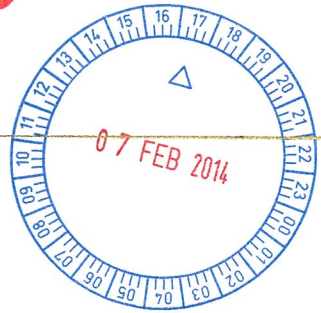




**PUBLIC**

10/02/14



## **Treasurer; Minister for Transport**

Our ref: 30-45306

Hon Ken Travers MLC  
Chair, Standing Committee on Estimates and  
Financial Operations  
Parliament House  
PERTH WA 6000

Dear Mr Travers

### **QUESTIONS ON NOTICE – 2012-13 LEGISLATIVE COUNCIL ESTIMATES HEARINGS**

Thank you for your letter of 21 January 2014, detailing a range of questions on notice for the Committee's Agency Annual Report hearings.

Responses to the Committee's request are attached. Please note that contract and agreement information requested under items 16 and 17 are potentially subject to commercial confidentiality. Consequently, advice has been sought from the State Solicitor's Office as to whether these documents can be released. An updated response to these items 16 and 17 will be provided to the Committee once this advice has been received.

Enquiries relating to this matter may be directed to Mr Dale Leggett in my office on 6552 6400.

Yours sincerely

**TROY BUSWELL MLA  
TREASURER**

Att.

**7 FEB 2014**

**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE**  
**QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION**

**Monday, 10 February 2014**

**Department of Treasury**

*Hon Ken Travers MLC asked –*

1. *Cost and Demand Modelling - The 2011-12 Budget stated that the Department of Treasury was allocated an additional \$2.0 million over four years (2011-12 to 2014-15) to 'assist agencies develop robust cost and demand models to strengthen the budget process and develop a more in-depth understanding of the cost and demand drivers in key service delivery agencies'.*
  - a) *What is the current program for reviewing cost and demand models in agencies? What criteria informed the development of that program?*
  - b) *How much has the agency spent on improving cost and demand modelling in other agencies since 2011-12? How much does it intend to spend over the forward estimates?*

Answer:

a): The current program includes:

- facilitating an independent review of the Activity Based Funding framework for WA Health;
- reviewing and evaluating existing demand models in the Department of Transport;
- contributing to the development of a new costing model for the Department of Child Protection and Family Support;
- developing a simulation model to project the State's adult prisoner population; and
- ongoing advice in relation to the Department of Education's cost and demand model.

The main criteria used to inform this program are the size and operational complexity of the agencies.

b): The Department of Treasury has spent approximately \$1.0 million since 2011-12 and intends to spend approximately \$2.6 million over the forward estimates.

2. *Structural Deficits - In its 2013-14 mid-year review the Department had identified expenses to some agencies due to 'structural deficits'.*

a) *What does the Department understand 'structural deficit' to mean?*

b) *Can the Department supply the Committee with a set of criteria used to determine if an agency has a structural deficit?*

Answer:

a-b): A structural deficit occurs when, regardless of the point in the economic cycle, there is a continued and ongoing imbalance between the expenses of an agency and the revenue it receives.

3. *Program Rationalisation – [Budget Paper No. 3 p.46 and the mid-year review, p.5] The 2013-14 Budget estimated program rationalisation would save \$422 million.*

a) *Can you supply the Committee with a list of program rationalisation measures for each agency, including estimated savings, across the forward estimates?*

b) *How were these particular measures identified?*

Answer:

a): No the Committee will need to request this information from the relevant Minister for each portfolio. With regards to estimated savings, these are publically available in Budget Paper 2 and can be found as an entry in the 'Spending changes' table for each agency under program rationalisation.

b): In May 2013, the Treasurer wrote to all Ministers requesting reviews of existing programs or activities within each portfolio in order to identify funding that was no longer considered a priority or did not provide value for money. Separately, Treasury was asked to identify areas for consideration.

