STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS

2018–19 BUDGET ESTIMATES

TRANSCRIPT OF EVIDENCE
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TUESDAY, 19 JUNE 2018

SESSION FIVE
DEPARTMENT OF TREASURY

Members

Hon Alanna Clohesy (Chair)
Hon Tjorn Sibma (Deputy Chair)
Hon Diane Evers
Hon Aaron Stonehouse
Hon Colin Tincknell

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Hearing commenced at 7.00 pm

Hon STEPHEN DAWSON
Minister representing the Treasurer, examined:

Mr MICHAEL BARNES
Under Treasurer, examined:

Mr MICHAEL COURT
Deputy Under Treasurer, examined:

Ms KAYLENE GULICH
Executive Director, Infrastructure and Finance, examined:

Mr RICHARD WATSON
Executive Director, Economic, examined:

Mr ALISTAIR JONES
Executive Director, Strategic Policy and Evaluation, examined:

Mr ZAEEN KHAN
Executive Director, Public Utilities Office, examined:

Mr DAVID CORBELLINI
Principal Policy Adviser, Treasurer, examined:

The CHAIR: Welcome to the 2018–19 budget estimates hearings with Treasury. On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, welcome to today's hearings. Can each of the witnesses confirm that they have read, understood and signed a document headed "Information for Witnesses"?

The WITNESSES: Yes.

The CHAIR: We will start with Hon Diane Evers.

Hon DIANE EVERS: My first question refers to pages 129 to 131 and the appropriations, expenses and cash assets. I am interested to know what criteria the department uses to determine whether funds will be held by the department pending a business case.

Hon STEPHEN DAWSON: Member, was that generally pages 129 to 131?

Hon DIANE EVERS: That is right. I cannot find exactly where it is stated, but there are a number of appropriations that are held onto until a business case is provided. What is the rationale for which funds are held onto waiting for a business case, and, following on from that, how does the department determine whether that business case is sufficient to release the funds?

Hon STEPHEN DAWSON: I will ask the Under Treasurer to reply to that question, please.

Mr BARNES: Yes, member, you are correct that there are a few items, largely for capital projects, where an agency will put forward a funding request to the Expenditure Review Committee, and Treasury will recommend to the ERC that in-principle approval be provided, but that the funds be held in a Treasury administered provision. That largely reflects a view that some degree of business case work has been done, but perhaps not sufficiently detailed planning in terms of a project definition plan. We will often recommend that Treasury hold the funds in a global provision until the agency has done that more detailed project definition planning, and then when the project definition plan comes back to ERC for approval, if we recommend approval at that stage and the ERC agrees with that advice, at that point those global funds are released from Treasury to the agency.

Hon DIANE EVERS: I understand that. You said "we", as Treasury—we decide that. Is there a process for that decision or is it just a few people who get together and say, "No, we can't do that one or this one"? When that business case comes back, what is the process for determining that that is sufficient?

Mr BARNES: The process for decision-making is by the Expenditure Review Committee of cabinet; it is not a decision by Treasury. Treasury will advise the ERC, but it is a decision of the ERC. The factors that we take into account in our advice to the ERC are, unsurprisingly, issues around materiality, risk, degree of planning that has been done and the state of the market. If an agency is about to go to tender, we might recommend that funds be held in Treasury and administered until the tender outcome is complete. If the construction market is soft, as it has been the last few years, we have seen a bit of a trend whereby tender results will come in below the pre-tender estimate. If that is the case, we want to make sure that Treasury holds onto the savings from that competitive tender outcome and that the agency only gets disbursed the actual cost of the tender.

Hon DIANE EVERS: Okay; that is good. Again, I cannot find the particular line of these moneys that are withheld, but I note that in the 2017–18 budget there was a considerably higher amount for these funds in the forward estimates, and there is a decrease of over $100 million in the forward estimates for the Public Transport Authority, Water Corporation and royalties for regions funding. Sorry, I wrote the question a few days ago. Within the Public Transport Authority, Water Corp and royalties for regions their funding for the future for appropriations has dropped, and I am just wondering whether there is something significant in those areas to demonstrate why those ones have dropped.

Hon STEPHEN DAWSON: I am advised that nothing springs to mind, member. So, there is no particular reason for them.

Hon DIANE EVERS: I will just leave that one for now and come back to it if we get more time. I will go on with the other questions I have.

I refer to page 130 of budget paper No 2 and I ask in regard to the "Loan Acts—Interest": the estimate for 2020–21 is shown as $1.064 billion, whereas in the budget papers from 2017–18, the estimate for 2020–21 is $1.168 billion, so there is quite a significant change for that forward estimate. I am wondering what would have changed in that year that would have decreased the interest on the Loan Acts by $100 million. Can you find that specific line? It is on the top of page 131. No that is "Loan Acts—Repayment of Borrowings". I do apologise.

Hon STEPHEN DAWSON: Member, you were correct.

Hon DIANE EVERS: It is the middle of page 130. There is "Loan Acts—Interest" and in the year 2020–21 it shows $1.064 billion. In the previous budget, it was $1.168 billion. It is quite a significant change for that forward estimate, and I am wondering what would have changed in that year that decreased the interest under the Loan Acts by $100 million.

Hon STEPHEN DAWSON: If I can be clear, the member is referring to last year's budget paper and comparing this 1 064 million figure in 2020–21 with last year's budget document, and you want an explanation as to why that figure is different?

Hon DIANE EVERS: Why that figure would change.

The CHAIR: Why the interest is lower in this budget paper than it was in the previous budget paper for that same year in the forward estimates.?

Hon STEPHEN DAWSON: Thank you for clarifying that. I will ask the Under Treasurer if he can provide a response to that question.

Mr BARNES: The basic response, member, is that compared with last year's budget, the level of total public sector net debt at 30 June 2021 has been revised down by $3.2 billion, primarily as a result of some upward revisions to the revenue forecasts, but also as a result of some lower than previously forecast expenditure, particularly in the current financial year, 2017–18. So, that $3.2 billion reduction in the forecast level of net debt is obviously flowing through to a lower forecast interest expense.

Hon DIANE EVERS: That is good. That fits in with some of the other things that I saw there. Continuing on, on page 131, at the top of the page is "Loan Acts—Repayment of Borrowings". I note that the budget for, again, 2017–18 was nearly $229 million, whereas the actual repayment was only $98 million, and that is shown in that line. What was the reason for the shortfall and how likely is it that the budgeted amount of $355 million will actually be met in the year 2018–19?

Hon STEPHEN DAWSON: Again, Madam Chair, I will ask Mr Barnes whether he can provide a response.

[7.10 pm]

Mr BARNES: Member, in last year's budget the government established a special purpose account called the debt repayment account. That account was established to channel into it windfall or unexpected revenues and then to use those revenues to pay down consolidated account debt. So that account was established in last year's budget. One of the expected early funding sources for that account was a large one-off stamp duty assessment on a very large commercial transaction. We do not budget for those above a certain level, so this was windfall revenue. From memory, that was about a $165 million stamp duty assessment. In last year's budget the expectation was that that revenue would be received in 2017–18 and deposited into the debt repayment account to pay down consolidated account debt. As things have turned out, that stamp duty assessment, which had been issued by the Office of State Revenue, the taxpayer is challenging through the courts, so that has delayed the receipt of the cash for that stamp duty assessment. We have now pushed the cash for that stamp duty assessment out into 2018–19. That then explains the changed profile from last year's budget to this year's budget of the debt repayments in that line item.

Hon DIANE EVERS: Following on, in the forward years where you have come back down to $60 million, $40 million and so forth, is that just a more conservative approach, given that it is for unexpected windfalls?

Mr BARNES: In addition to that $165 million stamp duty assessment that I mentioned, the board of the Insurance Commission had agreed to provide surplus RiskCover funds back to the consolidated account. The Insurance Commission generally and the RiskCover fund have been generating above-budget investment returns for the last couple of years. The board of the Insurance Commission had recommended to government, and government agreed in last year's budget, that those surplus RiskCover funds—this is over and above the solvency ratio that the RiskCover board sets for itself. The higher investment returns were driving RiskCover returns over and above that solvency level, so the board offered and the government accepted the return of those of surplus RiskCover funds, which were about $40 million to $50 million or $60 million a year thereabouts. In last year's budget the government decided that those surplus RiskCover funds would also go into this debt repayment account to be used to repay consolidated account debt. That is the funding source in the last three years of the forward estimates.

