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Hon Ben Wyatt MLA
Treasurer; Minister for Finance; Energy; Aboriginal Affairs

Our ref: 69-09257

Tracey Sharpe
Committee Clerk
Estimates and Financial Operations Committee
Parliament House
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Dear Ms Sharpe

2018-19 BUDGET ESTIMATES HEARING – DEPARTMENT OF TREASURY

Please find attached the following responses requested by the Estimates and Financial Operations Committee in relation to the Department of Treasury's Hearing on Tuesday 19 June 2018:

- 2018-19 Budget Estimates Hearing - Supplementary Information - Department of Treasury
- 2018-19 Budget Estimates Hearing - Additional Information – Department of Treasury

I trust this information is of assistance.

Ben Wyatt MLA
TREASURER

Att.
11 JUL 2018

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LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2018-19 BUDGET ESTIMATES HEARINGS – SUPPLEMENTARY INFORMATION

Department of Treasury

Hon Diane Evers asked:

E1) 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?

Answer: There were two primary reasons for the downward revision, as follows.

(1) The 2017-18 Budget contained $1.155 billion for the National Disability Insurance Scheme (NDIS), which is not included in the 2018-19 Budget.

Under the previous NDIS arrangements, the Commonwealth was to provide its funding contributions to Western Australia for the State operated scheme. Under the revised arrangements, in which Western Australia will enter the national scheme, no Commonwealth NDIS funding will flow through to Western Australia due to the transfer in operational responsibility from the State to the Commonwealth (i.e. the Commonwealth will now provide its funding directly to the National Disability Insurance Agency). This revenue revision is matched by a reduction in expenditure, given the State Government will no longer deliver the NDIS.

(2) Funding under Land Transport Infrastructure Projects was revised down from $822 million to $467 million.

The $355 million decrease is due to the rescheduling of Commonwealth grants, driven by the reallocation of Commonwealth funding from the Perth Freight Link to other transport projects.

Hon Tjorn Sibma MLC asked:

E2) Is there any indicative time frame for making a decision on the sale of Landgate?

Answer: The Government rejected the sale of Landgate, opting instead to commercialise a restricted part of Landgate's automated functions. The decision was made following the completion of a detailed scoping study which carefully investigated options to realise value for the community from Landgate's operations.

The scoping study presented a number of options to the Government including proceeding with the sale of Landgate; making no changes at all; or commercialising a restricted part of Landgate's automated functions.

The Government has opted for the latter option, ensuring it will retain ownership and oversight of the land titles register, and Landgate itself will continue to function as a statutory authority.

The decision means Landgate's automated land titling service will be commercialised.

The decision was announced on 27 June 2018.

Hon Aaron Stonehouse asked:

E3) 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?

Answer: The estimated revenue for the point of consumption betting tax does not include any amount for betting on the outcome of lotteries, such as through the services provided by Lottoland. This primarily reflected the uncertainly of such betting activity going forward, given that the Commonwealth and Western Australian Governments had clearly signalled their intent to ban lottery betting services. The Commonwealth Parliament recently passed legislation to ban the provision of such services to customers in Australia.

Hon Dr Steve Thomas asked:

E4) 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?

Answer: Treasury's relativity projection model is primarily designed to forecast Western Australia's relativity, but also produces forecasts of other States and Territories' relativities. Forecasts consistent with the State Budget are as follows:

	NSW	**VIC**	**QLD**	**SA**	**TAS**	**ACT**	**NT**
2018-19	0.86	0.99	1.10	1.48	1.77	1.18	4.26
2019-20	0.84	0.97	1.08	1.50	1.71	1.19	4.30
2020-21	0.83	0.96	1.10	1.51	1.65	1.20	4.41
2021-22	0.82	0.93	1.14	1.49	1.61	1.18	4.52

These projections should be treated with caution, particularly as they do not take account of other States and Territories' recent Budgets, which were not available at the time of Western Australia's Budget cut-off.

Hon Robin Chapple asked:

E5) 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.
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.

Answer: The State does not currently have any unfunded liability associated with environmental rehabilitation of mining sites. In terms of the Government's liability:

- if a company is subject to a State Agreement, the State rights for environmental and rehabilitation issues are held against the respective project proponents; and
- all companies subject to the *Mining Act 1978* are required to comply with the environmental and rehabilitation requirements of the Mining Act, and the Government carries no liability.