4. *I refer to the Asset Investment Review reported in the 2013-14 mid-year review and ask:*
- a) *In regard to each Main Roads project which has been impacted by the review;*
    - (i) *what is the change to the projects cash flow in 2013-14 and in each year of the forward estimates; and*
    - (ii) *what will be the new date for completion of the project?*
  - b) *In regard to each Fremantle Port Authority project which has been impacted by the review;*
    - (i) *what is the change to the projects cash flow in 2013-14 and in each year of the forward estimates; and*
    - (ii) *what impact will these changes have on the expected completion date for the planned upgrades?*
  - c) *In regard to each Housing Authority project or group of projects which has been impacted by the review;*
    - (i) *what is the change to the projects cash flow in 2013-14 and in each year of the forward estimates;*
    - (ii) *what will be the new date for completion of the project or group of projects; and*
    - (iii) *what is the expected impact these changes will have on the number of homes that will be built?*

Answer:

a)(i) and (ii): The following table summarises amendments to Main Roads projects subject to the Asset Investment Program Review detailed in the 2013-14 mid-year review.

## 2013-14 MID-YEAR REVIEW OF ASSET INVESTMENT PROGRAM

### Main Roads

Project Title	Change to Project Cashflows				Project Completion Date		Comment on new Completion Date
	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m	2013-14 Budget	2013-14 MYR	
Perth-Darwin National Highway (Reid Highway to Muchea)	-	-	-10.0	-50.0	2018-19	2018-19	No deferral
Great Northern Highway (Muchea to Wubin Stage 2)	-	-5.0	-10.0	-10.0	2017-18	2018-19	One-year Deferral
North West Coastal Highway - Minilya to Barradale	-	-10.0	-10.0	-	2017-18	2017-18	No deferral
Tonkin Highway Grade Separations (3 Interchanges)	-	-	-4.0	-16.0	2018-19	2018-19	No deferral
Leach Highway - High Street (Carrington St to Stirling Hwy)	-	-2.0	-30.0	-10.0	2016-17	2017-18	One-year Deferral
Great Eastern Highway - Passing Lanes	-2.0	-12.0	-10.0	-	2017-18	2019-20	Two-year Deferral
South Western Highway - Donnybrook to Greenbushes	-	-0.0	-0.6	-16.4	2018-19	2019-20	One-year Deferral
Marble Bar Road - Coongan Gorge Realignment	-	-	-1.2	-10.3	2017-18	2019-20	Two-year Deferral
Reid Highway - Malaga Drive Interchange	-	-	-11.0	-24.0	2017-18	2018-19	One-year Deferral
Curtin Avenue Realignment (recurrent)	-1.0	-1.0	-5.0	-15.0	2017-18	2018-19	One-year Deferral
<b>Total</b>	<b>-3.0</b>	<b>-30.0</b>	<b>-91.8</b>	<b>-151.7</b>			

b)(i) and (ii): The following table summarises amendments to Fremantle Ports projects subject to the Asset Investment Program Review detailed in the 2013-14 mid-year review.

## 2013-14 MID-YEAR REVIEW OF ASSET INVESTMENT PROGRAM

### Fremantle Ports

Project Title	Change to Project Cashflows				Project Completion Date		Comment on new Completion Date
	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2013-14 Budget	2013-14 MYR	
<b>Kwinana Bulk Jetty</b>							
Bulk Handling Equipment			-	-13,139.0	2016/17	2017/18	One-year deferral
Export-Import Infrastructure		-2,518.0	-11,504.0	-12,728.0	2016/17	2017/18	One-year deferral
Export-Import Infrastructure Phase 3		-500.0	-10,000.0	-4,500.0	2015/16	n/a	Project deleted
Land Acquisition Lot 14	-	-		-13,000.0	2015/16	n/a	Project deleted
<b>Kwinana Bulk Terminal</b>							
Infrastructure & Equipment Replacement & Upgrade	-4,000.0	-8,000.0	-5,150.0	-5,200.0	2015/16	2013/14	Brought forward two years
Undercover Storage		-13,429.0	-	-	2013/14	n/a	Project deleted
<b>Total</b>	<b>-4,000.0</b>	<b>-24,447.0</b>	<b>-26,654.0</b>	<b>-48,567.0</b>			

c)(i), (ii) and (iii): The following table summarises amendments to Housing Authority projects subject to the Asset Investment Program Review detailed in the 2013-14 mid-year review.