Hon DIANE EVERS: That sounds good.

I refer to the income section on page 143. I am looking at "Other" under "Commonwealth Grants". It is $2.5 billion in 2020–21, whereas the forward estimates of the 2017–18 budget estimated other income in 2020–21 to be $3.8 billion. What were the factors decreasing this expectation by $1.3 billion? In 2020–21, commonwealth grants "other" is $2.518 billion. From the 2017–18 budget that was shown as $3.8 billion. Why the drop?

Hon STEPHEN DAWSON: I think we will have to take that question on notice. We will provide an answer by way of supplementary information.

Hon DIANE EVERS: That is fine.

[*Supplementary Information No E1.*]

Hon TJORN SIBMA: Just to give you an indication of where I am going with these questions, minister, so you are prepared and your team is prepared, I want to talk about debt and then asset sales. But I just want to begin by seeking confirmation that total public sector net debt at 30 June was, as it was recorded for the 2016–17 actual, $31.9 billion. That is a figure that we can all agree on. This is not a trick question, by the way. You agree that was the case and that was effectively the starting position of the McGowan government? That was the debt that you inherited from the previous government?

Hon STEPHEN DAWSON: The answer to that question is yes.

Hon TJORN SIBMA: I am attempting to understand, and perhaps there is a political view of reality which differs from a public sector view of these figures. At any stage has Treasury advised the Treasurer or executive of government that they inherited a total public sector net debt of $40 billion or forty thousand million dollars or a variant of that in any official advice?

Hon STEPHEN DAWSON: In the 2016–17 *Pre-election Financial Projections Statement*, which was issued in February 2017, there is a graph titled "Key Budget Aggregates". In the 2019–20 forward estimates it refers to public sector net debt at approximately $41 billion.

Hon TJORN SIBMA: Did that include the proceeds of a potential sale of Western Power?

Hon STEPHEN DAWSON: My understanding is that that did not.

Hon TJORN SIBMA: That is probably why that figure is as it is. I just wanted to confirm that at no stage has Treasury provided formal economic advice that the inheritance of the McGowan government was a total public sector net figure of $40 billion. I just wanted to clarify where we are as a starting point because I am interested in where the policy direction might go to mediate that state debt.

Hon STEPHEN DAWSON: I can advise that the trajectory did indicate that amount of $41.1 billion. That advice was given to the community. In fact, it was given pre-election, so we all got the same advice that we were on this trajectory to have this massive debt.

Hon TJORN SIBMA: I understand that but, nevertheless, the starting point was at $31.9 billion and increases—you will have to agree with this, minister—to that net debt are now within the power of the Treasurer and the state government more broadly, which leads me to my substantive question, which is: Do you still hold to the policy approach that we will deal with debt in a way that one pays down their mortgage, slowly and over time? Is that the governing philosophy?

Hon STEPHEN DAWSON: I certainly have heard the Treasurer and, indeed, the Premier use those remarks previously.

Hon TJORN SIBMA: That is great. I just wanted to do some ground-truthing to ask the next question. After we have established those facts, that preamble, I draw your attention to page 8 of budget paper No 1, which is the budget speech. The thing which has drawn my attention is the update provided on 10 May on TAB and Landgate. The last sentence there states —

> The Government will continue to investigate the potential commercialisation of the activities of Landgate and look forward to providing an update in due course.

In the five or so weeks which have elapsed, are you able to provide an update on the sale of Landgate?

Hon STEPHEN DAWSON: Cabinet is still considering the scoping study that has been prepared, so an announcement will be made in the future. It is under consideration as we speak.

Hon TJORN SIBMA: Under active consideration I would—notwithstanding the caveats which you have implied in that answer and are likely to more explicitly give me, what is the scope of that scoping document? What kind of information is being presented to cabinet for deliberation?

[7.20 pm]

Hon STEPHEN DAWSON: Member, unfortunately, I cannot disclose the deliberations of cabinet. Information that has been prepared for a decision by cabinet remains captured by the cabinet-in-confidence process. That is all I can say. You can go down a line of questioning on this one, but because it is in the process at the moment, it is all covered by cabinet-in-confidence so I cannot disclose what types of information are being included.

Hon TJORN SIBMA: That is an interesting contribution. Has the cabinet submission been developed, has it been considered by cabinet or will it soon be considered by cabinet?

Hon STEPHEN DAWSON: Member, again, this relates to cabinet and the processes of government. It has been standard practice since time immemorial that stuff that is before cabinet or in the cabinet process is not disclosed, so I cannot tell you where stuff is at in the process other than it is under active consideration at present.

Hon TJORN SIBMA: I understand that, minister, and I accept it, but you will also understand my keen interest in the issue. Perhaps I could segment an area of interest. Has Treasury undertaken any modelling or could provide an estimate of the value of land information services which the Western Australian public service obtains from Landgate at the moment?

Hon STEPHEN DAWSON: I am advised it is all wrapped up in the scoping study. Work has been undertaken but it is captured by the cabinet-in-confidence process.

Hon TJORN SIBMA: Nevertheless, would the origin of this information—this is perhaps for Mr Barnes. We would have a clear line of sight; we would have publicly available information on the amount or the value of the land information service provision to the Western Australian public sector. Is that publicly available information or do I have to go into a cabinet submission to find that information?

Hon STEPHEN DAWSON: I might ask Mr Barnes to reply to that.

Mr BARNES: Sorry, member, are you asking around the value of the Landgate entity as it currently stands?

Hon TJORN SIBMA: Not so much, sir; more the value of the commercial services that Landgate provides to the public sector. The reason for my interest is because when like regulatory entities are being privatised in other jurisdictions in Australia, state government agencies who relied upon a discount rate, if you like, for the provision of land information services to assist them undertake their regular duties were astounded by the private sector value or premium put on that information. Is this going to cost us more?

Hon STEPHEN DAWSON: Again, that information is all wrapped up in the scoping study.

Hon TJORN SIBMA: Okay. But the confirmation is that work has been undertaken, you are just not in a position to divulge yet because it is in cabinet.

Hon STEPHEN DAWSON: Certainly, a range of pieces of work have been undertaken across government in relation to this issue. I am not in a position to disclose what is under active consideration by cabinet, other than broadly the two items that I mentioned in page 8 of this speech. Those are the TAB and Landgate issues and the potential sale of those are being considered by government at present.

Hon TJORN SIBMA: Perhaps a final attempt—whether it is wise or not, I will attempt it. Has Treasury attempted to capture the value of Landgate—Mr Barnes, this is where you were headed before—and, if so, what is the appropriate market value of Landgate? What would you like to receive by way of sale for that entity?

Hon STEPHEN DAWSON: Again, I cannot prejudice the outcome of any process. As I said, and I will continue to say, this matter is under consideration by government at the moment. Some work has been undertaken but it is captured by cabinet-in-confidence, so I cannot disclose any further information at this stage.

Hon TJORN SIBMA: Minister, you might be in position to answer this one, though. Would the government intend to declare its hand and make its decision plain and clearly understood by the end of this calendar year?

Hon STEPHEN DAWSON: Again, I am not in a position to answer that question. By all means, if you want ask it on notice, the Treasurer can provide whatever he can by way of supplementary, but I am not in a position to indicate when such a decision may be made.

Hon TJORN SIBMA: Could Treasury provide a view on whether net debt as forecasted in the budget papers may well have been underestimated by the exclusion of funding attached to Metronet? No doubt there is a commonwealth provision there. There was no state-based funding. The Treasurer alluded to this in the other place and said that this just exists beyond the estimates. Could I get a sense of what contribution Metronet might make to our net debt levels?

Hon STEPHEN DAWSON: Member, you would be aware because you have been in this place previously that we do not comment on either hypotheticals or amounts of money that are in the out years, so if it is not in the budget before us, we cannot disclose it; it is not within the parameters of the estimates. Notwithstanding that, I am not sure whether Mr Barnes has anything further he wants to add on this point. No, not really.

The CHAIR: Member, there was something that the minister offered to take on notice.

Hon TJORN SIBMA: It was lost in all the excitement.

The CHAIR: It was lost in the fever and energy.

Hon STEPHEN DAWSON: You were asking me to comment on whether a decision would be made by the end of this financial year.

Hon TJORN SIBMA: Yes, that is right. Is there any indicative time frame for making a decision on the sale of Landgate?

