** We might just hold this one open because I am asking about the general functioning of the committee.

**The CHAIR:** I will give this one C13, but we will conclude it when you go through all of the other questions you have got.

[*Supplementary Information No C13.*]

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**Hon ALANNA CLOHESY:** What role does the Department of Finance have in relation to the committee?

**Mr Ford:** It has two roles. The first is that the director general of the Department of Finance is the chair of that steering committee. The second role is to provide secretariat support for the discussions of the committee.

**Hon ALANNA CLOHESY:** Who is on the committee?

**Mr Ford:** It varies.

**Hon ALANNA CLOHESY:** Which directors general are on the committee?

**Mr Ford:** I can talk about the last meeting that I attended as an observer, if that would help you. I think there is a fair degree of fluidity in the membership. The membership is set, but who turns up at each meeting, I think, is fluid.

**Hon ALANNA CLOHESY:** Okay. Can we have who is on the committee, as in the agencies on the committee?

**Mr Ford:** Yes.

**Hon ALANNA CLOHESY:** And who is meant to turn up to the committee, as in who are the membership—what is the membership of the committee?

**Mr Ford:** Yes. Do you want this over any particular time period?

**Hon ALANNA CLOHESY:** Since it started.

**Mr Ford:** So a list detailing who is supposed to be on the committee?

**Mr Sullivan:** You are effectively looking for a membership list both in the terms of agencies but also in terms of the individual representing the agency?

**Hon ALANNA CLOHESY:** Generally; that is right.

**Mr Ford:** Then also, if I am correct in understanding your question, you are looking for a register of attendance at meetings?

**Hon ALANNA CLOHESY:** That would be helpful, too. What minister does that committee report to?

[3.45 pm]

**Mr Ford:** I do not believe it reports directly to a minister. My understanding is that it was established out of a cabinet decision in 2013.

**Hon ALANNA CLOHESY:** What level of oversight does it have in relation to ICT purchases by government departments?

**Mr Ford:** None. It is merely a discussion and collaboration forum.

**Hon ALANNA CLOHESY:** So it does not have any oversight of any recommendations about who is buying what types of services?

**Mr Sullivan:** My understanding is the committee was established as being set as a collaborative group to look at how to better link government agencies and exploit—for want of a better term—whole-of-government value for agencies in the ICT space to look at a better practice within the sector, such that others could pick up on that, learn from it and implement it. It does not actually have an oversight role in terms of ICT as an operation within the public sector. So, the group itself is more of a collaborative group that is getting together in largely an informal sense to try to work through the opportunities, or greater efficiency and better value for government through ICT.

**Hon ALANNA CLOHESY:** So it does not have any role in vetoing procurement?

**Mr Sullivan:** Absolutely not.

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**Hon ALANNA CLOHESY:** It is just a nice kind of, “This is how we do it”, and sharing it kind of arrangement?

**Mr Sullivan:** Correct.

**Hon ALANNA CLOHESY:** That sounds like a kind of nice way to discuss what IT you are buying in your department. What actual outcomes has it achieved? What action items has it achieved?

**Mr Sullivan:** I would suggest probably a greater understanding of what is happening within the sector by various agencies looking at opportunities and areas where the agencies acting together may yield better outcomes. I think it is important to note that it is in very much its formative stages. So it is still working through that and it is still working through, I guess, the agenda that it thinks can best deliver value for government; and a range of areas have been discussed and looked at but no decisions as such that I am aware of have been made.

**Mr Ford:** That is correct.

**Hon ALANNA CLOHESY:** If there were any action items out of it, could we have those on just a list?

**Mr Sullivan:** I am not sure, if you are looking for decisions to say, “These are the things we are going to be doing”, I do not believe the group at this point has reached that, but we will look at that.

**Hon ALANNA CLOHESY:** Okay; thanks.

**The CHAIR:** We will make that all part of C13.

The committee will forward any additional questions it has to you by the minister in writing in the next couple of days together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to email them to the committee as soon as possible after the hearing, and on behalf of the committee I thank you.

**Hearing concluded at 3.48 pm**

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