**2013-14 MID-YEAR REVIEW OF ASSET INVESTMENT PROGRAM**  
Housing Authority

Project Title	Change to Project Cashflows				Project Completion Date		Comment on new Completion Date	Comment on number of units not to be built
	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2013-14 Budget	2013-14 MYR		
Community Housing Program	-	-3,183.0	-3,342.0	-3,475.0	Ongoing	Ongoing	No deferral	20 units; 8 upgraded units.
Crisis Accommodation Program	-	-5,834.0	-9,395.0	-9,771.0	Ongoing	Ongoing	No deferral	38 units.
Mainstream Construction from High Value Sales	-	-19,584.0	-8,280.0	-4,140.0	Ongoing	Ongoing	Deferred to 2017-18	10 units
Mainstream Construction from Stimulus Stage 3 Sell-downs	-	-9,050.0	-	-	2014-15	2017-18	Deferred to 2017-18	No reductions
Key Service Worker Construction from Sell-downs	-	-10,472.0	-56,460.0	-49,650.0	Ongoing	Ongoing	Deferred to 2017-18	12% reduction
Construction and Purchase of Government Regional Officers' Housing	-	-82,420.0	-50,354.0	-49,203.0	Ongoing	Ongoing	No deferral	291 units, with need to lease as alternative.
Hamilton Workers Fly Camp	-6,575.0	-	-	-	Ongoing	Ongoing	No deferral	30 units; this program not required as BHPBIO project not proceeding with 'The Hamilton' 400 unit property development.
Housing for Workers	-8,000.0	-55,000.0	-8,000.0	-8,000.0	Ongoing	Ongoing	Deferred to 2018-19	12% reduction in units based on where key service workers are required in 2017-18
<b>Total</b>	<b>-14,575.0</b>	<b>-185,543.0</b>	<b>-135,831.0</b>	<b>-124,239.0</b>				

5. I refer to the 2013-14 mid-year review and ask for each Metropolitan Redevelopment Authority project which has had a revised financial forecast:

- a) what is the change to the projects cash flow in 2013-14 and in each year of the forward estimates;
- b) what will be the new date for completion of the project;
- c) has any change been made to the income that is expected to be generated by the project; and
- d) if yes to (c), what is the expected increase or decrease in revenue in 2013-14 and in each year of the forward estimates?

Answer:

a): The following table shows changes to cash flows for Metropolitan Redevelopment Authority (MRA) projects as reported in the 2013-14 mid-year review (relative to the recent budget).

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**CHANGES TO MRA PROJECT CASH FLOWS - 2013-14 MID-YEAR REVIEW**

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	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Armadale	0.1	-6.7	-0.4	1.8
Wungong	-1.9	0	0	0
East Perth	-0.2	-0.2	-0.3	-0.3
Elizabeth Quay	-63.9	97.7	51.7	-47.5
Corporate Assets	0.6	-0.2	-0.2	-0.5
Northbridge	-0.5	2	0.6	-1.9
Perth City Link	7.2	-6.8	-6	13.7
Riverside	-1.5	9	15.9	0.9
Midland	-1.3	-1.5	-2.6	2
Subiaco	1.1	-1.1	-0.5	-0.5
<b>Total</b>	<b>-60.3</b>	<b>92.2</b>	<b>58.2</b>	<b>-32.3</b>

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b): Projects remain on track to be delivered within the published timeframes.

c) and d): Yes, revenue assumptions often fluctuate to reflect market conditions. The changes in revenue in 2013-14 and in each year of the forward estimates are shown in the following table.

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**CHANGES TO MRA PROJECT REVENUE - 2013-14 MID-YEAR REVIEW<sup>(a)</sup>**

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	2013-14	2014-15	2015-16	2016-17
	\$m	\$m	\$m	\$m
Armadale	0.0	0.0	0.0	0.0
Wungong	0.0	0.0	0.0	0.0
East Perth	0.0	0.0	0.0	0.0
Elizabeth Quay	8.4	-27.8	24.9	4.2
Corporate Assets	0.0	0.0	0.0	0.0
Northbridge	0.0	1.4	0.0	0.0
Perth City Link	-5.0	-5.7	-5.0	-13.7
Riverside	-8.0	8.0	0.0	0.0
Midland	-3.8	0.2	-0.2	0.0
Subiaco	-2.2	12.3	-6.5	-8.1
<b>Total</b>	<b>-10.6</b>	<b>-11.6</b>	<b>13.2</b>	<b>-17.5</b>

(a) Data are for land sales only, does not show other revenues such as rent, interest and developers contributions.

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6. *I refer to the 2013-14 mid-year review and ask: Why has the expected revenue for State Training Providers been reduced?*

Answer:

The difference in goods and services revenue disclosures (totalling \$115 million over the forward estimates period between 2013-14 Budget and mid-year review publications) is primarily due to exclusion of student fee revenue that will be collected by private training providers, and a revision by the State Training Providers (STPs) of other revenue disclosed as goods and services charges (e.g. revenue from sponsorships) to align to Future Skills WA. The mid-year review adjustment of the budget-time revenue forecast was accompanied by an equivalent reduction in forecast gross operating expenses of STPs.