The CHAIR: Which is a different question from the original one.

Hon TJORN SIBMA: Sorry, I am editorialising myself, which might make it difficult, but that was the information I was after.

The CHAIR: So when and where.

Hon TJORN SIBMA: Yes, when.

Hon STEPHEN DAWSON: I think the question was: is it going to be made this financial year?

Hon TJORN SIBMA: No—calendar year, not financial year. There is not much time left.

[*Supplementary Information No E2.*]

Hon AARON STONEHOUSE: I refer to page 133 under "Economic Reform" and the second dot point where it discusses red-tape reduction and the development of a red-tape reduction omnibus bill. I was wondering if you could give us a little more information about that process, what that bill might include and how far along the process is.

Hon STEPHEN DAWSON: I will ask Mr Watson to make a comment on this. Can I say that as somebody who has sat in this place for the past five years, it is obviously of interest to me the whole red-tape reduction issue and I have made some previous speeches so I am interested in the response, too.

Mr WATSON: We are in the process at the moment of going out to agencies to ask them to identify any redundant, outdated and unnecessary regulatory matters for inclusion in the omnibus bill. At this point, I cannot identify exactly which regulations and legislation might be repealed. The intention is for that bill to go to Parliament in the second half of next year.

Hon STEPHEN DAWSON: In relation to where we are in the process, the Treasurer has written to each of his ministerial colleagues and sought advice from each of those. We are in the process now of the advice-gathering stage.

[7.30 pm]

Hon AARON STONEHOUSE: This reminds me of the red-tape effort that was embarked upon by the previous government. Feedback I have had from people within industries affected by red tape is that those efforts were largely driven by bureaucrats and public servants who certainly did a good job of streamlining their own regulatory processes but did little to remove the regulatory burden for those in the private sector, for the end user—for their customers, ultimately. Is there any consultation ongoing or any planned consultation with people in various industries around red-tape reduction as part of this process?

Hon STEPHEN DAWSON: I can ask Mr Watson to answer that one, please.

Mr WATSON: The government has a number of different projects involved in exactly what you are talking about—consulting with industry. You may have seen a media statement yesterday from the Treasurer and Minister for Agriculture, highlighting that they are just starting a 90-day horticultural project which will look specifically at the industry, consult widely with the industry, including in different parts of the state, with a view to then identifying exactly the sorts of regulatory impediments to the growth of businesses you have mentioned.

Hon AARON STONEHOUSE: Just one final question around that—the Abbott commonwealth government engaged on a red-tape reduction effort in their time and had mixed results, as I hear it. One complaint is that a lot of targets for red-tape reduction were arbitrary, cutting down the number of pages of pieces of legislation without necessarily simplifying. I wonder whether there are targets for red-tape reduction that the Treasury department is using and if you are, I suppose, implementing some kind of best practice for red-tape reduction in this process?

Hon STEPHEN DAWSON: Again, Mr Watson, if I can ask you to reply to that one, please.

Mr WATSON: We do not advocate for the use of just simple targets like reducing the number of pages in legislation. That can have unintended consequences which includes regulation being removed that is actually necessary under certain circumstances. The process which I have sort of outlined in relation to the 90 day projects that we are doing with horticulture and have previously been done with eco and nature-based tourism for example is, I guess, the type of best practice approach, which involves significant consultation with industry, actually identifying what are the bits of regulation that are really the impediments to the industry and then working with the agencies and the stakeholders themselves to find a way to reform that regulation.

Hon AARON STONEHOUSE: Moving on, I have a question about gambling tax revenue. I was looking through the budget papers to try to find what percentage of tax revenue gambling tax makes up. I could not quite it. Maybe, if it is on a specific page you could let me know, but I am looking at page 72 on budget paper volume 3, where it states —

> Gambling tax revenue is forecast to increase by 13.6% in 2018–19 and 11.3% in 2019–20 partly reflecting the planned introduction of a point of consumption wagering tax from 1 January 2019 …

The reason I am interested in gambling tax revenue is I am also wondering what the state's financial position will be if that point of consumption tax is not brought in on 1 January 2019 or if a different rate is implemented. Do you have any figures on that that you could give me that might help?

Hon STEPHEN DAWSON: I thank the member for the question. I do not think there is a line item in the budget that says it is called gambling tax, per se, but there are a number of line items in the budget that list items that could be classed as gambling tax. I might ask the Under Treasurer if he can reply to your whole question.

Mr BARNES: I take you to appendix 2 on page 210 of budget paper No 3. This table in appendix 2 provides a breakdown of general government revenue, and on page 210, there are, roughly halfway down that table on page 210, a block of numbers on "Lotteries Commission", "Video lottery terminals", "Casino tax" and "Betting tax" and then in italics, "Total taxes on gambling". So, in 2018–19, we are forecasting that those gambling taxes will total $295 million. That compares to total general government revenue for 2018–19 of $29.6 billion. It is a very small percentage of total revenue.

Hon AARON STONEHOUSE: Can you isolate what the point-of-consumption tax revenue will be from those total tax revenue figures?

Hon STEPHEN DAWSON: Just to be clear, member, that information does not appear in this year's budget papers, but we are just checking previous years.

Hon AARON STONEHOUSE: Did it appear in previous years?

Hon STEPHEN DAWSON: We understand it did. We will locate it and provide you with an answer. I will ask the Under Treasurer if he can provide a response.

Mr BARNES: Member, I am just referring to last year's budget paper No 3, given that the point-of-consumption tax was announced in last year's budget. The forecast revenue cash flows that were published in last year's budget for the point-of-consumption wagering tax were $19.4 million in

2018–19, which is a half-year effect, because as you know, it is due to come in from 1 January 2019. The first full year effect is in 2019–20, which is $39.7 million and $40.5 million in 2020–21.

Hon AARON STONEHOUSE: Does that projected revenue from a point-of-sale consumption tax take into account the government's intention to tighten online lottery services? I am speaking specifically about Lottoland. The Premier has been quite vocal about his plan to ban Lottoland. Do these figures take into account a loss of revenue in the event of Lottoland being banned?

Hon STEPHEN DAWSON: We are not sure, is the short answer, member, so we might have to take that question on notice and provide information by way of supplementary.

[*Supplementary Information No E3.*]

Hon COLIN TINCKNELL: I draw your attention to the budget speech. In the Treasurer's budget speech he indicated that $184 million in the state's contribution of $394 million social and affordable housing and jobs package with a balance funded through the private sector investment, a package intended to deliver 1 390 new homes, including 320 new social house dwellings and at least 400 affordable homes and eight high density Metronet orientated developments. Through the minister, can you please advise whether the additional $210 million has already been sourced from the private sector funding; and, if so, who will be the key contributors?

Hon STEPHEN DAWSON: As far as Treasury is aware, it has not yet been sourced but it really is a question to ask of the Minister for Housing. I am not sure whether the Minister for Housing is appearing this week. If not, then you may well consider placing that question through the online process to enable you to get an answer. But, we do not have that information here.

Hon COLIN TINCKNELL: Okay. Do we have housing appear later this week?

The CHAIR: No. So, as the minister suggested, put it through the ELS.
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[7.40 pm]

Hon COLIN TINCKNELL: In the Treasurer's speech, he also outlined that the government —

> … have reduced embedded cost growth in the public sector through the $1 000 wages policy, which is estimated to reduce spending by around $700 million over the five years to 2021–22.

My question is: however, does this cost reduction factor in population growth and the expansion of core services such as schools, health, law and order, including additional bodies, committees, being instigated by government such as the $4.9 million to expand the operations of Defence West? There is quite a bit of detail there.

Hon STEPHEN DAWSON: I will ask Mr Barnes if he can provide a response to that one, please.

Mr BARNES: Member, the way we construct the budget for certainly the big service delivery agencies is we try and break it down into cost factors and then demand factors. On the cost side of the equation, we look at salaries and then non-salary expenses—so rent and everything else. For salaries, agencies' forward estimates is based on the wages policy, the flat $1 000 a year increase, which on average across the public sector equates to a one per cent per annum increase in salaries. That is a cost factor we fund agencies for and salaries are about just under half of total recurrent expenditure. For non-salaries expenditure, the government has a policy of providing zero cost escalation for non-salaries. So, across both salaries and non-salaries cost drivers, agencies get average funding of about 0.5 per cent per annum. Therefore, one per cent for salaries on average and zero for non-salaries—so about 0.5 per cent on average. That is the cost side. Separately to that, we look at demand drivers, particularly for those big service deliveries like health, education, corrective services and so on. For a lot of those big service delivery agencies, we have models that forecast demand into the future. For some of those agencies, like health, we use age-weighted population growth as a predictor of the growth in future demand and we fund health demand growth in line with forecast growth in age-weighted population. For education, for example, unsurprisingly, we fund demand growth in education for forecast growth in student enrolment numbers. We fund the cost side and the demand side separately and then bring it all together, if that makes sense.