Mining Rehabilitation Fund (MRF)

The MRF, administered by the Department of Mines, Industry Regulation and Safety (DMIRS), replaced the system of mining securities (bonds), which required a mine operator to obtain a bank guarantee for a portion of the total rehabilitation costs to restore a mining site back to its original condition. As the bond did not cover the total estimated rehabilitation costs, the State was exposed to the risk of a substantial financial burden in relation to future abandoned mine sites (and no funding was available for the rehabilitation of historic abandoned sites).

Since 2013, bonds of approximately $1.05 billion have been returned, after passing the MRF's eligibility criteria. However, $140 million of bonds is still being held by banks (and can be called in by DMIRS when required) for higher-risk operations. Further approximately $105 million is held against State Agreement Acts which are administered by the Department of Jobs, Tourism, Science and Innovation.

Under the MRF system, all operators who are regulated under the Mining Act are required to make annual contributions of one per cent of the Rehabilitation Liability Estimate, which is calculated using prescribed unit rates set in the MRF Regulations and audited by DMIRS. These funds are held by DMIRS in a special purpose account.

Money in the MRF is available to rehabilitate abandoned mines across the State in circumstances where the tenement holder/operator fails to meet rehabilitation obligations and every other effort has been used to recover funds from the operator. Importantly, the introduction of the MRF does not absolve tenement holders/operators of their legal obligations to carry out rehabilitation works on a tenement.

Since the introduction of the MRF, only $481,000 has been applied to situations where operators could not meet their remediation obligations.

Balance of the MRF

Total balance of the MRF as at 30 June 2018 is estimated at $118.2 million. Interest revenue from the MRF is used to cover the DMIRS' administration expenses and to fund rehabilitation of historic abandoned mines. As part of the 2018-19 Budget process, the MRF's interest revenue was adjusted downwards due to lower than expected interest rates. An annual breakdown of the MRF's principal and interest revenue is provided below.

Table: Principal and interest, at 30 June, as per the 2018-19 Budget

Year	Principal	Interest	Total
2013/14	6,716,000	204,000	6,920,000
2014/15	26,974,000	772,000	27,746,000
2015/16	27,832,000	1,336,000	29,168,000
2016/17	27,862,000	1,733,000	29,595,000
2017/18	28,800,000	2,159,000	30,959,000
Total	**118,184,000**		

It is noted that the MRF levy figures in the DMIRS's Budget Paper No. 2 (BP2) financial statements (page 215) do not include interest revenue however the 'Agency Special Purpose Account Details' table in BP2 (page 219) includes both principal and interest).

State Agreement proponents

Mining operations under State Agreements are currently not required to participate in the MRF. Under the Iron Ore Processing (Mineralogy Pty Ltd) Agreement 2001 (ratified by the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002*), both project proponents for the Sino Iron Project (being Sino Iron and Mineralogy) and both project proponents for the Korean Steel Project (being Korean Steel and Mineralogy) are jointly and severally contractually liable to implement the approved projects in accordance with the *Environmental Protection Act 1986* and approvals under that Act (clauses 2(1)(g), 7(6) and 8(2)).

Hon Colin Holt asked:

E6) 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?

Answer: The Budget includes grants to the racing industry to compensate for the additional direct taxation impact from the implementation of a 15 per cent point of consumption tax in Western Australia estimated at $7.8 million in 2018-19, $19.6 million in 2019-20, $20.7 million in 2020-21 and $21.5 million in 2021-22. As legislation for the implementation of the point of consumption tax is yet to be finalised, these amounts are provisionally held in an account separate to the Racing and Wagering Western Australia's financial statements and therefore do not form part of the 'Direct Grants' line on page 256 of Budget Paper 3.

The State Government will continue to work with the industry to determine the impact of the tax on the racing industry and the associated compensation.

Hon Dr Steve Thomas asked:

E7) Minister, you also have a return of surplus agency cash. Can you give us an indication of what agencies are returning surplus cash?

Answer:

Agency	**Surplus Cash Returned ($'000s)**
Training and Workforce Development	31,944
Treasury	10,067
Department of Water and Environmental Regulation	8,492
Corruption and Crime Commission	6,158
Registrar, WA Industrial Relations Commission	4,140
Department of State Development (Jobs, Tourism, Science and Innovation)	4,996
Public Sector Commission	2,931
Legislative Assembly	2,033
Department of Planning, Lands and Heritage	1,912
Salaries and Allowances Tribunal	1,837
Small Business Development Corporation	1,814
Legislative Council	1,382
Commissioner for Children and Young People	713
Health and Disability Services Complaints Office	693
Department of State Heritage Office	295
Total	**79,407**