7. *Are the interest rates used in preparing the 2013-14 mid-year review the same as those used in the 2013-14 Budget?*

Answer:

No.

8. *What were the projected borrowing rates on which the 2013-14 Budget was based?*

Answer:

The Committee is referred to Table 3, Chapter 1: Overview of Budget Paper No. 3: *Economic and Fiscal Overview*.

9. *What are the projected borrowing rates on which the 2013-14 mid-year review is based?*

Answer:

The Committee is referred to Table 4, Chapter 1: *Financial Projections* of the 2013-14 *Government Mid-year Financial Projections Statement*.

10. *What were the projected earning rates on which the 2013-14 Budget was based?*

Answer:

The Committee is referred to Table 3, Chapter 1: Overview of Budget Paper No. 3: *Economic and Fiscal Overview*.



11. *What were the projected earning rates on which the 2013-14 mid-year review was based?*

Answer:

The Committee is referred to Table 4, Chapter 1: *Financial Projections* of the 2013-14 *Government Mid-year Financial Projections Statement*.

12. *Please provide the rate for this financial and each year of the forward estimates.*

Answer:

See responses to questions 8, 9, 10 and 11.

13. *What was the FTE ceiling in 2013-14 Budget and each year of the forward estimates for the top 15 agencies?*

Answer:

FTE ceilings no longer apply to agencies following implementation of the public sector workforce reforms reflected in the Fiscal Action Plan as part of the 2013-14 Budget (with salaries expenditure caps based on CPI growth being the main component of the new salaries control measures).

14. *What is the FTE ceiling in 2013-14 mid-year review and each year of the forward estimates for the top 15 agencies?*

Answer:

See response to question 13.

15. *What provision is made in the budget for future salary increase in 2013-14 and each year of the forward estimates? What is this in both dollars and percentage terms?*

Answer:

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<b>GENERAL GOVERNMENT SECTOR SALARIES EXPENSES</b>				
2013-14 Mid-year Review				
	2013-14	2014-15	2015-16	2016-17
Salaries (\$m)	10,960	11,109	11,509	12,076
Salaries Growth (\$m)	807	148	400	566
Salaries Growth (%)	7.9	1.4	3.6	4.9

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16. *Can you please provide a copy of the contract and agreements with the Government for Acacia Prison expansion?*

Answer:

Release of the contract documents in question is subject to advice from the State Solicitor's Office (SSO) regarding the confidentiality provisions contained within the documents. A response to this question will be provided as soon as SSO advice has been received.

17. *Can you please provide a copy of the contract and agreements with the Government for the Old treasury Cathedral Square redevelopment?*

Answer:

See response to question 16.

18. *Have any assets of the Ord Stage 2 project been transferred to any other party? If yes, what was the asset transferred and what was its value?*

Answer:

No.

19. *Does the 2013-14 Budget and forward estimates include any expected transfer of assets from the Ord Stage 2 project to any other party? If yes, what was the asset transferred and what was its value?*

Answer:

The 2013-14 Budget includes a transfer of \$192.6 million in 2013-14 in road and irrigation assets.

20. *What is the value of the assets created by Ord Stage 2? What value is assigned to these assets in the consolidated accounts for this year and each year of the forward estimates?*

Answer:

The value of assets created by the Ord Stage 2 project is \$301 million.

The value of assets retained by the State in the 2013-14 Budget in 2013-14 is \$195 million, reducing to \$108.4 million in 2014-15.

21. *What is the expected value of the assets created by the Elizabeth Quay development? How much of this is for land that is expected to be sold?*

Answer:

The Elizabeth Quay project is expected to attract \$2.2 billion of private sector investment. The State Government has approved an investment of \$438.5 million to facilitate the creation of development lots and the public domain.

The public domain will include:

- 250,000 square metres of public piazza with 3 kiosks;
- an Island with the reconstructed Florence Hummerston Kiosk;
- 2 children's play spaces;
- Station Park with an interactive water feature; and
- an inlet with a ferry terminal and 24 short stay public jetties.

Of the \$438.5 million, it is anticipated that \$170 million will be recouped via land sales (subject to market conditions), resulting in an estimated net investment by the State of \$268.5 million.