Hon COLIN TINCKNELL: I will see if I have a bit more luck than Hon Tjorn Sibma on Landgate. I have different questions. I refer to page 130 in budget paper No 2 relating to the government equity contributions to Landgate and note the funding of $44 million for the year 2018–19, which is a significant increase from the $192 000 in 2017–18. My question is: what underpins the changes in the funding over those two financial years? I basically want to know where the $44 million comes from and what it is for.

Hon STEPHEN DAWSON: The Western Australian Land Authority is actually LandCorp not Landgate, which is a different —

Hon COLIN TINCKNELL: Sorry, yes.

Hon STEPHEN DAWSON: I am happy to provide you with an answer in relation to LandCorp if that is what —

Hon COLIN TINCKNELL: Yes, WA Land Information Authority.

Hon STEPHEN DAWSON: Madam Chair, in relation to that, appropriation funding totalling $40 million has been approved to support development of the Port Hedland waterfront revitalisation project. That is an issue that is dear to my heart. This project will deliver a waterfront precinct and recreational amenity for residents of and visitors to Port Hedland. The total $152 million cost of this project also includes royalties for regions funding of $72 million and a $40 million contribution from the Town of Port Hedland. That is probably all I need to say. That is essentially that amount that you have referred to in that line item.

Hon Dr STEVE THOMAS: Minister, I direct you to budget paper No 3, page 4; that is probably the best place to start. There is a line in there the third paragraph —

> Using the latest available data, in 2016–17 alone Western Australians are estimated to have received $16.5 billion less in Commonwealth expenditure … than the Commonwealth revenue generated in this State …

My first question is: is it a Treasury or government position that Western Australia should receive from the commonwealth all commonwealth revenue generated in this state as identified in that paragraph?

Hon STEPHEN DAWSON: If I can ask the Under Treasurer to provide an answer to that, please.

Mr BARNES: The short answer is no. The government has recognised that Western Australia should and will continue to support the weaker states through the horizontal fiscal equalisation system that we have in the Federation. We are not seeking to completely dismantle that HFE system, as it is referred to. The issue that we have had is the extent of that redistribution, particularly in recent years, the extreme extent of it, including particularly around our GST share, which, as you would be aware, fell to as low as 30 cents in the dollar a couple of years ago. But, as I said, the government's public position has been that Western Australia should continue to support the weaker states, but not to the extent that we are currently supporting them.

Hon STEPHEN DAWSON: I think, member, that that has been the policy of successive governments. We do not seek to walk away from it, but the amount of GST that we have been getting back over the past few years in particular is scandalous and requires a great deal of action from the federal government at the moment.

Hon Dr STEVE THOMAS: I was going to ask which states should be funding foreign affairs activities like defence and foreign aid et cetera if every state was to receive back its full commonwealth entitlement with all the taxes it has developed, but I think we have answered the question.

The CHAIR: I think the question was answered quite differently, and, member, you now have about nine minutes left.

Hon Dr STEVE THOMAS: Thank you, Madam Chair, for your guidance. Is it then Treasury's position or the government's position that significant increases in royalties or other own income should not be impacted by GST redistribution or is it then a case of by what extent?

Hon STEPHEN DAWSON: I will ask Mr Barnes if he can reply to that one, please.

Mr BARNES: It is a complicated area, member, but I will try to keep it simple. Again, I think it is the extent of redistribution that is our concern, particularly if I take iron ore royalties as an example. The GST distribution system is really a system that was designed around averages and around a national average and states' divergences from that national average, but it was never really envisaged that one state like Western Australia, which has 98 or 99 per cent of iron ore production for the nation, would effectively set the national average. For the case of iron ore royalties, WA effectively sets the national average royalty rate. That was never really contemplated when the GST distribution system was first established. It was kind of predicated back in the day when states had very similar revenue bases and no-one deviated from the national average all that much. The extent of redistribution in decades gone by was not all that significant because everyone kind of hovered around that national average. But we have become such an outlier away from that national average that that has really exacerbated the extent of redistribution. Particularly when one state, WA, sets the national average royalty rate for iron ore, that creates all sorts of distortions in the system. That is probably our main issue or concern on the revenue side of the GST distribution system. I do not know whether that answers your question.

[7.50 pm]

Hon Dr STEVE THOMAS: I thank the Under Treasurer for his answer but I think what he is saying is that the outlier situation is a massive increase in iron ore royalties and own income to the state of Western Australia. That is what I understood him to say and, if that is the case, I accept that is the answer to the question.

That raises a very interesting question; that is, the predictions of iron ore price going into the future. My reading of budget predictions for the iron ore price sitting at around the $62 to $63-mark is probably immensely realistic, might I say, last year and this year, for the first time probably for some period of time. Can I ask you then, if the iron ore price is currently about $US65 a tonne, at what point does an increase in iron ore price impact on the forward estimates of the budget to the point that GST redistribution starts to re-occur in a significant way so that the proportional share of Western Australia's GST, which is predicted through the budget papers to rise towards 70c, and that rise be reduced by an increase in iron ore price?

Hon STEPHEN DAWSON: I will ask the Under Treasurer to answer that question but I will point out that we do have a federal election on the way, honourable member, where we are hopeful that either the current government wakes up, or indeed the alternative government wakes up. Hopefully we do not get to what you are suggesting, I guess is the point I was going to make. Having said that, I will ask the Under Treasurer to provide a response.

Hon Dr STEVE THOMAS: You are a very good and eternally optimistic minister, minister.

Hon STEPHEN DAWSON: You have to be in this place, mate.

Mr BARNES: I will try to answer the question, member. I might start by referring you to page 57 of budget paper No 3. There is a table on page 57 that illustrates the sensitivity of our key revenue streams to certain parameter movements, including the iron ore price and iron ore volumes. At the bottom of that table on page 57, you will see a reference to GST grants and the impact on our GST grants of movements in the iron ore price, for example. That says that for every $100 million increase in our iron ore royalty revenue that is due to an increase in the iron ore price, we will lose $88 million of that $100 million through the GST redistribution system. That is the kind of outlier issue I was trying to explain earlier. That is the sort of sensitivity involved. A $100 million increase in iron ore royalty revenue would only require about a $1.50 increase in the iron ore price, roughly. So for a $1.50 increase in the iron ore price, we will lose $88 million a year in GST revenue. That is the basic sort of equation.

Hon Dr STEVE THOMAS: Can I get a quick comment from the minister? My view of the Treasury's estimates of GST revenue into the future seem fairly accurate. Would it be fair to say that over the last decade, Treasury's predictions of GST in future years has been accurate to within a couple of per cent? Bear in mind that there is, at the end of each financial year, a correction process.

Mr BARNES: I think that assessment is broadly correct, member. Our GST relativity forecasts have generally been quite accurate. That was acknowledged earlier this year by the Productivity Commission as part of their inquiry into the GST distribution system.

Hon Dr STEVE THOMAS: Yes, I think you have done very well. On page 75 of budget paper No 3, table 6 shows the forecast years' relativities for Western Australia in the forward estimates. I think we both agree that Treasury has done remarkably well in its forward estimates. As a result of the forecasting of our own relativities, does Treasury undertake forecast relativities for the other jurisdictions—the other states and territories; and, if so, is that information available?

Hon STEPHEN DAWSON: I will ask the Under Treasurer to reply to that one.

Mr BARNES: Yes, we have to do that because the system is all relative, so we cannot forecast our own relativity without effectively forecasting the other states' relativities.

Hon Dr STEVE THOMAS: I thought that would be the case.

Mr BARNES: As far as I am aware, we have not published those other state forecast relativities anywhere, but I think we can take that as supplementary information.

Hon Dr STEVE THOMAS: As far forward as you have predicted would be great.

Hon STEPHEN DAWSON: We will take that on notice and provide it by way of supplementary information.

[*Supplementary Information No E4.*]

Hon ROBIN CHAPPLE: I basically have one question around some issues to do with the mining rehabilitation fund. That is referred to in budget paper No 3 on pages 225 and 226 and budget paper No 2 on pages 215 and 219. When the fund was introduced in July 2013, it was projected to have a capped figure of $500 million. We are moving towards that and I think we have about $120 million, if I am correct, in the fund at the moment. We are raising about $28 million a year in the forward estimates. I note that in the last two budgets we have raised $30 million and

$32 million, so I am interested why there has been a decline of approximately $2 million to $4 million in the forward estimates; that is one part of the question. That fund, when it was originally established, was to generate the rehabilitation of about 200 abandoned mines in Western Australia. Since then, we have handed back our bond arrangement and we have handed over $600 million in bonds back to the mining sector but, at the same time, we have accrued around about $300 million of debt by corporations not doing their rehabilitation. I am trying to figure out where that debt is in the forward estimates.

Hon STEPHEN DAWSON: Member, we have no idea, is the short answer.

Hon ROBIN CHAPPLE: Unfortunately the mines department do not know either. That is why I brought the question here.

Hon STEPHEN DAWSON: I was just going to say that perhaps the level of detail you are after may better be answered by the department of mines and petroleum —

Hon ROBIN CHAPPLE: They referred to it as being a Treasury responsibility.

Hon STEPHEN DAWSON: By way of supplementary information, we will take that away and provide you an answer.

Hon ROBIN CHAPPLE: I am concerned that we are generating a debt and it does not appear as something we are acknowledging into the future. If, as we have heard, CITIC Pacific goes under, that is $526 million of environmental debt to the state, yet we do not even have $500 million in our mining rehabilitation fund. I think we have a huge deficit there and it is not identified.

Hon STEPHEN DAWSON: Member, it is a good question to ask and in light of the fact that DMP has told you they do not know what the answer is, we will certainly undertake to look into it and provide an answer by way of supplementary information.

Hon ROBIN CHAPPLE: Thank you very much indeed.

[*Supplementary Information No E5.*]

Hon COLIN HOLT: I refer to budget paper No 3, page 170. The Albany wave energy project has an expenditure of $18.5 million. Was there a business case presented for that?

Hon STEPHEN DAWSON: I am advised, member, that the Albany wave energy project was an election commitment of the McGowan government that has been funded through royalties for regions. As this project will not result in the creation of an asset owned by the state, it is not part of the asset investment program and therefore not technically subject to the requirements of the SAMF. However, the Department of Primary Industries and Regional Development has advised that although no business case was provided to cabinet in relation to this project, the project was subject to due diligence, including an assessment of risks, and went through a rigorous tender process. There is now a financial assistance agreement in place for this project.

[8.00 pm]

Hon COLIN HOLT: So who did the due diligence?

Hon STEPHEN DAWSON: My advice is that the Department of Primary Industries and Regional Development undertook the business case.

Hon COLIN HOLT: It is very interesting in light of the very first question asked by Hon Diane Evers.

Just getting on to the point of consumption tax, just to clarify what you spoke about earlier, I go back to page 210. I think the Under Treasurer quoted $19.8 million collected in the first six months, $39 million in the full year, and about $40 million in the year after. Does that take into account the compensation paid back to Racing and Wagering Western Australia in terms of what they are going to lose out of the point of consumption tax as introduced by the states or even our own state?

Hon STEPHEN DAWSON: I will ask the Under Treasurer to provide a response to that one, please.

Mr BARNES: Those figures I read out do not take that into account, because they are the gross revenue figures from the point of consumption tax. Embedded in the forward estimates there are grants back to the industry to offset for the additional impact of the point of consumption tax, so they will net off to an extent from those revenue figures I read out earlier.

Hon COLIN HOLT: Can you point to them in the budget papers, where those grants back to the industry are?

Hon STEPHEN DAWSON: We will have a look for you.

Hon COLIN HOLT: Perhaps while that is being looked for, I might be able to get an answer to another question.

The CHAIR: It is okay, you have plenty of time, so let them concentrate on this. Can we suggest page 256 might be a place to look at in budget paper No 3.

Hon STEPHEN DAWSON: I am advised it is part of that line item that is on page 256 of budget paper No 3, that "Direct Grants" line. It is not that whole amount. We believe it may well have been disclosed in last year's budget paper. However, we do not have that with us, so we will have to provide an answer to you by way of supplementary information.

[*Supplementary Information No E6.*]

Hon COLIN HOLT: Can I just clarify what I am requesting. So the budget figure of $78.6 million as an example in 2018–19 will be made up of a contribution back from the point of consumption tax plus other grants and subsidies to the racing industry, and I would assume that it is race field fees and others, and a breakdown of that $78.6 million and the forward estimates amounts would be very useful.

Hon STEPHEN DAWSON: We will provide a breakdown of that $78.6 million amount and those other amounts in the forward estimates.

The CHAIR: That is all E6.

Hon COLIN HOLT: Thank you. Is the plan to still introduce the point of consumption tax at 1 January, and will that require legislation?

Hon STEPHEN DAWSON: The answer to both those questions is yes to the first one and yes to the requirement for legislation.

Hon COLIN HOLT: When will an announcement be made of the exact rate? I know that the modelling is on 15 per cent. When can we expect an announcement on the rate and the introduction of legislation?

Hon STEPHEN DAWSON: The government has already announced the rate of 15 per cent. In relation to the legislation, obviously that work continues to be undertaken. That, again, would involve the cabinet process, so I cannot give you any further information in relation to when we might see it in its place.

I have just been given further information to say it is being drafted at present, so the introduction should be imminent.

Hon COLIN HOLT: It would want to be. We are running out of time.

Hon KYLE McGINN: Just referring to page 68 of budget paper No 3, I note that the foreign buyer surcharge increase from four per cent to seven per cent brings WA into line with other jurisdictions. Will this have a negative impact on the property market?

Hon STEPHEN DAWSON: I might start by giving you an answer and see if others need to add. Yes, I can confirm that the increase to seven per cent is happening from the previously announced four per cent, and that foreign buyer surcharge is in line with New South Wales, Victoria and South Australia, which all currently have a rate of either seven or eight per cent. Queensland has also announced an increase to its rate from 1 July this year, so that would have made WA's previous four per cent proposal lower than the other states that have a surcharge.

In terms of the impact on the property market, the advice I have been given is that the impact will be minimal. Foreign buyers make up a very small part of the market in Western Australia; they are estimated at less than two per cent of total transactions. That figure was based on Foreign Investment Review Board data when it is released.

When you are a foreign resident, there are other factors that come into play when making a decision; for example, exchange rates, capital growth prospects, and what is happening to the price of property in other states or even countries. These are usually not factors that local buyers think about when making the decision to buy their own home. These are the more significant factors that come into play when foreign residents purchase a property in Western Australia, rather than a one-off duty surcharge.

I am also advised that there is currently no evidence that other states have experienced material decreases in foreign investment attributable to the introduction of the surcharges, bearing in mind that Victoria has had a surcharge in place since 2015, and the New South Wales and Queensland surcharges have been in place since 2016.

If I could also provide to the house some commentary from the Commonwealth Bank. This was commentary that they made in relation to our budget. I am going to quote from this document. It is essentially their analysis of WA's 2018–19 budget. It says —

> The proposed increase from 4% to 7% surcharge on foreign buyers of residential property is unlikely to move the market given the relative small number of foreign buyers of residential property in WA ... This increase brings WA into line with moves in other states.

Certainly our advice is that it will have minimal impact, and I think from that the Commonwealth Bank are also on the same page and agree with that.

Hon Dr STEVE THOMAS: You have built 11 per cent into your budget estimates for that.

The CHAIR: Thank you for the commentary, member.

Hon KYLE McGINN: Also, on page 38 of budget paper No 3, interest in reducing debt. Could the minister provide an update under the "Expenditure Management" on that page on the status of the budget repair measures that are outlined and what the government's plan is on reducing debt.

[8.10 pm]

The CHAIR: Sorry, member; can you provide the page number again?

Hon KYLE McGINN: It is page 38 of budget paper No 3.

Hon STEPHEN DAWSON: There is a range of things I could say in relation to this answer. I will put some of those things on the record. In terms of budget repair progress, the 2017–18 budget announced a budget repair package expected to reduce net debt by $3.5 billion by 30 June 2021. With the exception of the gold royalty increase, the majority of the government's budget repair measures have been or are being successfully implemented. They include the $1 000 wages policy that was mentioned earlier. That wages policy has been successfully implemented to date, with all new EBAs negotiated within this framework. The savings from the $1 000 wages policy were allocated to agencies in the 2017–18 midyear review. Total savings from this measure came to $436 million and more savings will be delivered every time a new EBA is struck. That process is ongoing. In terms of the freezing of the SAT-determined salaries, legislation was passed previously to freeze the pay of parliamentarians—ourselves in here—judges and senior public servants for four years until July 2021. That is a saving of $16 million over the forward estimates period. There has also, of course, been the 20 per cent reduction in senior executive service positions. This has been achieved with 104 SES positions having been abolished, which is delivering $26 million in savings. In terms of the VTSS, we are on track to achieve the full 3 000 separations target and annual gross savings of $1.1 billion. Further information has been provided on that over the past few weeks in this place. Suffice to say, around 250 of those separations are expected by the end of this month, with the remaining 950 separations over the forward estimates. The implementation of this policy has taken longer than originally planned, as we ensure that the positions that are abolished have no impact on frontline services. The Treasurer and, indeed, the Premier have been very keen to make sure that that is the case. The VTSS is the largest such scheme ever run in Western Australia in the public sector. Directors general have had a big task to reform the public service following the machinery-of-government changes. The extensions to this time lime allow the DGs to give applications their due consideration and to make sure that people are not leaving the public sector who should not leave. The extension will also mean that the scheme will have no impact on services and ensure that there is no loss of essential frontline service delivery roles.

The last comment I will make in relation to budget repair measures is on the government office accommodation and state fleet reforms. Again, they are both on track to achieve the savings anticipated. In relation to government office accommodation, it is on track to deliver $127.6 million in net debt savings to 2021–22, with $24.9 million in gross savings having already been identified at agency level. In relation to the state fleet, savings totalling $55 million over the forward estimates period are now assigned at agency level for the state fleet initiatives. Importantly, all these savings measures are embedded in agencies' forward estimates. They are not one-offs. They reduce the overall and ongoing cost of the public sector. There has been some significant work undertaken in the past year. A lot more work is to be done, but certainly we are on track. I have some further information on the VTSS. We were forecasting 2 050 by 30 June this year. The latest information I have is that we are at 2 081, so we have surpassed that 2 050 figure. We will continue to roll out that scheme, but obviously the other information I gave you earlier in terms of the 3 000 figure remains the same.

Hon LAURIE GRAHAM: I refer to the table on page 32 of the budget paper, headed "Summary of General Government Revenue and Expense Variations since the 2017–18 Mid-year Review". There are some very significant numbers there. One that would be close to your heart is obviously the minus $2.2 billion for the NDIS. At the end of the day, there are lots of those numbers varying up and down, showing a net position of $114 million. I would like some comment on those numbers and the impact it has going forward.

Hon STEPHEN DAWSON: I think I misheard you at the very beginning. Just to be clear, you are referring to page 32 of budget paper No 3?

Hon LAURIE GRAHAM: Yes, the table.

Hon STEPHEN DAWSON: That is the operating statement and the "Summary of General Government Revenue and Expense Variations since the 2017–18 Mid-year Review". Relative to the

2017–18 midyear review, general government revenue has increased by that $114 million over the period 2017–18 to 2020–21, which was the forward estimates period at the time of the midyear review. If you go back a bit further and make a comparison to the revenue estimates around election time, general government revenue has actually weakened. In fact, there has been a $1 billion reduction in revenue over the four years to 2019–20 since the release of the 2016–17 *Pre-election Financial Projections Statement*, which I spoke about earlier and which was before the election. Despite this loss in revenue—this is a testament to the government's financial discipline across the same period—the operating outlook is actually $1.1 billion stronger than forecast in the PFPS. The government has shown commitment to responsible financial management, in particular constraining recurrent expenditure growth, with underlying expense growth of 1.6 per cent in 2017–18 and average growth of just 1.2 per cent per annum across the forward estimates period. When you compare that back to previous figures and certainly if you compare it to the previous two terms of government, that compares to average growth of about 6.4 per cent per annum over those two periods of government. Disciplined recurrent expenditure management has resulted in declining forecast operating deficits in 2018–19, which is about $906 million, and in 2019–20 it is about $160 million, before a projected return to surplus in 2020–21. That is good news getting to that phase, because this will be the first operating surplus since 2013–14. Again, significant work is being undertaken at the moment right across government. Certainly Treasury is leading the change, but other ministers in cabinet have had to make difficult decisions, which means that by the time 2020–21 comes around, we hope to be back in surplus again.

Hon DIANE EVERS: I do not have to ask the question I tried to ask before because I have answered most of it myself.

Hon STEPHEN DAWSON: That is very helpful of you, member. I can get you a seat on this side if you need one!

Hon DIANE EVERS: It did lead, though, to one question. I refer to the item on the Water Corporation on page 129. It is item 24. It shows the administered transactions for operating subsidy payments.

Hon STEPHEN DAWSON: Member, bear with us one second as we find that page.

Hon DIANE EVERS: It is page 129. Item 24 is the Water Corporation. Then if you look at page 143, about halfway down the page under the government enterprises dividends is the Water Corporation again. I was wondering if you could explain to me why we have a dividend coming from the Water Corporation and at the same time we have an operating subsidy provided to the Water Corporation.

Hon STEPHEN DAWSON: Thank you, member. I will ask Ms Gulich if she can provide an answer to that one.

Ms GULICH: The operating subsidy provided to the Water Corporation is to provide a subsidy for costs that are not recovered through their revenue base. They are largely tied to regional service delivery, so it is a regional subsidy. It is also for subsidies tied to targeted households, so low-income households, pensioner households and households with other needs that receive concession arrangements. Part of the reason the number is decreasing across the forward estimates against that item number is that part of the subsidy for the regional cost of delivering services will be met from the royalties for regions program rather than the consolidated account. This is just the consolidated account portion. The balance of that subsidy, bringing it back up to that roughly $400 million area, will be in the royalties for regions program, also in budget paper No 3.

[8.20 pm]

Hon DIANE EVERS: I have another question you might be able to help me with. You were talking about how you were on target with the voluntary targeted separation scheme and all the other programs. At the top of page 132, where it refers to spending changes, there are a lot of figures—they are only about $1 million each, some of them—how does that relate to what you just said if we are decreasing those amounts here, but you said that we are on target? Why are there spending changes shown there if we are on target for what we expected a year ago?

Hon STEPHEN DAWSON: My understanding is that these are Treasury's share of those spending changes.

Hon DIANE EVERS: Got it. So that is just the part that relates to Treasury and every department has the same sort of thing.

Hon STEPHEN DAWSON: They have their own.

Hon DIANE EVERS: Right.

Mr BARNES: They are the budget that we hit ourselves with.

Hon DIANE EVERS: Yes. I have another question on the redundancy scheme. We may reach our target of 3 000, but are we also keeping track of how many people are hired during that time? Although we are losing some, I cannot imagine we are going to go two years without hiring a government employee.

Hon STEPHEN DAWSON: Certainly in relation to the VTSS, a decision was made to decrease the public sector by 3 000. There would be a range of other initiatives funded in this budget and indeed probably the last budget, whereby extra funding has been provided to agencies to enable them to employ staff in particular areas. A case in point is my own agency of the Department of Water and Environmental Regulation that has an increase in fees for licensing and every dollar associated with those increased fees will be spent either on environment online, which is a new web portal, or bums on seats—essentially, staff in the licensing and compliance area who will come on board to deal with either some backlogs or not meeting KPIs or whatever. This 3 000 is discrete, but it does not preclude other staff from being employed in priority areas by government.

Hon TJORN SIBMA: Very quickly, minister, noting the revised performance against the VTSS—and congratulations—I assume that that 3 000 FTE figure remains set. Can I get a sense of what the individual agency targets were and the reason for falling short?

Hon STEPHEN DAWSON: Member, I can provide to you some data about the VTSS separations by agency at the 2018–19 budget cut-off date, but also 7 May and 15 June, that lists the separations at each of those dates across those departments. I can provide that to you. I can probably table the document now.

Hon TJORN SIBMA: I am happy to receive that, but, minister, my question was: were individual agencies set individual targets against that 3 000 FTE reduction and would you be prepared to table that list and how agencies have actually performed against those targets?

Hon STEPHEN DAWSON: I understand that any conversation in relation to that area is again covered by cabinet-in-confidence, so this matter continues to be deliberated upon by cabinet. I think that the most I can provide to you this evening is this list, which shows the separations at each of those agencies over that period of time.

Hon TJORN SIBMA: Minister, I will take what I can get tonight within the time available.

The CHAIR: Member, do you want that tabled?

Hon TJORN SIBMA: Yes.

Hon STEPHEN DAWSON: I will table it. I will give you this one, so if anyone refers to it again, you have it here.

The CHAIR: Minister, is that document public already?

Hon STEPHEN DAWSON: No, it is not. Madam Chair, if I can say, a range, or a number, of the numbers on this document have been provided previously in answers to questions from members of Parliament either in estimates or indeed in this place, because I know I have provided some in relation to some agencies, but the document itself has not been a public document until now.

The CHAIR: The issue is that the committee will need to meet in private to deliberate on the status of that document.

Hon STEPHEN DAWSON: Absolutely, Madam Chair.

The CHAIR: We will do that at the end; and, if the committee makes that decision, we will consider that tabled.

Hon TJORN SIBMA: I have a broader question about operating subsidies as they apply to utilities and also to the broad Transport portfolio. This question should not take you by surprise. Has Treasury undertaken any modelling or forecasting concerning the additional operating subsidy that will be required to operate Metronet when those sub-projects under stage 1 come online; and, if you have done that work, would you be prepared to table what the impact would be?

Hon STEPHEN DAWSON: Work has been undertaken, but again those decisions are currently being made by cabinet or are in the cabinet process, and an announcement may not have been made in relation to the projects.

Hon TJORN SIBMA: But that work has been or is ongoing?

Hon STEPHEN DAWSON: Certainly, some of that work has been done in relation to the business cases that have been prepared in relation to each of those projects, but because of where we are in the process, I cannot provide that information by way of supplementary information at this stage.

Hon TJORN SIBMA: I thought I would try.

My remaining theme in the time available is coming to understand the completely different—well, not completely different—but the representative household model that Treasury uses as appears at appendix 8 of budget paper No 3 on page 259. My understanding is that in other jurisdictions different kinds of representative household models are utilised. The one that we have here does not appear to have changed very much in the last decade, although if I am wrong, please correct me. I want to understand the veracity and robustness of this as a model for testing households' capacities to absorb increases to fees and charges. I am particularly interested to understand what thought has gone into the forecast consumption of water. I notice that there has been a slight adjustment downwards and I want to come to an understanding of what the reason for that is.

Hon STEPHEN DAWSON: Essentially, the model has not changed over the years, although, obviously, the figures in the model have. The increase over these periods, obviously, has changed from year to year. I will ask the Under Treasurer whether he can provide a more fulsome response, please.

Mr BARNES: Member, you are correct that the core characteristics of the household model have remained unchanged for more than a decade, I would say. The key assumptions around the number of people in the household, the number of drivers in the household and the number of cars in the household—those sorts of assumptions. I guess that reflects the need for year-on-year comparability in this model. What we do update from year to year are those consumption levels. You mentioned water. I think in this year's budget, the consumption level for the representative household is 240 kilolitres. From memory, that was 250 kilolitres in last year's budget. That is based on advice from the Water Corporation that we get updated each year on the actual average level of consumption. So households are changing their water use and their consumption patterns, with declining water use over time. We take that updated consumption data from the Water Corporation and from Synergy, and update the model for those changing usage patterns over time. As I said, the core characteristics of the model are unchanged.

[8.30 pm]

Hon TJORN SIBMA: Has Treasury given some thought to perhaps providing a more robust model or series of models? I want to try to understand the purpose of presenting this data as it is because this might represent a household or a series of households, but the diversity in our demography is such that I really do not know how applicable this dataset is. I will take up the assumption about car ownership, because I think the latest ABS statistic was in the Perth metropolitan area an average ownership of 1.9 cars per household, wherein here you have one. That is an obvious area of difference. My question is: what is the purpose of providing data in this form if it does not really represent or reflect the cost of living that a household might actually encounter?

Hon STEPHEN DAWSON: It really is to show year-on-year comparability. If you were to make changes every year, you would not be able to see that to track those changes historically. In terms of —

Hon TJORN SIBMA: Minister, can I just stop you there? Not to be painful, but it gets to the point of whose interests are served by maintaining that kind of consistency? It might serve governments across terms of government, but it is not a useful metric for broader public awareness or understanding of planning around their own household budget. This is designed to make the administration neat and tidy. My question, perhaps, is what use is this data to government when it is setting fees and charges? Is it looked upon and then adjustments are made? I am trying to get a sense of the utility of this information because, for me, it is clearly deficient in a number of aspects, which is not a criticism; I just think that is the way it is. The question is: there is no anticipated change to this model for next of future budgets? Nothing more dynamic?

Hon STEPHEN DAWSON: I will ask Mr Barnes if he can provide an answer.

Mr BARNES: Member, you are right that no one model is ever going to capture the full diversity of households in the state. Is this one right or wrong? I do not know. Can you come up with a different model with different household characteristics that is more right? Again, I do not know. It is the historical model. I suppose it is the legacy of the historical model that we are stuck with that delivers that year-on-year comparability. The minister may add some more, but it does feature in the advice that Treasury provides to ERC in terms of the impact of various tariff scenarios and pricing scenarios. It does feature in terms of the impact of this representative household model. I certainly take your point that it will never—nor will any model—capture the diverse range of household characteristics.

Hon STEPHEN DAWSON: There is no intention for government to change it at the moment. In fact, I find it helpful because looking at it and looking at the historical household fees and charges and increases that have occurred over the past 10 years—to see that in 2018–19 the change was 4.8 per cent in comparison to, say 2009–10, where it is 9.1 per cent, is helpful. It is helpful to see what has gone on in the past and helpful to be able to compare to that. Certainly, from my perspective, it is helpful to be able to say that that 4.8 per cent increase this year is significantly —

Hon TJORN SIBMA: It is a useful fiction sometimes.

Hon STEPHEN DAWSON: It is significantly less than the 9.1 per cent increase under the Barnett government.

Hon TJORN SIBMA: Can I ask, though, would Treasury entertain at least updating the regular household's vehicle ownership schedule? It is an obvious deficiency and error. If that could be updated appropriately for the next budget, I would at least be partially satisfied.

Hon STEPHEN DAWSON: Treasury have indicated that they are happy to look at it.

Hon COLIN TINCKNELL: I have a few questions on general budget items. In budget paper No 2 on page 133, in reference to the department will spend about $5.9 million over the next four years on public sector reforms, including the development and implementation of standardised governance arrangements for government trading enterprises, expanding Treasury's revenue forecasting capacity, and enhancing Treasury's role across the public sector in terms of financial management capacity building.

Obviously, this is one of those questions under significant issues impacting urgency and public sector reform. I ask for further detail on the development and implementation of the subsidised governance arrangements for government trading enterprises—just further information and further detail.

Hon STEPHEN DAWSON: I will ask Ms Gulich if she can provide a response to you.

Ms GULICH: At the moment our government trading enterprises have what we would term their enabling legislation and they are different. The Energy Corporation is under the Energy Corporation Act. The Port Authority is under the Port Authority Act. The Water Corp is under the Water Corporation Act. They were all drafted at different points in time over the last two decades and they all have quite widely different provisions for accountability, decision-making, approvals for joint venture arrangements, dividend provisions, and the financial provisions that are in place. The intention is to pull together a body of work in consultation with the government trading enterprises and the various policy agencies to really harmonise those provisions so the government's interaction with the government trading enterprises is consistent. What we will be looking to do is update the governance provisions, the accountability, the transparency, and the financial provisions with a view that the government's interaction with the boards and the appointment of boards is more consistent. That will then allow for those type of governance provisions to be dealt with centrally, leaving the unique elements of each individual entity within their enabling legislation.

Hon STEPHEN DAWSON: Member, I might just provide a bit of extra information in relation to that. The second dot point of that "Public Sector Reform" headline on page 133 mentions the Special Inquiry into Government Programs and Projects. That special inquiry raised concerns about the recent performance of a number of GTEs. The concerns highlighted that current governance arrangements are inadequate, as Ms Gulich said, in ensuring the consistency, the strong performance and the achievement of government objectives. Both the special inquiry and also the Service Priority Review recommended that Treasury lead some reforms to the governance, accountability and oversight of those agencies, including the development and implementation of GTE umbrella legislation and the establishment of ongoing formal oversight to monitor performance, as Ms Gulich answered. Extra resources have been provided. An additional two FTEs in 2018–19 and 2019–20 have been approved to oversee the consultation, development and implementation of the new legislation. I am also advised that an additional three FTEs have been approved to increase Treasury's ongoing GTE oversight and monitoring. The history of that work was that it came out of the special inquiry, but also the Service Priority Review. We are very keen to ensure that where recommendations were made in this space that government is actually acting and undertaking that work as suggested.

Hon COLIN TINCKNELL: My next question refers to page 142, "Statement of Cashflows". The department expects increases in the receipts paid to the consolidated account from $8.2 million to $18.3 million in 2017–18. What are the receipts paid into the consolidated account for and why have the receipts increased relative to the 2017–18 budget estimate?

<054> G/H

[8.40 pm]

Hon STEPHEN DAWSON: Thank you, member, for the question. I will ask the Under Treasurer if he would like to provide a response to that one, please.

Mr BARNES: In 2017–18, the figure of $18.267 million is surplus cash that Treasury had built up over the years that we returned to the consolidated account. Across the sector earlier this year, we did a bit of a cash management exercise where we looked at all agencies' cash balances and made a judgment as to whether they had surplus or excess cash above a standard working cash limit then that went through the Expenditure Review Committee in cabinet and as a result of that exercise, there is about $79 million worth of excess cash that was returned by agencies into the consolidated account. Treasury's own share of that was that $18.267 million that you see there in 2017–18.

Hon Dr STEVE THOMAS: Minister, I refer you to budget paper No 3, page 50, which is the repaying consolidated account debt section of the budget, which is very interesting. I did a quick comparison of last year's budget where 2017–18 in last year's budget was going to $230 million—or even in 2016–17, sorry, going back to $169 million being paid in the 2016–17 budget, which, ultimately, it would appear in 2017–18 has been transferred through to an unanticipated duties special. I presume that is the same $169 million. Can you give me some indication—you may not be able to give us the exact details of where that is coming from—of what it is, has it been held over and is there some risk that is does not eventuate or potentially is likely to be held over again?

Hon STEPHEN DAWSON: This point was raised earlier this evening by Hon Diane Evers. The footnote down the bottom of that page reads that this amount was —

> Originally forecast to be repaid in 2017–18, this repayment is now assumed to occur in 2018–19, subject to the result of review proceedings that will be determined after the current legal action before the High Court is finalised.

Hon Dr STEVE THOMAS: So there is some chance it may not eventuate.

Hon STEPHEN DAWSON: Potentially, but certainly I think there is a level of confidence that we would get it. Again, it is dependent on the High Court decision, but certainly there is a level of confidence, so much so that we have included it in the budget papers. Again, it is up to the High Court to decide. If I may, the Office of State Revenue is confident because they issued the assessment to the taxpayer in the first place. The Office of State Revenue say that this amount is owed and the company, or the taxpayer in this case, does not agree with the assessment and is taking High Court action. We are in the hands of the High Court at the moment.

Hon Dr STEVE THOMAS: Let us assume that that is a maybe. In the forward estimates then —

Hon STEPHEN DAWSON: Member, you are a bit negative sometimes in this stuff. We have to have a level of confidence!

Hon D STEVE THOMAS: You are a very optimistic minister, minister! We love to see it! We love to see your optimism in the house!

The CHAIR: Order! The quicker we ask the question, the quicker we might conclude.

Hon Dr STEVE THOMAS: Minister, you also have a return of surplus agency cash. Can you give us an indication of what agencies are returning surplus cash?

Hon STEPHEN DAWSON: This is one of those areas that the Under Treasurer just referred to a minute ago where he told us about Treasury's amount that they are returning to the consolidated account. We, unfortunately, do not have a list of those other agencies that have returned cash to the consolidated account, but I have been advised that we can provide that information by way of supplementary information.

Hon Dr STEVE THOMAS: I guess we might as well do that, thank you, Madam Chair.

[*Supplementary Information No E7.*]

Hon Dr STEVE THOMAS: Which was, I guess, only $79 million in the budget year anyway.

Hon STEPHEN DAWSON: Every $79 million helps.

Hon Dr STEVE THOMAS: I am sure it does, minister. You might be able to do anything with it—reopen colleges, all sorts of things.

The CHAIR: The time is ticking down—time is time.

Hon Dr STEVE THOMAS: We go from a risk cover return of $106 million in the budget year, the hopefully High Court-endorsed unanticipated special duty for a significant input, but after those years in the forward estimates we are back to fairly small funds in repaying the consolidated account debt. I think I have asked this question during the general debate, minister, but can you tell us how long the state debt will take to be repaid at that level of repayment?

Hon STEPHEN DAWSON: Member, you also asked that question previously. I think this time last year, in fact, you asked the same question.

Hon Dr STEVE THOMAS: It is a very interesting question.

Hon STEPHEN DAWSON: Obviously, I cannot speculate about the out years, member. We can only make commentary tonight about the forward estimates. I reckon that the answer to the question lies in the out years and for that reason, I am not going to be able to give you an answer.

Hon Dr STEVE THOMAS: The out years look very slim, minister.

I refer to budget paper No 2, volume 1, page 130, which is the actual Treasury budget paper. I note at the top of the page, amongst various additions, the "Bell Group Administration Wind-up and Associated Costs", which seem to indicate that the cost to the state finished at the end of the current financial year so no money is budgeted in the budget year of forward estimates for the Bell Group litigation. Can I confirm that the state is expecting no additional costs to the Bell Group process following 2017–18, which will finish in a couple of weeks' time?

Hon STEPHEN DAWSON: I am advised that note (g) reads that this —

> Reflects the funding to wind up the operations of the Western Australian Bell Companies Administrator Authority, and meet outstanding Bell Group litigation related costs, primarily relating to the legal costs of the High Court of Australia and examination summons proceedings.

I will ask the Under Treasurer to provide further information.

Hon Dr STEVE THOMAS: I think that is very wise.

Mr BARNES: Not much further, I can provide that this relates specifically to the Bell company's administrator authority, which was set up under legislation introduced by the previous government.

Hon Dr STEVE THOMAS: Which was challenged in the courts.

Mr BARNES: Yes. Following the High Court outcome, which deemed that legislation invalid, the administrator had to be wound up because it no longer had a role. These costs specifically relate to the winding up of that administrator body, not to the ongoing legal battle around the Bell case.

Hon Dr STEVE THOMAS: Do we have any estimates of the ongoing costs of the overall process?

Hon STEPHEN DAWSON: We are probably the wrong agency to ask, member. We are not the lead agency in relation to the litigation—it is the Insurance Commission of Western Australia. I do not believe they have been called as part of this estimates process, but you might consider putting your question in through the process and they can provide a response to you.

[8.50 pm]

Hon TJORN SIBMA: Referring to page 133 of budget paper No 2, volume 1, "Commonwealth–State Financial Relations", just insofar as it highlights the agency's role in identifying the cost of commonwealth decisions and their likely implications for the state of Western Australia. I just want to ask whether Treasury had undertaken any modelling of the potential cost to the state of Western Australia of the national redress scheme, the quantum of that and when they are likely to flow through.

Hon STEPHEN DAWSON: It is a good question member, and again, I am not trying to be obstructionist but this matter is under consideration as we speak, and so any modelling that has been undertaken is cabinet-in-confidence. The conversations are live at the moment. I presume as part of any decision that is made, whether it is in the coming weeks or months, that a level of detail will be provided when the decision is made.

Hon TJORN SIBMA: Okay, I have to accept it.

The CHAIR: Thanks. That concludes the hearing with Treasury.

On behalf of the committee, I thank you for your attendance today. The committee will forward the transcript of evidence, which includes the questions you have taken on notice highlighted on the transcript, within seven days of the hearing. If members have any unasked questions, I ask you to submit them via the electronic lodgement system on the POWAnet site by 5.00 pm Wednesday, 27 June. Responses to these questions and any questions taken on notice is due by 12 noon Friday, 13 July. Should you be unable to make 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. Once again I thank you for your attendance today.

Hearing concluded at 8.51 pm

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